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Boshiwa

BOSHIWA INTERNATIONAL HOLDING LIMITED

博士蛙國際控股有限公司

(Provisional Liquidators Appointed)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1698)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2012**

Boshiwa International Holding Limited (Provisional Liquidators Appointed) (the “**Company**”) announces the condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2012 and consolidated financial position as at 30 June 2012 with comparative figures as at 31 December 2011 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2012

		Six months ended 30 June	
	<i>Notes</i>	2012	2011
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	3	382,397	876,724
Cost of sales		(273,685)	(488,484)
Gross profit		108,712	388,240
Investment income	4	–	2,831
Other gains and losses	5	(229,625)	(4,702)
Distribution and selling expenses		(192,558)	(165,163)
Administrative and general expenses		(82,099)	(33,954)
Interest on borrowings wholly repayable within five years		(2,929)	(571)
(Loss)/profit before tax		(398,499)	186,681
Income tax credit/(expense)	6	3,634	(56,705)
(Loss)/profit for the period	7	(394,865)	129,976
Other comprehensive income for the period, net of tax			
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
Total comprehensive (loss)/income for the period		(394,865)	132,843
(Loss)/income for the period attributable to:			
Owners of the Company		(394,295)	129,976
Non-controlling interests		(570)	–
		(394,865)	129,976
Total comprehensive (loss)/income for the period attributable to:			
Owners of the Company		(394,295)	132,843
Non-controlling interests		(570)	–
		(394,865)	132,843
(Loss)/earnings per share			
– Basic and diluted (RMB cents per share)	9	(19)	6.26

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2012

	<i>Notes</i>	As at 30 June 2012 <i>RMB '000</i> (Unaudited)	As at 31 December 2011 <i>RMB '000</i> (Audited)
Non-current assets			
Property, plant and equipment	10	366,522	343,345
Prepayments for acquisition of property, plant and equipment		103,751	142,733
Prepayments for acquisition of computer software		15,217	15,217
Prepaid lease payments – non-current		5,857	5,891
Investment property		2,989	3,058
Intangible assets		17,224	15,937
Deferred tax assets		39,689	29,381
Deposits		25,016	20,585
		<u>576,265</u>	<u>576,147</u>
Current assets			
Inventories		498,714	342,617
Trade and other receivables	11	1,307,705	1,045,840
Prepaid lease payments – current		260	260
Bank and cash balances		72,195	1,331,308
		<u>1,878,874</u>	<u>2,720,025</u>
Current liabilities			
Trade and other payables	12	232,421	344,501
Tax liabilities		–	47,312
Short-term borrowings		100,000	400,000
		<u>332,421</u>	<u>791,813</u>
Net current assets		<u>1,546,453</u>	<u>1,928,212</u>
Total assets less current liabilities		<u>2,122,718</u>	<u>2,504,359</u>
Non-current liabilities			
Deferred tax liabilities		170	170
NET ASSETS		<u>2,122,548</u>	<u>2,504,189</u>
Capital and reserves			
Share capital	13	904	904
Reserves		2,121,714	2,503,285
Equity attributable to owners of the Company		2,122,618	2,504,189
Non-controlling interests		(70)	–
TOTAL EQUITY		<u>2,122,548</u>	<u>2,504,189</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2012

(Unaudited)

	Attributable to equity holders 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	Share option reserve RMB'000	Retained earnings/ (Accumulated losses) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2011	904	2,357,072	331,325	46,077	(2,867)	-	147,654	2,880,165	-	2,880,165
Total comprehensive income for the period	-	-	-	-	2,867	-	129,976	132,843	-	132,843
Dividends	-	-	-	-	-	-	(28,972)	(28,972)	-	(28,972)
Change in equity for the period	-	-	-	-	2,867	-	101,004	103,871	-	103,871
At 30 June 2011	<u>904</u>	<u>2,357,072</u>	<u>331,325</u>	<u>46,077</u>	<u>-</u>	<u>-</u>	<u>248,658</u>	<u>2,984,036</u>	<u>-</u>	<u>2,984,036</u>
At 1 January 2012	904	2,357,072	331,325	46,077	-	7,366	(238,555)	2,504,189	-	2,504,189
Total comprehensive loss for the period	-	-	-	-	-	-	(394,295)	(394,295)	(570)	(394,865)
Capital contribution by a non-controlling shareholder	-	-	-	-	-	-	-	-	500	500
Recognition of equity-settled share-based payment expenses	-	-	-	-	-	12,724	-	12,724	-	12,724
Change in equity for the period	-	-	-	-	-	12,724	(394,295)	(381,571)	(70)	(381,641)
At 30 June 2012	<u>904</u>	<u>2,357,072</u>	<u>331,325</u>	<u>46,077</u>	<u>-</u>	<u>20,090</u>	<u>(632,850)</u>	<u>2,122,618</u>	<u>(70)</u>	<u>2,122,548</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(921,628)	(923,556)
Payments and prepayments for acquisition of property, plant and equipment	(36,715)	(20,696)
Other investing cash flows (net)	(1,270)	202,866
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	(37,985)	182,170
Proceeds from borrowings	–	150,000
Capital contribution by a non-controlling shareholder	500	–
Payments of transaction costs attributable to issue of new shares	–	(20,818)
Repayments of borrowings	(300,000)	(160,000)
Dividends paid	–	(18,569)
NET CASH USED IN FINANCING ACTIVITIES	(299,500)	(49,387)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,259,113)	(790,773)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,331,308	1,690,155
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES	–	(16,556)
CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY	72,195	882,826
Bank and cash balances	72,195	882,826

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These condensed financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

These condensed financial statements should be read in conjunction with the 2011 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2011.

Suspension of trading in shares of the Company

References are made to the Company’s announcements dated 15 March 2012 in relation to, among other things, resignation of auditor and delay in publication of annual results and despatch of annual report of the Group for the year ended 31 December 2011. At the request of the Company, trading in shares of the Company has been suspended since 15 March 2012.

Appointment of the Provisional Liquidators

On 30 January 2015, Ritch & Conolly (as Cayman attorneys-at-Law) on behalf of TB International Limited and Trustbridge Partners II L.P. (as petitioners) filed a winding up petition in the Grand Court of the Cayman Islands (“**Cayman Islands Court**”) against the Company. The petition alleges, amongst other things, that the petitioners have concerns that the board of directors of the Company is not acting in the best interests of the Company and is seeking to have it wound up. On 11 February 2015, on the application of Ritch & Conolly, the Cayman Islands Court granted an Order appointing (i) Mr. Stephen Liu Yiu Keung and Mr. David Yen Ching Wai of Ernst & Young Transactions Limited, Hong Kong and (ii) Mr. Keiran Hutchison of Ernst & Young Ltd., Cayman Islands, jointly and severally as the provisional liquidators of the Company (the “**Provisional Liquidators**”). The Cayman Islands Court has provided the Provisional Liquidators with restricted powers, which include, among other things, preserve the assets of the Company, take charge of the Company’s subsidiaries, access and review the records, books and documents of the Company and convene meetings of shareholders.

On 3 March 2015, the Cayman Islands Court ordered that, among other things, (1) the winding-up petition against the Company be set down for trial at the first available date after and including 18 September 2015 with a time estimate of 10 days and (2) the Provisional Liquidators be granted leave to seek recognition in proceedings in the Courts of Hong Kong and in particular recognition of the Orders dated 11 February 2015 and 3 March 2015 (the “**Hong Kong Recognition**”). On 4 June 2015, the Provisional Liquidators were informed that the High Court of Hong Kong approved the Hong Kong Recognition on 21 May 2015. A consent order to adjourning the trial of the winding-up petition against the Company was granted by the Cayman Islands Court on 10 November 2015, among other things, ordering that the said trial of the winding-up petition be adjourned to a date to be fixed.

Restructuring of the Group

After the appointment of the Provisional Liquidators, a potential investor was introduced to the Group regarding the restructuring, and an exclusivity agreement was executed between the potential investor and the Provisional Liquidators on 26 August 2016. Special purpose vehicles of the Group, namely Gold Topper Development Limited (incorporated in Hong Kong) and Golden Stream Enterprises Limited (incorporated in the British Virgin Islands) were later set up in September 2016 to support the restructuring. On 5 December 2016, a facility agreement was entered into between the potential investor and Gold Topper Development Limited, where the potential investor has agreed to make available to Gold Topper Development Limited a loan facility of up to HK10 million upon the terms and conditions (the “**Facility**”). On 16 October 2017, the parties entered into a supplemental loan agreement whereby the total Facility amount was increased to up to HK\$20 million. In consideration of the potential investor agreeing to continue to make the Facility available to Gold Topper Development Limited upon the terms and conditions of the facility agreement, it was a condition precedent under the facility agreement (as supplemented) that Golden Stream Enterprises Limited, being the sole shareholder of Gold Topper Development Limited, as beneficial owner mortgages, charges and assigns by way of a first legal charge over the shares of Gold Topper Development Limited to the potential investor as a continuing security.

The initial HK\$10 million and a further HK\$10 million loan facility were drawn down in full in mid December 2016 and mid October 2017 by Gold Topper Development Limited and such amount has been put into use for the recovery and development of the Company’s business operation in the People’s Republic of China (the “**PRC**”).

Listing status of the Company

On 27 January 2016, the Stock Exchange placed the Company in the first delisting stage under Practice Note 17 to the Listing Rules and that the Company was required to submit a viable resumption proposal at least 10 business days before 26 July 2016.

On 28 July 2016, as the Company had not submitted any resumption proposal before the expiry of the first delisting stage, the Stock Exchange decided to place the Company into the second delisting stage under Practice Note 17 to the Listing Rules.

On 27 January 2017, the Company did not provide any resumption proposal. Therefore, the Stock Exchange decided on 10 February 2017 to place the Company into the third delisting stage under Practice Note 17 to the Listing Rules.

The Company is required to submit a viable resumption proposal to demonstrate sufficient operations or assets at least 10 business days before the third delisting stage expires (i.e. 4 August 2017) and the Company must:

- i. address the matters raised in the resignation letter of the resigned auditors of the Company, dated 13 March 2012 as extracted and disclosed in the announcement of the Company dated 15 March 2012;
- ii. demonstrate that there is no regulatory concern about management integrity, which will pose a risk to investors and damage market confidence;
- iii. publish all outstanding financial results and address any audit qualifications; and
- iv. demonstrate that it has put in place adequate financial reporting procedures and internal control systems to meet obligations under the Listing Rules.

Deconsolidation of subsidiaries

The consolidated financial statements have been prepared based on the books and records maintained by the Group. The Provisional Liquidators were informed that a significant portion of such books and records were maintained in the Group's main building situated in Shanghai. However, access to such books and records was limited because the building has been seized and sealed up by the local court since October 2014 due to a legal proceeding initiated by a secured creditor of the Group. As a result of the resignation of an experienced finance manager and other accounting personnel and limited accounting documents preserved by the Group, the Provisional Liquidators considered that the control over the following subsidiaries had been lost since January 2015. The results, assets, liabilities and cash flows of these subsidiaries were deconsolidated from the consolidated financial statements of the Group since January 2015. The major subsidiaries were deconsolidated as follows:

- (1) Kingman Holdings Limited
- (2) Pacific Leader International Holdings Limited
- (3) Shanghai Rongchen Boshiwa (Group) Co., Ltd.
- (4) Boshiwa Enterprise Development Co., Ltd.
- (5) Shanghai Rongchen Information & Consulting Co., Ltd.
- (6) Shanghai Desheng Information Technology Limited
- (7) 北京博士蛙商貿有限公司
- (8) 博士蛙(上海)國際貿易有限公司
- (9) 浙江博士蛙企業發展有限公司
- (10) 博士蛙(上海)物流發展有限公司
- (11) 上海歐紀源健康管理諮詢有限公司
- (12) 上海博士蛙貿易有限公司

Going concern basis

The Group incurred a loss attributable to owners of the Company of approximately RMB394,295,000 for the six months ended 30 June 2012. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The condensed consolidated financial statements have been prepared on a going concern basis on the basis that the proposed restructuring of the Group will be successfully completed, and that, following the restructuring, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future.

Should the Group be unable to achieve a successful restructuring and to continue its business as a going concern, adjustments would have to be made to the condensed consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised International Financial Reporting Standards (“IFRSs”) issued by International Accounting Standards Board that are relevant to its operations and effective for its accounting year beginning on 1 January 2012. IFRSs comprise International Financial Reporting Standards; International Accounting Standards; and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior period.

The Group has not applied the new and revised IFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised IFRSs but is not yet in a position to state whether these new and revised IFRSs would have a material impact on its results of operations and financial position.

3. REVENUE AND SEGMENT INFORMATION

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

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

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

Revenue analysed by major products categories are as follows:

	Six months ended 30 June	
	2012	2011
	RMB’000	RMB’000
	(Unaudited)	(Unaudited)
Revenue from:		
Children’s apparel and accessories	233,262	593,509
Other children’s products	149,135	283,215
	<hr/>	<hr/>
Total revenue	382,397	876,724
	<hr/> <hr/>	<hr/> <hr/>

Information about major customer

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

4. INVESTMENT INCOME

	Six months ended 30 June	
	2012 <i>RMB'000</i> (Unaudited)	2011 <i>RMB'000</i> (Unaudited)
Interest on bank deposits	–	1,226
Investment income from available-for-sale investments	–	1,301
Rentals from investment property	–	304
	<u>–</u>	<u>2,831</u>
	<u>–</u>	<u>2,831</u>

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2012 <i>RMB'000</i> (Unaudited)	2011 <i>RMB'000</i> (Unaudited)
Government grants	–	16,506
Net foreign exchange losses	–	(20,018)
Cumulative loss reclassified from equity on disposal of available-for-sale investments	–	(4,451)
Net gain arising on held for trading investments	–	3,164
Impairment losses	(226,325)	–
Others	(3,300)	97
	<u>(229,625)</u>	<u>97</u>
	<u>(229,625)</u>	<u>(4,702)</u>

6. INCOME TAX CREDIT/(EXPENSE)

	Six months ended 30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current tax:		
– PRC Enterprise Income Tax	(3,753)	(54,954)
Deferred tax credit/(charge)	7,387	(1,751)
	<u>3,634</u>	<u>(56,705)</u>

The Company and Kingman Holdings Limited are tax exempted companies incorporated in the Cayman Islands and British Virgin Islands, respectively, and had no operation in either the PRC and Hong Kong. Pacific Leader International Holdings Limited was incorporated in Hong Kong, where the applicable income tax rate is 16.5% for both periods ended 30 June 2012 and 2011.

The applicable income tax rate for Shanghai Rongchen Boshiwa (Group) Co., Ltd., Shanghai Rongchen Information & Consulting Co., Ltd., Boshiwa Enterprise Development Co., Ltd. and Shanghai Desheng Information Technology was 25% for both periods ended 30 June 2012 and 2011.

7. LOSS/(PROFIT) FOR THE PERIOD

The Group's loss/(profit) for the period is stated after charging/(crediting) the following:

	Six months ended 30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Allowance for doubtful debts of trade and other receivables	23,337	1,299
Cost of inventories	273,685	488,484
Depreciation of property, plant, and equipment	34,672	17,961
Depreciation of investment property	68	61
Minimum operating lease rentals in respect of rented premises	17,144	41,596
Contingent operating lease rentals in respect of rented premises	18,746	19,691
Amortisation of prepaid lease payments	34	130
Recovery of inventories (included in cost of sales)	–	(6,714)

8. DIVIDENDS

During the six months ended 30 June 2012 and 2011, no dividend was declared to the owners of the Company.

9. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share attributable to the owners of the Company is based on the followings:

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(Loss)/earnings		
(Loss)/profit for the period attributable to owners of the Company for the purpose of basic and diluted (loss)/earnings per share	<u>(394,295)</u>	<u>129,976</u>
	Six months ended 30 June	
	2012	2011
	'000	'000
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share	<u>2,075,000</u>	<u>2,075,000</u>

The effect of all potential ordinary shares is anti-dilutive for the periods ended 30 June 2012.

No diluted earnings per share have been presented as the Company has no potential dilutive ordinary shares outstanding during the period ended 30 June 2011.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2012, the Group acquired property, plant and equipment of approximately RMB57,849,000 (six months ended 30 June 2011: RMB50,069,000).

11. TRADE AND OTHER RECEIVABLES

	As at 30 June	As at 31 December
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade receivables	569,215	472,994
Less: Allowance for doubtful debts	<u>(31,841)</u>	<u>(2,314)</u>
Trade receivables – net	537,374	470,680
Advance payments to suppliers	434,323	561,800
Other receivables	336,693	17,844
Less: Allowance for doubtful debts of other receivables	(685)	(6,875)
Rental deposits	<u>–</u>	<u>2,391</u>
	<u>1,307,705</u>	<u>1,045,840</u>

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

The Group allows a credit period ranging from 0 to 90 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:

	As at 30 June 2012 RMB'000 (Unaudited)	As at 31 December 2011 RMB'000 (Audited)
0 to 30 days	16,843	264,850
31 to 90 days	79,274	156,199
91 to 180 days	205,038	30,446
Over 180 days	236,219	19,185
	<u>537,374</u>	<u>470,680</u>

12. TRADE AND OTHER PAYABLES

	As at 30 June 2012 RMB'000 (Unaudited)	As at 31 December 2011 RMB'000 (Audited)
Trade payables	146,721	79,138
Value-added tax payables	–	29,226
Payroll payables	4,182	10,459
Advance payments from customers	71,553	17,558
Other payables	9,575	197,661
Accruals	390	10,459
	<u>232,421</u>	<u>344,501</u>

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

The aging analysis of the trade payables as at the balance sheet date, based on the date of receipt of consumables or goods purchased, is as follows:

	As at 30 June 2012 RMB'000 (Unaudited)	As at 31 December 2011 RMB'000 (Audited)
0 to 90 days	46,600	76,363
91 to 180 days	79,583	1,428
Over 180 days	20,538	1,347
	<u>146,721</u>	<u>79,138</u>

13. SHARE CAPITAL

Movements of the share capital of the Company are as follows:

	Number of shares <i>'000</i>	Share capital <i>HKD</i>
Ordinary shares of HK0.0005 each		
Authorised:		
At 1 January 2011, 31 December 2011 and 30 June 2012	<u>200,000,000</u>	<u>100,000,000</u>
Issued and fully paid:		
At 1 January 2011, 31 December 2011 and 30 June 2012	<u>2,075,000</u>	<u>1,037,500</u>
	As at 30 June 2012 <i>RMB'000</i> (Unaudited)	As at 31 December 2011 <i>RMB'000</i> (Audited)
Presented in RMB		
Share capital	<u>904</u>	<u>904</u>

14. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, there are certain updates on the Group's business and financial restructuring in progress, and further details of which are stated in note 1 to these condensed consolidated financial statements.

15. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the Board of Directors on 16 November 2017.

RESULT FOR THE SIX MONTHS ENDED 30 JUNE 2012

BUSINESS AND FINANCIAL REVIEW

Business Review

Appointment of the Provisional Liquidators and the Winding-Up Hearing

On 30 January 2015, Ritch & Conolly (as Cayman attorneys-at-Law) on behalf of TB International and Trustbridge Partners II L.P. (as petitioners) filed a winding-up petition in the Grand Court of the Cayman Islands (the “**Cayman Islands Court**”) against the Company. The petition alleges, amongst other things, that the petitioners have concerns that the Board is not acting in the best interests of the Company, and are seeking to have it wound up.

On 11 February 2015, under the application of Ritch & Conolly on behalf of TB International and Trustbridge Partners II L.P., the Cayman Islands Court granted an Order appointing (i) Mr. Stephen Liu Yiu Keung and Mr. David Yen Ching Wai of Ernst & Young Transactions Limited, Hong Kong and (ii) Mr. Keiran Hutchison of Ernst & Young Ltd, Cayman Islands jointly and severally as the provisional liquidators of the Company (the “**Provisional Liquidators**”). The Cayman Islands Court provided the Provisional Liquidators with restricted powers, which include, among other things, to preserve the assets of the Company, take charge of the Company’s subsidiaries, access and review the records, books and documents of the Company and convene meetings of shareholders.

On 3 March 2015, the Cayman Islands Court ordered that, among other things, (1) the winding-up petition against the Company be set down for trial at the first available date after and including 18 September 2015 with a time estimate of 10 days and (2) the Provisional Liquidators be granted leave to seek recognition of proceedings in the Hong Kong Court and in particular recognition of the Orders dated 11 February 2015 and 3 March 2015.

On 21 May 2015, the High Court of Hong Kong (the “**Hong Kong Court**”) approved the recognition of the Company’s winding-up proceedings in the Hong Kong Court and the Orders dated 11 February 2015 and 3 March 2015.

The consent order to adjourn the trial of the winding-up petition against the Company was granted by the Cayman Islands Court on 10 November 2015, among other things, ordering that the said trial of the winding-up petition be adjourned to a date to be fixed.

Upon the appointment of the Provisional Liquidators and pursuant to the powers conferred to the Provisional Liquidators in the Order, the Provisional Liquidators have sought to obtain information, books and records of the Company from relevant parties including the directors and key employees of the Company, banks and auditors as well as from site visits to the offices and operations in Hong Kong and the PRC. The Provisional Liquidators have sought to identify and secure any assets of the Company including securing the Hong Kong office premises, taking possession of limited books and records in Hong Kong, requesting statements of affairs from the directors and seeking to transfer bank balances to the Provisional Liquidators’ designated accounts.

Suspension of trading in shares of the Company

Trading in the shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) has been suspended with effect from 1:38 p.m. on 15 March 2012.

Resumption conditions

On 31 October 2012, on the basis that the Company has suspended its share trading since 15 March 2012 due to auditors’ resignation and delay in publication of its results for the year ended 31 December 2011, the Listing Division of the Stock Exchange issued a letter to the Company illustrating the requirement on the Company to submit a viable resumption proposal and to satisfy the following resumption conditions:

- (i) the Company must conduct an independent forensic investigation on the matters pervasive to the Company’s financial statements raised by Deloitte Touche Tohmatsu, the auditors of the Company, in its resignation letter dated 13 March 2012 (the “**Matters**”);
- (ii) the Company must inform the market of all information about the Matters that is necessary for it to appraise the Group’s position, including their implications to the Group’s asset, financial and operational position;
- (iii) the Company must demonstrate that there is no reasonable regulatory concern about management integrity which will pose a risk to investors and damage market confidence;
- (iv) the Company must publish all outstanding financial results and reports, and address any concerns raised by the Company’s auditors in their report; and
- (v) the Company must demonstrate that it has put in place adequate financial reporting procedures and internal control system to meet obligations under the Listing Rules.

The Company is also required to comply with the Listing Rules and all applicable laws and regulations in Hong Kong and its place of incorporation before resumption. The Stock Exchange may modify any of the above and/or impose further conditions if the situation changes.

First delisting stage

On 27 January 2016, on the basis that the financial position of the Company has been deteriorated, certain premises of the Company have been frozen by the PRC court and the Provisional Liquidators considered that the Group appears to be insolvent (all of which have in turn adversely affected the Group’s operations), the Listing Division issued a letter to the Company informing the Company that it has been placed in the first stage of delisting pursuant to Practice Note 17 to the Listing Rules and that the Company was required to submit a viable resumption proposal to demonstrate its compliance with Rule 13.24 of the Listing Rules and to fulfill the resumption conditions previously set out in the letter dated 31 October 2012. The first stage of delisting pursuant to Practice Note 17 expired on 26 July 2016.

Second delisting stage

On 28 July 2016, as the Company had not submitted a resumption proposal before the expiry of the first stage of delisting, the Listing Division issued a further letter to the Company informing that the Listing Division has decided to place the Company in the second stage of delisting under Practice Note 17 to the Listing Rules and that the Company is required to submit a viable resumption proposal as well as to satisfy the following conditions.

- (i) the Company must conduct an independent forensic investigation on the Matters;
- (ii) the Company must inform the market of all information about the Matters that is necessary for it to appraise the Group's position, including their implications to the Group's asset, financial and operational position;
- (iii) the Company must demonstrate that there is no regulatory concern about management integrity, which will pose a risk to investors and damage market confidence;
- (iv) the Company must publish all outstanding financial results and address any audit qualifications; and
- (v) the Company must demonstrate that the Company has put in place adequate financial reporting procedures and internal control system to meet obligations under the Listing Rules.

Third delisting stage

On 10 February 2017, the Listing Division issued a letter to the Company informing the Company that they have decided to place the Company in the third stage of delisting under Practice Note 17 to the Listing Rules. The third stage of delisting will expire on 21 August 2017 and the Company is required to submit a viable resumption proposal to the Stock Exchange at least 10 business days before the third stage of delisting expires (i.e. 4 August 2017) to address the following resumption conditions:

- (i) the Company must address the findings of the investigation into the Matters as defined in the letter dated 31 October 2012;
- (ii) the Company must demonstrate that there is no regulatory concern about management integrity, which will pose a risk to investors and damage market confidence;
- (iii) the Company must publish all outstanding financial results and address any audit qualifications; and
- (iv) the Company must demonstrate that the Company has put in place adequate financial reporting procedures and internal control system to meet obligations under the Listing Rules.

Restructuring of the Group

On 26 August 2016, the Company, the Provisional Liquidators of the Company and the potential investor entered into the exclusivity agreement regarding the restructuring of the Group (the “**Restructuring**”). Upon the completion of the Restructuring, the Company will wholly own a newly formed PRC subsidiary company named Shanghai Jinchengtongbo International Trade co., Ltd., (“**Shanghai Jincheng**”) through two intermediate companies, Golden Stream Enterprises Limited (“**Golden Stream**”) which is a BVI incorporated company and Gold Topper Development Limited (“**Gold Topper**”) which is a subsidiary of Golden Stream and incorporated in HK. The Company together with its new operating subsidiaries form the base for re-building the business of the Group.

On 5 December 2016, Gold Topper and the potential investor entered into the facility agreement, pursuant to which the potential investor agreed to advance the facility of up to HK\$10 million to Gold Topper for the purpose of providing short term financing to Shanghai Jincheng as general working capital for re-building the business of the Group. The facility was fully utilised on 12 December 2016. On 16 October 2017, the parties entered into a supplemental loan agreement to increase the total facility amount to up to HK\$20 million and pursuant to which a further HK\$10 million was drawn down by Gold Topper in mid October 2017.

The Company has submitted a resumption proposal to the Stock Exchange on 3 August 2017. In relation to the resumption proposal, the Company has also entered into certain agreements in relation to its business development, debt restructuring and arrangement.

The Company plans to undergo the Restructuring which includes the debt restructuring, the capital reorganisation, the share subscription and the open offer. Further announcement(s) will be made by the Company to update the shareholders of the Company on the development of the Company as and when appropriate pursuant to the requirements of the Listing Rules.

Please note that the above-mentioned resumption proposal submission and Restructuring do not necessarily indicate that trading in the Company’s shares will be resumed.

Financial Review

After the suspension of trading in the shares of the Company in March 2012 (the “**Suspension**”), the Group has been facing financial difficulties and had difficulties in finding new capital (including banking facilities) to operate its business. As such, the Group (i) was unable to develop new products; (ii) was unable to expand its self-operated retail outlets and closed down some of the self-operated retail outlets to reduce its operational cost; (iii) lost the opportunities to continue to use the licensed brands (cartoon brands such as Thomas and Friends, Bob the Builder and sports brands such as Manchester United, Barcelona and Juventus etc.) as these licensors look for new partners who has better financials. In addition, given that the retail outlets third-party operators noted the financial difficulties being faced by the Group, they started to terminate the cooperation with the Group which further worsen the operations of the Group. The occurrence of such has significantly affected the normal operations of the Group.

Revenue

For the first half of financial year 2012, the Group faced many difficulties and challenging events.

The Group ceased as agent of some famous cartoon brands such as Thomas and Friends, Bob the Builder and sports brand such as Manchester United, Barcelona and Juventus that caused the Group's revenue greatly reduced during the period under review.

Furthermore, the rapid development of the e-commerce would seriously affect the business of the retail stores of clothing. The Group plans to close down some underperforming stores and scale down the overall business. The Group recorded the consolidated revenue of approximately RMB382.4 million for the six months ended 30 June 2012 (30 June 2011: approximately RMB876.7 million), representing a decrease of approximately 56.4% as compared with that in 2011. The revenue was mainly contributed by the sales of both children's apparel, footwear and accessories during the period.

Gross Profit and Gross Profit Margin

Gross profit was approximately RMB108.7 million for the six months ended 30 June 2012 (30 June 2011: approximately RMB388.2 million), with the gross profit margin was approximately 28.4% (30 June 2011: approximately 44.3%). The reduction in gross profit margin of approximately 15.9% as compared with that in the corresponding period of 2011. The reduction was caused by drastical decrease in sales revenue and the increase of procurement costs of raw materials and finished goods due to the loss of economic of scale of bulk purchasing of goods.

Loss/Profit for the period

The Group recorded a loss attributable to equity holders of approximately RMB394.9 million or approximately RMB19.0 cents for basic and diluted loss per share for the six months ended 30 June 2012 (30 June 2011: Profit approximately RMB130.0 million or RMB6.26 cents for basic and diluted earnings per share). The loss for the period was due to the drastically decrease in sales revenue and gross profit margin in the current year. Moreover, the increase in allowance for doubtful debts of trade and other receivables amounting to approximately RMB23.3 million as at 30 June 2012 (30 June 2011: approximately RMB1.3 million) and other impairment losses were approximately RMB226.3 million (30 June 2011: Nil) were critical conditions that caused a substantial increase of loss for the period.

The weighted average number of 2,075,000,000 ordinary shares was in issue as at 30 June 2012 (30 June 2011: 2,075,000,000 ordinary shares).

Dividends

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2012 (30 June 2011: a final dividend of RMB1.4 cents per share for the year ended 31 December 2010).

Other Gains and Losses

No investment income was recorded for the six months ended 30 June 2012 (30 June 2011: approximately RMB2.8 million). The Group's other losses were approximately RMB229.6 million during the period under review (30 June 2011: approximately RMB4.7 million). In 2012, the other losses for the period were mainly caused by the impairment losses recognised on expired brand licenses and aged inventories.

Distribution and Selling Expenses

Distribution and selling expenses were approximately RMB192.6 million (30 June 2011: approximately RMB165.2 million) whilst the distribution and selling expenses to revenue ratio was approximately 50.4% (30 June 2011: approximately 18.8%). The ratio of distribution and selling expenses to revenue drastically increased by approximately 31.6% since sales revenue drastically decreased for the six months ended 30 June 2012.

Administrative and General Expenses

Administrative and general expenses were approximately RMB82.1 million (30 June 2011: approximately RMB34.0 million) whilst the administrative expenses to revenue ratio was approximately 21.5% (30 June 2011: approximately 3.9%). An increase of administrative expenses of approximately RMB48.1 million or approximately 141.8% as compared with that for the period ended 30 June 2011 due to an increase in rental and property expenses, salaries and benefits, advertising costs and other expenses.

Finance Costs

Finance costs were approximately RMB2.9 million (30 June 2011: approximately RMB0.6 million whilst the finance costs to revenue ratio was approximately 0.8% (30 June 2011: approximately 0.1%).

The nature of finance costs was mainly attributable to interest on bank loans during the period.

Interest Income

The Group had no interest income received from bank for the period ended 30 June 2012 (30 June 2011: approximately RMB1.2 million).

Income Tax Expense

	Six months ended 30 June	
	2012	2011
	<i>RMB' million</i>	<i>RMB' million</i>
Current tax:		
PRC Enterprise Income Tax	(3.8)	(55.0)
Deferred tax charge/(credit)	7.4	(1.8)
	<u>3.6</u>	<u>(56.8)</u>

Hong Kong profits tax for the subsidiary companies incorporated in Hong Kong is provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong (if any) for both period ended 30 June 2012 and 2011. The applicable income tax rate for PRC subsidiary companies was 25% for both period ended 30 June 2012 and 2011.

Liquidity and Financial Resources

Total Equity

As at 30 June 2012, total equity was approximately RMB2,122.5 million, representing a decrease of approximately 15.2%, as compared to approximately RMB2,504.2 million as at 31 December 2011.

Financial Position

As at 30 June 2012, the Group had total current assets of approximately RMB1,878.9 million (31 December 2011: approximately RMB2,720.0 million) and total current liabilities of approximately RMB332.4 million (31 December 2011: approximately RMB791.8 million), with net current assets of approximately RMB1,546.5 million (31 December 2011: approximately RMB1,928.2 million).

As at 30 June 2012, the Group's net gearing ratio (expressed as a percentage of total interest-bearing liabilities to total assets) was approximately 4.1%, as compared to approximately 12.1% as at 31 December 2011.

Cash and Cash Equivalents

As at 30 June 2012, the Group had cash and cash equivalents of approximately RMB72.2 million (31 December 2011: approximately RMB1,331.3 million), of which Nil balance (31 December 2011: approximately RMB77.3 million) were denominated in HKD equivalent, approximately RMB0.9 million (31 December 2011: approximately RMB159.7 million) were denominated in USD equivalent, the remaining balance were denominated in RMB.

Bank Borrowings

The Group had interest-bearing short-term bank loan of approximately RMB100.0 million as at 30 June 2012 (31 December 2011: approximately RMB400.0 million) while total banking facilities amounted to approximately RMB100.0 million (31 December 2011: approximately RMB400.0 million).

The short-term bank loan was secured by buildings and guaranteed by Shanghai Yangpu District Small to Medium Enterprises Guarantee Centre (上海市楊浦區中小企業信用擔保中心) and the contracted interest rate of 5.31% per annum with the maturity within one year from the end of the reporting period.

Working Capital

Inventory

The inventory of the Group was mainly consisted of the finished goods and raw materials (including the packaging materials) only. Total inventory as at 30 June 2012 was approximately RMB498.7 million as compared to approximately RMB342.6 million as at 31 December 2011, representing an increase of approximately 45.6%. Inventories turnover days as at 30 June 2012 was approximately 330 days (31 December 2011: 116 days).

A substantial increase in inventory for the six months ended 30 June 2012 was caused by a drastical decrease in sales revenue of children products.

Trade Receivables

As at 30 June 2012 and 31 December 2011, the trade receivables net of provision for doubtful debts were approximately RMB537.4 million and approximately RMB470.7 million, respectively. Trade receivables turnover days net of provisional for doubtful debts was approximately 254 days (31 December 2011: approximately 95 days). The trade receivables of the Group comprised of the receivables from the concessions of the department stores, the receivables from authorised dealers and wholesalers.

The Group strikes to exercise due care in managing credit exposure. The Group 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. The trade receivables balances are reviewed regularly by our senior management. With our comprehensive credit control system, we seek to maintain strict control over and closely monitor our outstanding receivables to minimise credit risk.

Other Receivables

As at 30 June 2012 and 31 December 2011, the other receivables net of provision for doubtful debts were approximately RMB770.3 million and approximately RMB575.2 million respectively. The other receivables of the Group mainly comprised of advance payment to suppliers and distributors related to sales of prepaid cards, which were unsecured and non-interest bearing.

Impairment of trade and other receivables

The management of the Group took a prudent approach in assessing the collectability of trade and other receivables and would review the status of the receivables. This includes taking, the credit history of the customers of the Group and the prevailing market condition into consideration.

As at 30 June 2012, impairments have been recognised in trade receivables of approximately RMB31.8 million (31 December 2011: approximately RMB2.3 million) and approximately RMB0.7 million (31 December 2011: approximately RMB6.9 million) for other receivables.

Trade Payables

As at 30 June 2012 and 31 December 2011, the trade payables were approximately RMB146.7 million and approximately RMB79.1 million respectively. Trade payables turnover days were approximately 97 days (31 December 2011: approximately 27 days). A substantial increase in the trade payable turnover days was mainly attributable to the tight operating cash flows that caused by the drastic decrease in revenue for the year.

Overall Liquidity

Overall, the Group maintained a current ratio of 5.7 as at 30 June 2012 (31 December 2011: 3.4). Financial positions of the Group maintained healthy financial positions for the six months ended 30 June 2012 and as at 31 December 2011. As at 30 June 2012, the Group had working capital of approximately RMB1,546.5 million (31 December 2011: approximately RMB1,928.2 million), representing a decrease of approximately 19.8%. The decrease was mainly due to a substantial decrease in cash and cash equivalents balance from approximately RMB1,331.3 million as at 31 December 2011 to approximately RMB72.2 million at the end of the period, representing a decrease of approximately 94.6%.

Contingent Liabilities

As at 30 June 2012, the Group had no material contingent liabilities (31 December 2011: Nil).

Capital Commitments

The Group did not have significant capital commitments as at 30 June 2012 and 31 December 2011..

Pledge of Assets

As at 30 June 2012 and 31 December 2011, the Group mortgaged its buildings and was guaranteed by Shanghai Yangpu District Small to Medium Enterprise Guarantee Centre (上海市楊浦區中小企業信用擔保中心) to banks to secure bank loans and general banking facilities granted.

Exposure to fluctuations in exchange and interest rates and related hedge

Most business transactions of the Group are settled in RMB since the operations of the Group are mainly carried out in the PRC, and the major subsidiaries of the Group are operating in a RMB environment and the functional currency of the major subsidiaries is RMB. The reporting currency of the Group is RMB.

The Group's cash and bank deposits are predominantly in RMB. Based on the aforesaid, the Group does not enter into any agreement to hedge against the foreign exchange risk. The Company will pay dividends in Hong Kong Dollars if dividends are declared and it will continue to monitor the fluctuation of RMB closely and will introduce suitable measures as and when appropriate.

The fair value interest rate risk relates primarily to the Group's fixed-rate bank borrowings and fixed-rate loan receivables. The cash flow interest rate risk relates primarily to the variable-rate bank deposits. The Group currently has not entered into interest rate swaps to hedge against the exposure for changing in the fair values of the borrowings. Currently, the Group does not have a specific policy to manage the interest rate risk, but the Group intends to closely monitor the interest rate risk exposure in the future. In the opinion of the Directors, the Group did not have significant exposure to cash flow interest rate risk as of 30 June 2012 and 31 December 2011, as a 100-basis point change in the variable rate bank of deposits as of those dates would not have had any significant financial impact of the Group.

Prospect

The Group faced the most difficulties and challenges for the first half year of 2012. During the second half year of 2012, the Group continued to face low or declining gross domestic product growth and competition heated up in the retail industry in the PRC.

The Group will put all efforts in the implementation of a series of adjustment measures:

1. to stabilise the development of the existing business, and to actively develop new products;
2. to further develop and expand the market segments of the Group in other provinces of the PRC;
3. to establish more stable and reasonable strategic cooperation partnership relationship with suppliers, so as to significantly decrease the procurement costs; and
4. all staff of the Group to implement the optimisation process in internal control procedures in the respective areas of procurement, sales, and finance in order to enhance operation efficiency of the Group.

The Company will cooperate with the engaged professional parties to plan its application for the resumption of trading in the shares of the Company on the Stock Exchange (the “**Resumption**”). Further announcement(s) will be published to shareholders of the Company to update the latest development of the Resumption in due course.

CODE ON CORPORATE GOVERNANCE PRACTICE

To the best knowledge of the Provisional Liquidators and based on limited available information due to prolonged suspension in trading of the shares of the Company on the Stock Exchange and certain books and records of the Company could not be located, the Company has not complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 of the Listing Rules (the “**CG Code**”) throughout the reporting period. For the purpose of maintaining good corporate governance and to ensure future compliance with the requirements of the CG Code and the Listing Rules, the Company has engaged an internal control consultant to review the internal control systems and procedures of the Group. The Group will continue to monitor, review and improve its corporate governance practices and standards to ensure that its business activities and decision making processes, financial reporting procedures, systems and controls are regulated in a proper and prudent manner.

DIRECTORS' SECURITIES TRANSACTIONS

Due to the limitation of incomplete books and records, the Provisional Liquidators were unable to ascertain whether the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules for securities transactions during the reporting period.

Based on the information made available to the Provisional Liquidators, the Provisional Liquidators were not able to confirm whether all directors of the Company have complied with, or whether there has been any non-compliance with, the required standards set out in the Model Code.

AUDIT COMMITTEE

As at 30 June 2012, the Audit Committee (“**AC**”) comprises of three Independent Non-Executive Directors, namely Mr. Chong Cha Hwa (“**Mr. Chong**”), Dr. Jiang Chang Jian (“**Dr. Jiang**”) and Mr. Li Zhi Qiang (“**Mr. Li**”). During the period, Mr. Lee Ted Tak Tai (“**Mr. Lee**”) had resigned on 23 April 2012, and Mr. Chong has been appointed as an independent non-executive director of the Company and as the chairman of the AC with the effect from 10 May 2012.

Mr. Chong, Dr. Jiang and Mr. Li subsequently resigned as Independent Non-Executive Directors on 27 October 2014, 11 October 2014 and 13 October 2014 respectively and ceased to act as members of the AC with effect from the same dates. As a result, the AC is vacant since 27 October 2014. Therefore, this announcement was not reviewed by the AC and this did not comply with the requirements of the CG Code and Listing Rules.

Due to the limitation of incomplete books and records, the above information was disclosed based on the information available to the Provisional Liquidators. The Provisional Liquidators were unable to ascertain the accuracy and completeness of such information.

Due to the limitation of incomplete books and records, the Provisional Liquidators were unable to ascertain the number of meetings convened by the AC during the reporting period.

PURCHASE, SALE AND REDEMPTION OF THE SHARES

During the six months ended 30 June 2012, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

REVIEW OF THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The board of directors of the Company has reviewed with the Management the accounting principles and policies as adopted by the Company, the practices of the Group and the unaudited condensed consolidated financial statements for the six months ended 30 June 2012.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This Results Announcement is available for viewing on the website of the Stock Exchange at <http://www.hkexnews.hk>. The 2012 Interim Report will be available on the website of the Stock Exchange at the earliest practicable opportunity.

The Provisional Liquidators have presented in these financial statements the financial information prepared by the Company's management and based on all available information to the extent provided to them in their capacity as Provisional Liquidators subsequent to their appointment on 11 February 2015. The Provisional Liquidators note that the historical information in respect of the Company prior to such appointment date as provided to them may not be complete and sufficient to establish an accurate and reliable view of the historical transactions, trading and financial position and may contain errors. The Provisional Liquidators provide no assurance for the financial statements, financial position and results contained herein which are presented solely for the purpose of meeting the listing requirements. The Provisional Liquidators do not accept or assume responsibility for these financial statements for any purpose or to any person to whom these financial statements are shown or into whose hands they may come.

CONTINUED SUSPENSION OF TRADING

Trading in the shares of the Company on the Stock Exchange will remain suspended until further notice.

Further announcement(s) will be made by the Company to update the shareholders of the Company on the development of the Company as and when appropriate pursuant to the requirements of the Listing Rules.

For and on behalf of
Boshiwa International Holding Limited
(Provisional Liquidators Appointed)
Stephen Liu Yiu Keung
David Yen Ching Wai
Keiran Hutchison
Joint Provisional Liquidators
who act without personal liabilities

Hong Kong, 16 November 2017

As at the date of this announcement, the executive directors of the Company are Mr. Zhong Zheng Yong, Ms. Chen Li Ping and Mr. Chen Pei Qi.