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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)**

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2012**

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

	<i>Notes</i>	<b>2012</b> <b>RMB '000</b>	2011 <i>RMB '000</i>
<b>Revenue</b>	7	<b>849,771</b>	1,813,923
Cost of sales		<u><b>(608,189)</b></u>	<u>(1,073,924)</u>
Gross profit		<b>241,582</b>	739,999
Other gains and losses	8	<b>(510,277)</b>	(518,899)
Distribution and selling expenses		<b>(427,908)</b>	(421,940)
Administrative and general expenses		<b>(179,779)</b>	(104,850)
Interest on borrowings wholly repayable within five years		<u><b>(6,509)</b></u>	<u>(8,897)</u>
<b>Loss before tax</b>		<b>(882,891)</b>	(314,587)
Income tax credit/(expense)	9	<u><b>8,077</b></u>	<u>(42,650)</u>
<b>Loss for the year</b>	10	<b>(874,814)</b>	(357,237)
<b>Other comprehensive income for the year, net of tax</b>			
Fair value gain on available-for-sales investments		<u>–</u>	<u>2,867</u>
<b>Total comprehensive income for the year</b>		<u><b>(874,814)</b></u>	<u>(354,370)</u>
<b>Loss for the year attributable to:</b>			
Owners of the Company		<b>(873,548)</b>	(357,237)
Non-controlling interests		<u><b>(1,266)</b></u>	<u>–</u>
		<u><b>(874,814)</b></u>	<u>(357,237)</u>
<b>Total comprehensive loss for the year attributable to:</b>			
Owners of the Company		<b>(873,548)</b>	(354,370)
Non-controlling interests		<u><b>(1,266)</b></u>	<u>–</u>
		<u><b>(874,814)</b></u>	<u>(354,370)</u>
<b>Loss per share</b>			
– Basic and diluted (RMB cents per share)	13	<u><b>(42.10)</b></u>	<u>(17.22)</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

	<i>Notes</i>	<b>2012</b> <i>RMB'000</i>	2011 <i>RMB'000</i>
<b>Non-current assets</b>			
Property, plant and equipment	<i>14</i>	<b>389,699</b>	343,345
Prepayments for acquisition of property, plant and equipment	<i>15</i>	<b>103,751</b>	142,733
Prepayments for acquisition of computer software	<i>15</i>	<b>15,217</b>	15,217
Prepaid lease payments	<i>16</i>	<b>5,823</b>	5,891
Investment property	<i>17</i>	<b>2,921</b>	3,058
Intangible assets	<i>18</i>	<b>18,511</b>	15,937
Deferred tax assets	<i>20</i>	<b>45,797</b>	29,381
Deposits		<b>25,016</b>	20,585
		<u><b>606,735</b></u>	<u>576,147</u>
<b>Current assets</b>			
Inventories	<i>21</i>	<b>498,714</b>	342,617
Trade and other receivables	<i>22</i>	<b>927,288</b>	1,045,840
Prepaid lease payments	<i>16</i>	<b>260</b>	260
Bank and cash balances	<i>23</i>	<b>31,745</b>	1,331,308
		<u><b>1,458,007</b></u>	<u>2,720,025</u>
<b>Current liabilities</b>			
Trade and other payables	<i>24</i>	<b>309,251</b>	344,501
Tax liabilities		–	47,312
Short-term borrowings	<i>25</i>	<b>100,000</b>	400,000
		<u><b>409,251</b></u>	<u>791,813</u>
<b>Net current assets</b>		<u><b>1,048,756</b></u>	<u>1,928,212</u>
<b>Total assets less current liabilities</b>		<u><b>1,655,491</b></u>	<u>2,504,359</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities	<i>20</i>	<b>170</b>	170
<b>NET ASSETS</b>		<u><b>1,655,321</b></u>	<u>2,504,189</u>
<b>Capital and reserves</b>			
Share capital	<i>26</i>	<b>904</b>	904
Reserves	<i>28</i>	<b>1,655,183</b>	2,503,285
Equity attributable to owners of the Company		<b>1,656,087</b>	2,504,189
Non-controlling interests		<b>(766)</b>	–
<b>TOTAL EQUITY</b>		<u><b>1,655,321</b></u>	<u>2,504,189</u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

	Attributable to equity holders of the Company									
	Share capital	Share premium	Capital reserves	Statutory surplus reserve	Investments revaluation reserve	Share options reserve	Retained earnings/	Total	Non-controlling interests	Total equity
							(Accumulated losses)			
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance 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/(loss) for the year	-	-	-	-	2,867	-	(357,237)	(354,370)	-	(354,370)
Recognition of equity-settled share-based payment expenses	-	-	-	-	-	7,366	-	7,366	-	7,366
Dividends	-	-	-	-	-	-	(28,972)	(28,972)	-	(28,972)
Change in equity for the year	-	-	-	-	2,867	7,366	(386,209)	(375,976)	-	(375,976)
Balance at 31 December 2011	<u>904</u>	<u>2,357,072</u>	<u>331,325</u>	<u>46,077</u>	<u>-</u>	<u>7,366</u>	<u>(238,555)</u>	<u>2,504,189</u>	<u>-</u>	<u>2,504,189</u>
Balance 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 year	-	-	-	-	-	-	(873,548)	(873,548)	(1,266)	(874,814)
Capital contribution by a non-controlling shareholder	-	-	-	-	-	-	-	-	500	500
Recognition of equity-settled share-based payment expenses	-	-	-	-	-	25,446	-	25,446	-	25,446
Change in equity for the year	-	-	-	-	-	25,446	(873,548)	(848,102)	(766)	(848,868)
Balance at 31 December 2012	<u>904</u>	<u>2,357,072</u>	<u>331,325</u>	<u>46,077</u>	<u>-</u>	<u>32,812</u>	<u>(1,112,103)</u>	<u>1,656,087</u>	<u>(766)</u>	<u>1,655,321</u>

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

	2012 <i>RMB '000</i>	2011 <i>RMB '000</i>
<b>Cash flows from operating activities</b>		
Loss before tax	(882,891)	(314,587)
Adjustments for:		
Finance costs	6,509	8,897
Investment income	(304)	(5,477)
Net unrealised foreign exchange loss	–	47,616
Allowance for doubtful debts of trade and other receivables	23,337	6,648
Impairment losses of other receivables	502,944	452,786
Depreciation of property, plant and equipment and investment property	69,480	40,048
Amortisation of prepaid lease payments	68	260
Amortisation of intangible assets	270	346
Net loss arising on held for trading investments	–	26,976
Equity-settled share-based payments	25,446	7,366
	<hr/>	<hr/>
Operating cash flows before working capital changes	(255,141)	270,879
(Increase)/Decrease in inventories	(156,097)	11,430
Increase in trade and other receivables	(407,729)	(1,024,409)
Increase in deposits	(4,431)	(13,332)
(Decrease)/Increase in trade and other payables	(35,250)	141,202
Decrease in deferred revenue	–	(24,752)
	<hr/>	<hr/>
Cash used in operations	(858,648)	(638,982)
Interest paid	(6,509)	(8,897)
Income taxes paid	(55,651)	(87,768)
	<hr/>	<hr/>
<b>Net cash used in operating activities</b>	<b>(920,808)</b>	<b>(735,647)</b>

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
<b>Cash flows from investing activities</b>		
Interest received	–	3,872
Rentals received from investment property	304	304
Proceeds from disposal of property, plant and equipment	–	43
Decrease in pledged bank deposits	–	2,625
Receipt of loan receivables	–	19,000
Payment for acquisition of property, plant and equipment	(76,715)	(184,112)
Prepayments for acquisition of property, plant and equipment	–	(78,094)
Payments for intangible assets	(2,844)	(5,556)
Decrease in amount due from a related party	–	2,280
Proceeds from disposal of investments in securities	–	301,725
Investment income received	–	1,301
	<hr/>	<hr/>
<b>Net cash (used in)/generated from investing activities</b>	<b>(79,255)</b>	<b>63,388</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	–	400,000
Capital contribution by a non-controlling shareholder	500	–
Repayments of borrowings	(300,000)	(10,000)
Dividends paid	–	(28,972)
	<hr/>	<hr/>
<b>Net cash (used in)/generated from financing activities</b>	<b>(299,500)</b>	<b>361,028</b>
<b>Net decrease in cash and cash equivalents</b>		
	<b>(1,299,563)</b>	<b>(311,231)</b>
Cash and cash equivalents at 1 January	<b>1,331,308</b>	1,690,155
Effects of foreign exchange rate changes	–	(47,616)
	<hr/>	<hr/>
<b>Cash and cash equivalents at 31 December represented by bank and cash balances</b>	<b><u>31,745</u></b>	<b><u>1,331,308</u></b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability. The registered office of the Company is at the offices of its Equity Trust Company (Cayman) Ltd, 1st Floor, Windward 1, Regatta Office Park, P.O. Box 10338, Grand Cayman KY1-1003, Cayman Islands. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and have been suspended for trading since 15 March 2012.

The Company is an investment holding company. The principal activities of the Group are designing, sourcing and marketing of children's products.

The consolidated financial statements have been presented in Renminbi ("**RMB**"), which is also the functional currency of the Company and its principal subsidiaries.

## 2. BASIS OF PREPARATION

### 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 BVI) 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 HK\$10 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 the 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 RMB873,548,000 for the year ended 31 December 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 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 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.

### 3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised International Financial Reporting Standards (“IFRSs”) 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 year and prior years.

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.

### 4. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with IFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 5 to the consolidated financial statements.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

#### **Consolidation**

The consolidated financial statements include the financial statements of the Group made up to 31 December 2012. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company’s share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

## Foreign currency translation

### (i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The consolidated financial statements are presented in RMB, which is the Company's functional and presentation currency.

### (ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

## Property, plant and equipment

Buildings comprise mainly factories and offices. Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

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

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

Construction in progress represents buildings under construction and plant and machinery pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

## **Investment properties**

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at cost less accumulated depreciation and impairment losses. The property is depreciated over its estimated useful life using the straight-line method, at the rate of 3% per annum.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

## **Operating leases**

### *The Group as lessee*

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

## **Trademarks and computer software**

Trademarks and computer software are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives.

## **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

## **Recognition and derecognition of financial instruments**

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

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

## **Trade and other receivables**

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

## **Cash and cash equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

## **Financial liabilities and equity instruments**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under IFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

## **Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

## **Trade and other payables**

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

## **Equity instruments**

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

## **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenues from the sales of manufactured goods and trading of goods are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

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

Interest income is recognised on a time-proportion basis using the effective interest method.

Rental income is recognised on a straight-line basis over the lease term.

## **Share-based payments**

Equity-settled share-based payments are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

The Group issues equity-settled share-based payments to certain directors and employees.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

## **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

## **Government grants**

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Government grants relating to the purchase of assets are deducted from the carrying amount of the assets. The grant is recognised in profit or loss over the life of a depreciable asset by way of a reduced depreciation charge.

## **Taxation**

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

## **Related parties**

A related party is a person or entity that is related to the Group.

- (a) A person or a close member of that person's family is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Company or of a parent of the Company.
- (b) An entity is related to the Group (reporting entity) if any of the following conditions applies:
  - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

## **Impairment of assets**

Intangible assets that have an indefinite useful life or not yet available for use are reviewed annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except deferred tax assets, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.



If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### **Provisions and contingent liabilities**

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

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

### **Events after the reporting period**

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

## 5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

### Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

#### (a) *Going concern basis*

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the successful of proposed restructuring of the Company. Details are explained in note 2 to consolidated financial statements.

### Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

#### (a) *Depreciation and impairment of property, plant and equipment*

Property, plant and equipment are depreciated on a straight-line basis over their useful lives, after taking into account their estimated residual values. The Group assesses annually the useful lives and residual values of the property, plant and equipment. If the expectation differs from the original estimate, such difference will impact the depreciation charged in the year in which such estimate is changed.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is determined with reference to the present value of estimated future cash flows. An impairment loss is measured as the difference between the asset's carrying amount and the recoverable amount. Where the future cash flows are less than expected or there are unfavourable events and change in facts and circumstance which result in revision of future estimate cash flow, a material impairment loss may arise.

#### (b) *Inventories*

The Group assesses periodically if the inventories suffer from any impairment. The management reviews the inventory levels, sales of inventory in the period and inventory composition at the end of the reporting period so as to determine whether allowance for obsolete and slow-moving inventories is required to be made. The management estimates the net realisable value for such inventories based on the past sales performance, any planned promotional activities and general consumer trends. If the actual selling prices of the inventories are less than expected, a material impairment loss may arise. In this regard, the management of the Company is satisfied that this risk is minimal and adequate allowance for obsolete and slow-moving inventories has been provided at the end of the reporting period.

(c) *Trade and other receivables*

Trade and other receivables are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

Significant management estimation is required in identifying doubtful debts and determining the recoverability of doubtful debts based on the aging analysis, customers' historical credit records and sales personnel's report on the recoverability of the receivables according to their discussion with relevant customers. A significant deviation from management estimation may result in material change in impairment loss.

(d) *Deferred tax*

A deferred tax asset in relation to write-down of inventories and doubtful debts, accrued payroll and other expenses, unrealised profits in inventories arising from intra-group transactions and tax losses has been recognised in the Group's consolidated statement of financial position. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

Significant management estimation is required to determine the amount of deferred tax assets that can or cannot be realised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(e) *Impairment of intangible assets*

Determining whether intangible assets are impaired requires an estimation of the value in use of the cash generating units to which intangible assets have been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash generating units and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

## 6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, price risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

### (a) Foreign exchange risk

At 31 December 2012, the Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities Renminbi.

At 31 December 2011, the Group has foreign currency transactions which expose the Group to market risk arising from changes in foreign exchange rates. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

At 31 December 2011, if the RMB had weakened 5% per cent against HKD with all other variables held constant, consolidated loss after tax for the year would have been RMB3,865,000 lower, arising mainly as a result of the foreign exchange gain on bank and cash balances denominated in HKD. If the RMB had strengthened 5% per cent against the HKD with all other variables held constant, consolidated loss after tax for the year would have been approximately RMB3,865,000 higher, arising mainly as a result of the foreign exchange loss on bank and cash balances denominated in HKD.

At 31 December 2011, if the RMB had weakened 5% per cent against USD with all other variables held constant, consolidated loss after tax for the year would have been approximately RMB7,985,000 lower, arising mainly as a result of the foreign exchange gain on bank and cash balances denominated in USD. If the RMB had strengthened 5% per cent against the USD with all other variables held constant, consolidated loss after tax for the year would have been approximately RMB7,985,000 higher, arising mainly as a result of the foreign exchange loss on bank and cash balances denominated in USD.

**(b) Credit risk**

The carrying amount of the bank and cash balances and trade and other receivables included in the statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has no significant concentrations of credit risk.

It has policies in place to ensure that sales are made to customers with an appropriate credit history.

The credit risk on bank and cash balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

**(c) Liquidity risk**

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity of all of the Group's financial liabilities is less than 1 year.

**(d) Categories of financial instruments at 31 December 2012**

	<b>2012</b> <i>RMB'000</i>	2011 <i>RMB'000</i>
Financial assets:		
Loan and receivables (including cash and cash equivalents)	<u><b>959,033</b></u>	<u>2,377,148</u>
Financial liabilities:		
Amortised costs	<u><b>409,251</b></u>	<u>744,501</u>

## 7. REVENUE AND SEGMENT INFORMATION

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

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

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

Revenue analysed by major products categories are as follows:

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Revenue from:		
Children's apparel and accessories	518,360	1,088,354
Other children's products	<u>331,411</u>	<u>725,569</u>
Total revenue	<u><u>849,771</u></u>	<u><u>1,813,923</u></u>

### Information about major customer

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

## 8. OTHER GAINS AND LOSSES

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Interest on bank deposits	–	3,872
Investment income from available-for-sale investments	–	1,301
Rentals from investment property	<u>304</u>	<u>304</u>
Investment income	304	5,477
Net foreign exchange losses	–	(47,616)
Government grants	–	22,016
Impairment losses	(502,944)	(452,786)
Net loss arising on held for trading investments	–	(26,976)
Others	<u>(7,637)</u>	<u>(19,014)</u>
	<u><u>(510,277)</u></u>	<u><u>(518,899)</u></u>

## 9. INCOME TAX (CREDIT)/EXPENSE

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Current tax:		
– PRC Enterprise Income Tax	8,339	63,887
Deferred tax credit	<u>(16,416)</u>	<u>(21,237)</u>
	<u><b>(8,077)</b></u>	<u><b>42,650</b></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 years ended 31 December 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 is 25% for both years ended 31 December 2012 and 2011.

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

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Loss before tax	<u>(882,891)</u>	<u>(314,587)</u>
Income tax expense at PRC income tax rate of 25%	(220,723)	(78,647)
Tax effect of expenses not deductible for tax purpose	–	113,197
Deferred tax on withholding income tax on undistributed profits	–	(1,330)
Others	<u>212,646</u>	<u>9,430</u>
Income tax (credit)/expense	<u><b>(8,077)</b></u>	<u><b>42,650</b></u>

## 10. LOSS FOR THE YEAR

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

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Allowance for doubtful debts of trade and other receivables	23,337	6,648
Cost of inventories	608,189	1,073,924
Depreciation of property, plant, and equipment	69,343	39,928
Depreciation of investment property	137	120
Minimum operating lease rentals in respect of rented premises	103,103	51,116
Contingent operating lease rentals in respect of rented premises	41,658	41,083
Amortisation of prepaid lease payments	68	260
Research expenses	410	404
Auditors' remuneration	284	291
Gross rental income less direct operating expenses from investment property	(167)	(184)
Staff costs including directors' emoluments		
Salaries, bonus and allowances	111,801	76,809
Equity-settled share-based payments	25,446	7,366
Retirement benefits scheme contributions	7,250	7,250
	<u>144,497</u>	<u>91,425</u>

## 11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

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

	Fees <i>RMB'000</i>	Salaries, and allowances <i>RMB'000</i>	Discretionary bonus <i>RMB'000</i>	Share-based payments <i>RMB'000</i>	Retirement benefit scheme contributions <i>RMB'000</i>	Total <i>RMB'000</i>
Mr. Zhong Zheng Yong	-	-	-	3,534	-	3,534
Ms. Chen Li Ping	-	-	-	2,473	-	2,473
Mr. Chen Pei Qi	-	-	-	1,696	-	1,696
Mr. Wu Ge <i>(note (i))</i>	-	-	-	2,297	-	2,297
Mr. Li Shu Jun <i>(note (ii))</i>	-	-	-	-	-	-
Mr. Lee Ted Tak Tai <i>(note (iii))</i>	-	-	-	-	-	-
Dr. Jiang Chang Jian <i>(note (iv))</i>	-	-	-	-	-	-
Mr. Li Zhi Qiang <i>(note (v))</i>	-	-	-	-	-	-
<b>Total for 2012</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>

	Fees <i>RMB'000</i>	Salaries, and allowances <i>RMB'000</i>	Discretionary bonus <i>RMB'000</i>	Share-based payments <i>RMB'000</i>	Retirement benefit scheme contributions <i>RMB'000</i>	Total <i>RMB'000</i>
Mr. Zhong Zheng Yong	–	2,500	500	1,023	62	4,085
Ms. Chen Li Ping	–	1,817	500	716	62	3,095
Mr. Chen Pei Qi	–	686	300	491	–	1,477
Mr. Wu Ge ( <i>note (i)</i> )	–	1,010	500	665	36	2,211
Mr. Li Shu Jun ( <i>note (ii)</i> )	–	–	–	–	–	–
Mr. Lee Ted Tak Tai ( <i>note (iii)</i> )	156	–	–	–	–	156
Dr. Jiang Chang Jian ( <i>note (iv)</i> )	99	–	–	–	–	99
Mr. Li Zhi Qiang ( <i>note (v)</i> )	125	–	–	–	–	125
Dr. Rock Jin ( <i>note (vi)</i> )	–	–	–	–	–	–
<b>Total for 2011</b>	<b>380</b>	<b>6,013</b>	<b>1,800</b>	<b>2,895</b>	<b>160</b>	<b>11,248</b>

*Note:*

- (i) Mr. Wu Ge was appointed as an executive director on 27 September 2011 and resigned as an executive director on 4 July 2013.
- (ii) Mr. Li Shu Jun resigned as a non-executive director on 30 September 2014.
- (iii) Mr. Lee Ted Tak Tai resigned as an independent non-executive director on 23 April 2012.
- (iv) Dr. Jiang Chang Jian was appointed as an independent non-executive director on 3 March 2011 and resigned as an independent non-executive director on 13 October 2014.
- (v) Mr. Li Zhi Qiang resigned as an independent non-executive director on 13 October 2014.
- (vi) Dr. Rock Jin resigned as an independent non-executive director on 17 February 2011.

There was no arrangement under which a director waived or agreed to waive any emoluments during the year (2011: Nil).

None (2011:One) of the five highest paid individuals of the Group were the Directors whose emolument is set out in the above. The details of the remaining employees' emoluments of the Company were as follows:

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Basic salaries and allowances	–	623
Discretionary bonus	–	400
Retirement benefit scheme contributions	–	62
	<b>–</b>	<b>1,085</b>



The emoluments fell within the following band:

	<b>Number of individuals</b>	
	<b>2012</b>	2011
HK\$1,000,001 to HK\$1,500,000	–	1

During the year, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

## 12. DIVIDENDS

During the year ended 31 December 2012, no dividend was declared to the owners of the Company.

During the year ended 31 December 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.

## 13. LOSS PER SHARE

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

	<b>2012</b>	2011
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>Loss</b>		
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	<b><u>(873,548)</u></b>	<u>(357,237)</u>
	<b>2012</b>	2011
	<b>'000</b>	'000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<b><u>2,075,000</u></b>	<u>2,075,000</u>

The effect of all potential ordinary shares is anti-dilutive for the year ended 31 December 2012 and 2011.

#### 14. PROPERTY, PLANT AND EQUIPMENT

	<b>Buildings</b>	<b>Machinery</b>	<b>Furniture fixtures and equipment</b>	<b>Motor vehicles</b>	<b>Leasehold improvements</b>	<b>Construction- in-progress</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Cost</b>							
At 1 January 2011	67,509	1,253	64,147	6,765	92,706	–	232,380
Additions	–	–	41,389	12	8,642	143,002	193,045
Transfers	–	–	–	–	70,625	(70,625)	–
Disposals	–	–	–	(424)	–	–	(424)
At 31 December 2011	67,509	1,253	105,536	6,353	171,973	72,377	425,001
Additions	–	–	40,951	–	69,841	4,905	115,697
At 31 December 2012	67,509	1,253	146,487	6,353	241,814	77,282	540,698
<b>Accumulated depreciation</b>							
At 1 January 2011	(14,477)	(971)	(17,200)	(2,778)	(6,683)	–	(42,109)
Provided for the year	(2,819)	(40)	(15,607)	(767)	(20,695)	–	(39,928)
Disposals	–	–	–	381	–	–	381
At 31 December 2011	(17,296)	(1,011)	(32,807)	(3,164)	(27,378)	–	(81,656)
Provided for the year	(2,906)	(43)	(24,073)	(752)	(41,569)	–	(69,343)
At 31 December 2012	(20,202)	(1,054)	(56,880)	(3,916)	(68,947)	–	(150,999)
<b>Carrying amount</b>							
At 31 December 2012	<u>47,307</u>	<u>199</u>	<u>89,607</u>	<u>2,437</u>	<u>172,867</u>	<u>77,282</u>	<u>389,699</u>
At 31 December 2011	<u>50,213</u>	<u>242</u>	<u>72,729</u>	<u>3,189</u>	<u>144,595</u>	<u>72,377</u>	<u>343,345</u>

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

As at 31 December 2012, the Group pledged its buildings with carrying value of approximately RMB47,307,000 (2011: approximately RMB50,213,000) to a bank to secure banking facilities granted to the Group.

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

	<b>2012</b> <i>RMB'000</i>	2011 <i>RMB'000</i>
Prepayments for acquisition of:		
– property, plant and equipment	<b>103,751</b>	142,733
– computer software	<b>15,217</b>	15,217
	<u><b>118,968</b></u>	<u>157,950</u>

**16. PREPAID LEASE PAYMENTS**

	<b>Land use right</b> <i>RMB'000</i>	
<b>Cost</b>		
At 1 January 2011, 31 December 2011 and 2012		<u>7,809</u>
<b>Accumulated amortisation</b>		
At 1 January 2011		(1,398)
Charge to profit or loss during the year		<u>(260)</u>
At 31 December 2011		(1,658)
Charge to profit or loss during the year		<u>(68)</u>
At 31 December 2012		<u>(1,726)</u>
<b>Carrying amount</b>		
At 31 December 2011		<u><u>6,151</u></u>
At 31 December 2012		<u><u>6,083</u></u>
	<b>2012</b> <i>RMB'000</i>	2011 <i>RMB'000</i>
Analysed for reporting purpose as:		
– Non-current assets	<b>5,823</b>	5,891
– Current assets	<b>260</b>	260
	<u><b>6,083</b></u>	<u>6,151</u>

The two pieces of land which the Group's buildings and the investment property are situated on are located in Shanghai, the PRC under medium-term lease for a period of 50 years and will expire in 2043 and 2047, respectively. As at 31 December 2012, the underlying land use right with carrying amount of approximately RMB6,083,000 (2011: RMB6,151,000) was pledged to a bank to secure banking facilities granted to the Group.

## 17. INVESTMENT PROPERTY

*RMB'000*

### **Cost**

At 1 January 2011, 31 December 2011 and 2012 4,035

### **Accumulated depreciation**

At 1 January 2011 (857)

Charge to profit or loss during the year (120)

At 31 December 2011 (977)

Charge to profit or loss during the year (137)

At 31 December 2012 (1,114)

### **Carrying amount**

At 31 December 2011 3,058

At 31 December 2012 2,921

The fair value of the Group's investment property and the land use right where it is located is approximately RMB14,890,000 as at 31 December 2012 (2011: approximately RMB14,890,000), which have been arrived at on the open market basic value by reference to market evidence of recent transaction for similar properties by management. It falls under level 2 in the fair value hierarchy.

The Group's investment property is located on land in the PRC which is under a lease term of 50 years and pledged to secure banking facilities as at 31 December 2012 and 2011.

## 18. INTANGIBLE ASSETS

	<b>Trademark</b> <i>RMB '000</i>	<b>Computer software</b> <i>RMB '000</i>	<b>Total</b> <i>RMB '000</i>
<b>Cost</b>			
At 1 January 2011	10,604	142	10,746
Additions	—	5,556	5,556
At 31 December 2011	10,604	5,698	16,302
Additions	—	2,844	2,844
At 31 December 2012	10,604	8,542	19,146
<b>Accumulated amortisation</b>			
At 1 January 2011	—	(19)	(19)
Provided for the year	—	(346)	(346)
At 31 December 2011	—	(365)	(365)
Provided for the year	—	(270)	(270)
At 31 December 2012	—	(635)	(635)
<b>Carrying amount</b>			
At 31 December 2012	<u>10,604</u>	<u>7,907</u>	<u>18,511</u>
At 31 December 2011	<u>10,604</u>	<u>5,333</u>	<u>15,937</u>

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

The trademark is registered in the PRC and the current registration will expire in 2017. In the opinion of directors, the Group will not incur significant costs to renew the registration of the trademark which is a routine administrative procedure. The Group would review the trademark continuously and has the ability to do so. Accordingly, the trademark is deemed to have an indefinite useful life and is carried at cost less any subsequent accumulated impairment losses.

### Impairment tests for intangible assets with indefinite life

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

As at 31 December 2012 and 2011, the directors of the Company determined that the CGU containing the trademark had not suffered any impairment.

The basis of the recoverable amount of the above CGU and the major underlying assumptions are summarised below:

- The recoverable amount of the CGU has been determined based on value in use calculation.
- That calculation uses cash flow projections based on financial budgets approved by management covering one year period and a discount rate of 20% at both 31 December 2012 and 2011. The cash flows beyond one year period are extrapolated using a steady annual growth rate of 3% at the end of each year. This growth rate is based on the relevant industry growth forecast and does not exceed the average long-term rate for the relevant industry. The discount rate of 20% is the expected return of the Group's assets that reflects current market assessments of the time value of money and the specific risk associated with the CGU, after taking into account the weighted average cost of equity and debt.
- Other key assumptions for the value in use calculation related to the estimation of cash inflow and outflows include budgeted sales and gross margin, such estimation is based on the CGU's past performance and management's expectations for the market development. The directors of the Company consider that any reasonably possible change in any of these assumptions would not cause the carrying amount (including the trademark) of the CGU to exceed the corresponding recoverable amount.

## 19. SUBSIDIARIES

Particulars of the Company's major subsidiaries are set out below:

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid share/registered capital at the date of this announcement	Attributable equity interest held by the Company		Principal activities
			As at 31 December 2012	As at 31 December 2011	
Directly held:					
Kingman Holdings Limited	British Virgin Islands ("BVI")	US\$1	100%	100%	Investment holding
Indirectly held:					
Pacific Leader International Holdings Limited	Hong Kong	HK\$1	100%	100%	Investment holding
Shanghai Rongchen Boshiwa (Group) Co., Ltd. 上海榮臣博士蛙(集團)有限公司	The People's Republic of China (the "PRC")	US\$60,000,000	100%	100%	Designing, sourcing and marketing of children's products
Boshiwa Enterprise Development Co., Ltd. 博士蛙(上海)企業發展有限公司	PRC	RMB10,000,000	100%	100%	Selling and marketing of children's products

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid share/registered capital at the date of this announcement	Attributable equity interest held by the Company		Principal activities
			As at 31 December 2012	As at 31 December 2011	
Shanghai Rongchen Information & Consulting Co., Ltd. 上海榮臣信息諮詢有限公司	PRC	RMB1,000,000	100%	100%	Inactive
Shanghai Desheng Information Technology Limited 上海得勝信息技術有限公司	PRC	RMB1,000,000	100%	100%	Online sales of children's products
北京博士蛙商貿有限公司	PRC	RMB5,000,000	100%	100%	Selling and marketing of children's products
博士蛙(上海)國際貿易有限公司	PRC	RMB336,617,000	100%	100%	Selling and marketing of children's products
浙江博士蛙企業發展有限公司	PRC	RMB20,000,000	100%	100%	Selling and marketing of children's products
博士蛙(上海)物流發展有限公司	PRC	RMB220,000,000	100%	100%	Logistics
上海歐紀源健康管理諮詢有限公司	PRC	RMB26,000,000	100%	100%	Consultancy
上海博士蛙貿易有限公司	PRC	RMB5,000,000	100%	100%	Selling and marketing of children's products

## 20. DEFERRED TAX

	Write-down of inventories <i>RMB'000</i>	Doubtful debts <i>RMB'000</i>	Amortisation of intangible assets <i>RMB'000</i>	Accrued payroll and other expenses <i>RMB'000</i>	Withholding tax on undistributed profits <i>RMB'000</i>	Unrealised profit in inventories arising from intercompany transaction <i>RMB'000</i>	Other <i>RMB'000</i>	Total <i>RMB'000</i>
Balance at 1 January 2011	3,372	634	(1,156)	5,332	(1,500)	1,292	–	7,974
Credit to profit or loss	–	–	–	–	1,330	–	19,907	21,237
Balance at 31 December 2011	3,372	634	(1,156)	5,332	(170)	1,292	19,907	29,211
Credit to profit or loss	–	–	–	–	–	–	16,416	16,416
Balance at 31 December 2012	3,372	634	(1,156)	5,332	(170)	1,292	36,323	45,627

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

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Deferred tax assets	<u>45,797</u>	<u>29,381</u>
Deferred tax liabilities	<u>(170)</u>	<u>(170)</u>

## 21. INVENTORIES

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
<b>Raw materials</b>	<b>4,638</b>	7,877
Finished goods and merchandise	<u>494,076</u>	<u>334,740</u>
	<u>498,714</u>	<u>342,617</u>



## 22. TRADE AND OTHER RECEIVABLES

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Trade receivables	468,398	472,994
Less: Allowance for doubtful debts	<u>(31,841)</u>	<u>(2,314)</u>
Trade receivables – net	436,557	470,680
Advance payments to suppliers	157,704	561,800
Other receivables	333,712	17,844
Less: Allowance for doubtful debts of other receivables	(685)	(6,875)
Rental deposits	<u>–</u>	<u>2,391</u>
	<u><b>927,288</b></u>	<u><b>1,045,840</b></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:

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
0 to 30 days	13,683	264,850
31 to 90 days	64,401	156,199
91 to 180 days	166,571	30,446
Over 180 days	<u>191,902</u>	<u>19,185</u>
	<u><b>436,557</b></u>	<u><b>470,680</b></u>

Included in the Group's trade receivable balance are debtors with an aggregate carrying amount of approximately RMB358,473,000 as at 31 December 2012 (2011: approximately RMB49,631,000) which are past due for which the Group has not provided for impairment loss.

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

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
90 to 180 days	166,571	30,446
Over 180 days	<u>191,902</u>	<u>19,185</u>
	<u><b>358,473</b></u>	<u><b>49,631</b></u>

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

The Group does not hold any collateral over these balances. In determining the recoverability of the trade receivables, the Group monitors any change in the credit quality of the trade receivables from the date credit was granted and up to the announcement date. After reassessment, the management believes that no further allowance is required.

Movement in the allowance for doubtful debts:

	<b>2012</b> <i>RMB'000</i>	2011 <i>RMB'000</i>
Balance at beginning of the year	9,189	2,541
Increase in allowance recognised in consolidated statement of comprehensive income	<u>23,337</u>	<u>6,648</u>
Balance at end of the year	<u><u>32,526</u></u>	<u><u>9,189</u></u>

### 23. BANK AND CASH BALANCES

As at 31 December 2012, the bank and cash balances of the Group denominated in Hong Kong dollars amounted to approximately RMB303,000 (2011: approximately RMB77,305,000) and denominated in US dollars amounted to approximately RMB875,000 (2011: approximately RMB159,694,000).

Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

### 24. TRADE AND OTHER PAYABLES

	<b>2012</b> <i>RMB'000</i>	2011 <i>RMB'000</i>
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	86,307	197,661
Accruals	<u>488</u>	<u>10,459</u>
	<u><u>309,251</u></u>	<u><u>344,501</u></u>

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

	<b>2012</b> <i>RMB'000</i>	2011 <i>RMB'000</i>
0 to 90 days	17,600	76,363
91 to 180 days	68,583	1,428
Over 180 days	<u>60,538</u>	<u>1,347</u>
	<u><u>146,721</u></u>	<u><u>79,138</u></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.

## 25. SHORT-TERM BORROWINGS

	<b>2012</b> <i>RMB'000</i>	2011 <i>RMB'000</i>
Short-term bank loan – secured	<b>100,000</b>	400,000

As at 31 December 2012 and 2011, the short-term bank loan was secured by buildings and guaranteed by Shanghai Yangpu District Small-To-Medium Enterprise Guarantee Centre, the weighted average effective interest rate of the Group's fixed-rate bank borrowings was equal to the contracted interest rate of 5.31% per annum, and has a contractual maturity within one year from the end of the reporting period.

## 26. SHARE CAPITAL

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

	<b>Number of shares '000</b>	<b>Share capital HKD</b>
Ordinary shares of HK\$0.0005 each Authorised: At 1 January 2011, 31 December 2011 and 2012	<b>200,000,000</b>	100,000,000
Issued and fully paid: At 1 January 2011, 31 December 2011 and 2012	<b>2,075,000</b>	1,037,500
<b>Presented in RMB</b>	<b>2012</b> <i>RMB'000</i>	2011 <i>RMB'000</i>
Share capital	<b>904</b>	904

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may issue new shares, borrow or repay debts or adjust the amount of dividends paid to shareholders.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net debt.

## 27. SHARE-BASED PAYMENT

The board of directors of the Company hereby announces that on 28 September 2011, 30,000,000 share options to subscribe for the ordinary shares of HK\$0.0005 each in the share capital of the Company were granted, subject to acceptance of the grantees, under the share option scheme adopted by the Company on 8 September 2010.

At 31 December 2012, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 30,000,000 (2011: 30,000,000), representing 1.4% (2011: 1.4%) of the shares of the Company in issue at that date.

### Share option

Grantee	Vesting Period	Exercisable period	Exercise price per share <i>HKD</i>	Outstanding at 1.1.2011	Granted during the year	Outstanding at 31.12.2011	Granted during the year	Outstanding at 31.12.2012
Directors	28.9.2011-27.9.2012	10-year	4.30	–	3,931,282	3,931,282	–	3,931,282
	28.9.2011-27.9.2013	10-year	4.30	–	3,931,282	3,931,282	–	3,931,282
	28.9.2011-27.9.2014	10-year	4.30	–	3,931,281	3,931,281	–	3,931,281
Employees	28.9.2011-27.9.2012	10-year	4.30	–	6,068,718	6,068,718	–	6,068,718
	28.9.2011-27.9.2013	10-year	4.30	–	6,068,718	6,068,718	–	6,068,718
	28.9.2011-27.9.2014	10-year	4.30	–	6,068,719	6,068,719	–	6,068,719
				–	30,000,000	30,000,000	–	30,000,000
				–		–		10,000,000

The above share options were granted on 28 September 2011. The closing price of the Company's shares immediately before the date of grant of the options was HKD1.51 and the estimated fair values of the options at the date of grant is HKD2.15 per option. These fair values were estimated by the directors of the Company.

## 28. RESERVES

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of comprehensive income and consolidated statement of changes in equity.

## 29. OPERATING LEASES

### The Group as lessee

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

	<b>2012</b> <i>RMB'000</i>	2011 <i>RMB'000</i>
Within one year	<b>98,116</b>	98,116
In the second to fifth years inclusive	<b>250,995</b>	324,896
After five years	–	24,215
	<u><b>349,111</b></u>	<u>447,227</u>

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

### The Group as lessor

Property rental income earned during the year ended 31 December 2012 was approximately RMB304,000 (2011: approximately RMB304,000). The Group's investment property is held for a fixed monthly rental purposes with a lease term of ten years which will expire in 2014.

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

	<b>2012</b> <i>RMB'000</i>	2011 <i>RMB'000</i>
Within one year	<b>247</b>	616
In the second to fifth years inclusive	–	863
	<u><b>247</b></u>	<u>1,479</u>

## 30. CAPITAL COMMITMENT

	<b>2012</b> <i>RMB'000</i>	2011 <i>RMB'000</i>
Contracted, but not provided for, in respect of leasehold improvement	–	141,377

### **31. RETIREMENT BENEFIT SCHEMES**

The employees of the Group's subsidiary established in the PRC are members of a central pension scheme operated by the local municipal government. This subsidiary is required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of this subsidiary. The only obligation of this subsidiary with respect to the central pension scheme is to meet the required contributions under the scheme.

### **32. RELATED PARTY TRANSACTIONS**

The Group had no transactions or balances with related parties during both years.

The five highest paid individuals in note 11 are the management members. The remuneration of directors and key management members for the year is set out in note 11.

### **33. 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 2 to these consolidated financial statements.

### **34. APPROVAL OF FINANCIAL STATEMENTS**

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

## **EXTRACT OF INDEPENDENT AUDITOR'S REPORT**

The following is the extract of the independent auditor's report from the external auditors of the Company:

### **BASIS FOR DISCLAIMER OF OPINION**

#### **1. Opening balances and corresponding figures**

Our audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2011, which forms the basis for the corresponding figures presented in the current year's consolidated financial statements, was disclaimed because of the significance of the possible effect of the limitations on the scope of our audit and the material uncertainty relating to the going concern basis, details of which are set out in our auditor's report dated 16 November 2017.

There were no satisfactory audit procedures to ascertain the existence, accuracy, presentation and completeness of certain opening balances and corresponding figures (as further detail explained in the following paragraphs) shown in the current year's consolidated financial statements.

#### **2. Limited accounting books and records of the Group**

Due to the insufficiency of supporting documentation and explanations for accounting books and records in respect of the Group for the years ended 31 December 2012 and 2011, we were unable to carry out audit procedures to satisfy ourselves as to whether the following income and expenses for the years ended 31 December 2012 and 2011 and the assets and liabilities as at those dates, and the segment information and other related disclosure notes in relation to the Group, as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements:

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
<b><i>Income and expenses for the years ended 31 December:</i></b>		
<b>Revenue</b>	<b>849,771</b>	1,813,923
Cost of sales	<u>(608,189)</u>	<u>(1,073,924)</u>
Gross profit	<b>241,582</b>	739,999
Other gains and losses	<b>(510,277)</b>	(518,899)
Distribution and selling expenses	<b>(427,908)</b>	(421,940)
Administrative and general expenses	<b>(179,398)</b>	(104,559)
Interest on borrowings wholly repayable within five years	<u>(6,509)</u>	<u>(8,897)</u>
Loss before tax	<b>(882,510)</b>	(314,296)
Income tax credit/(expense)	<u>8,077</u>	<u>(42,650)</u>
Loss for the year	<b>(874,433)</b>	(356,946)
Other comprehensive income for the year, net of tax		
Fair value gain on available-for-sales investments	<u>–</u>	<u>2,867</u>
Total comprehensive loss for the year attributable to owners of the Company	<u><b>(874,433)</b></u>	<u><b>(354,079)</b></u>
<b>Loss for the year attributable to:</b>		
Owners of the Company	<b>(873,167)</b>	(356,946)
Non-controlling interests	<u>(1,266)</u>	<u>–</u>
	<u><b>(874,433)</b></u>	<u><b>(356,946)</b></u>
<b>Total comprehensive loss for the year attributable to:</b>		
Owners of the Company	<b>(873,167)</b>	(354,079)
Non-controlling interests	<u>(1,266)</u>	<u>–</u>
	<u><b>(874,433)</b></u>	<u><b>(354,079)</b></u>



	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>

*Assets and liabilities as at 31 December:*

**Non-current assets**

Property, plant and equipment	389,699	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	5,823	5,891
Investment property	2,921	3,058
Intangible assets	18,511	15,937
Deferred tax assets	45,797	29,381
Deposits	25,016	20,585
	<u>606,735</u>	<u>576,147</u>

**Current assets**

Inventories	498,714	342,617
Trade and other receivables	927,288	1,045,840
Prepaid lease payments	260	260
Bank and cash balances	31,745	1,331,308
	<u>1,458,007</u>	<u>2,720,025</u>

**Current liabilities**

Trade and other payables	308,579	344,210
Tax liabilities	–	47,312
Short-term borrowings	100,000	400,000
	<u>408,579</u>	<u>791,522</u>

Net current assets	<u>1,049,428</u>	<u>1,928,503</u>
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Total assets less current liabilities	<u>1,656,163</u>	<u>2,504,650</u>
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**Non-current liabilities**

Deferred tax liabilities	<u>170</u>	<u>170</u>
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<b>NET ASSETS</b>	<u><u>1,655,993</u></u>	<u><u>2,504,480</u></u>
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### **3. Commitments and contingent liabilities**

No sufficient evidence has been provided to satisfy ourselves as to the existence and completeness of the disclosures of commitments and contingent liabilities as at 31 December 2012 and 2011.

### **4. Related party transactions and disclosures**

No sufficient evidence has been provided to satisfy ourselves as to the existence and completeness of the disclosures of the related party transactions for the years ended 31 December 2012 and 2011 and the related party balances as at 31 December 2012 and 2011 as required by International Accounting Standard (“IAS”) 24 (revised) “Related Party Disclosures”.

### **5. Consolidated statement of changes in equity**

Except for share capital and share premium, no sufficient evidence has been provided to satisfy ourselves as to the movements and balances of reserves as included in the consolidated statement of changes in equity for the two years ended 31 December 2012 and 2011.

### **6. Consolidated statement of cash flows**

No sufficient evidence has been provided to satisfy ourselves as to the cash flows as included in the consolidated statement of cash flows for the two years ended 31 December 2012 and 2011.

### **7. Other disclosures in the consolidated financial statements**

No sufficient evidence has been provided to satisfy ourselves as to the accuracy and completeness of the disclosures in relation to the financial risk management, directors’ and employees’ emoluments, dividends, subsidiaries, share-based payment, operating leases, and events after the reporting period as disclosed in notes 6, 11, 12, 19, 27, 29 and 33.

Any adjustments to the figures as described from points 1 to 7 above might have significant consequential effects on the Group’s results and cash flows for the two years ended 31 December 2012 and 2011 and the financial position of the Group as at 31 December 2012 and 2011, and the related disclosures thereof in the consolidated financial statements.

## **MATERIAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS**

In forming our opinion, we have considered the adequacy of the disclosures made in note 2 to the consolidated financial statements which explains that a proposal for the resumption of trading in the Company's shares and the proposed restructuring of the Group has been submitted to The Stock Exchange of Hong Kong Limited to pursue a restructuring of the Company.

The consolidated financial statements have been prepared on a going concern basis on the assumption that the proposed restructuring of the Company 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. The consolidated financial statements do not include any adjustments that would result from a failure to complete the restructuring. We consider that the disclosures are adequate. However, in view of the extent of the uncertainty relating to the completion of the restructuring, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

## **DISCLAIMER OF OPINION**

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs and the material uncertainty relating to the going concern basis as described above, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Group as at 31 December 2012 and of the Group's results and cash flows for the year then ended in accordance with International Financial Reporting Standards and whether the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

## RESULT FOR THE YEAR ENDED 31 DECEMBER 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 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 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 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 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 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 Company*

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**

### *Revenue*

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.

Even though the Group was faced with these exceptionally tough and challenging business environment, the Group still continued its efforts in promotion and marketing its children's products as well strengthening its operational efficiencies. However, due to the rapid development of e-commerce since 2011, the business of the retail stores especially on clothings suffered substantial downturn. The Group started to close down some underperforming stores. Hence, the number of the Group's retail outlets that are self-operated and operated by authorised dealers decreased from 1,734 stores as at 31 December 2011 to 1,437 stores as at 31 December 2012, among which brand department store concessions decreased from 1,628 to 1,328 and Boshiwa 365 stores (flagship stores) decreased from 72 to 67. On the contrary, the Boshiwa street shops increased from 34 shops as at 31 December 2011 to 42 shops as at 31 December 2012.

Due to the scale down of overall business, the consolidated revenue of the Group for 2012 was approximately RMB849.8 million (2011: approximately RMB1,813.9 million), representing a decrease of approximately 53.2% as compared with that in 2011. The revenue was contributed by the sales of both children's apparel, footwear and accessories and other children's products.

The table below sets forth the revenue by product category:

	2012		Year ended 31 December 2011		Difference %
	RMB' million	% of revenue	RMB' million	% of revenue	
<b>By product category</b>					
Children's apparel, footwear and accessories	518.4	61.0	1,088.4	60.0	(52.4)
Other children's products	331.4	39.0	725.5	40.0	(54.3)
<b>Total</b>	<b>849.8</b>	<b>100.0</b>	<b>1,813.9</b>	<b>100.0</b>	<b>(53.2)</b>

#### *Gross Profit and Gross Profit Margin*

Gross profit was approximately RMB241.6 million for the year ended 31 December 2012 (2011: approximately RMB740.0 million), with the gross profit margin of approximately 28.4% (2011: approximately 40.8%). The reduction in gross profit margin of approximately 12.4% in 2012 was caused by drastical decrease in sales revenue during the year and the increase of procurement costs of raw materials and finished goods due to the loss of economies of scale of bulk purchasing of goods.



The table below sets forth the gross profit and gross profit margin by product category:

	2012		Year ended 31 December		Difference %
	RMB' million	Margin	RMB' million	Margin	
		(%)		(%)	
<b>By product category</b>					
Children's apparel, footwear and accessories	150.3	29.0	457.0	42.0	(67.1)
Other children's products	91.3	27.5	283.0	39.0	(67.7)
<b>Total</b>	<b>241.6</b>	<b>28.4</b>	<b>740.0</b>	<b>40.8</b>	<b>(67.4)</b>

#### *Loss for the Year*

The Group recorded a loss attributable to equity holders of approximately RMB874.8 million or RMB42.1 cents for basic and diluted loss per share for the year ended 31 December 2012 (2011: loss of approximately RMB354.4 million or RMB17.2 cents for basic and diluted loss per share). The increase in loss for the year ended 31 December 2012 was due to drastic decrease in sales revenue and gross profit margin. Moreover, the increase in allowance for doubtful debts during the year ended 31 December 2012 amounted to approximately RMB23.3 million (2011: approximately RMB6.6 million) and net other losses incurred during the year ended 31 December 2012 were approximately RMB510.3 million (2011: approximately RMB518.9 million) were critical conditions that caused a substantial increase of loss for the year.

The weighted average number of 2,075,000,000 ordinary shares was in issue as at 31 December 2012 (2011: 2,075,000,000 ordinary shares).

#### *Dividends*

The Board did not recommend the payment of a final dividend for the year ended 31 December 2012 (2011: Nil).

#### *Other Gains and Losses*

The Group's other losses slightly reduced from approximately RMB518.9 million for the year ended 31 December 2011 to approximately of RMB510.3 million for the year ended 31 December 2012, representing a decrease of approximately 1.7%. The impairment losses were mainly caused by the recognition of the diminishing value of the expired brand licenses and general inventories.

#### *Distribution and Selling Expenses*

Distribution and selling expenses for the year ended 31 December 2012 were approximately RMB427.9 million (2011: approximately RMB421.9 million) whilst the distribution and selling expenses to

revenue ratio was approximately 50.4% (2011: approximately 23.3%). Although the distribution and selling expenses slightly increased by approximately 1.4 % as compared with that in 2011, the ratio of distribution and selling expenses to revenue drastically increased by approximately 27.1%. It was because the sales revenue drastically decreased during the year.

#### *Administrative and General Expenses*

Administrative and general expenses for the year ended 31 December 2012 were approximately RMB179.8 million (2011: approximately RMB104.9 million) whilst the administrative expenses to revenue ratio was approximately 21.2% (2011: approximately 5.8%). An increase of administrative expenses of approximately RMB74.9 million or 71.4% as compared with that in 2011 due to an increase in rental and property expenses, salaries and benefits, advertising costs and other expenses.

#### *Finance Costs*

Finance costs for the year ended 31 December 2012 were approximately RMB6.5 million (2011: approximately RMB8.9 million whilst the finance costs to revenue ratio was approximately 0.8% (2011: approximately 0.5%).

The nature of finance costs was mainly attributable to interest on bank loans during the year. The decrease in finance cost was mainly caused by portion of bank loans were repaid during the year.

#### *Interest Income*

The Group had no interest income received from bank for the year ended 31 December 2012 (2011: approximately RMB3.9 million).

#### *Income Tax Expense*

	2012 <i>RMB' million</i>	2011 <i>RMB' million</i>
Current tax:		
PRC Enterprise Income Tax	8.3	63.9
Deferred tax credit	<u>(16.4)</u>	<u>(21.2)</u>
	<u><u>(8.1)</u></u>	<u><u>42.7</u></u>

For the subsidiary companies incorporated in Hong Kong, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for both years ended 31 December 2012 and 2011. The applicable income tax rate for PRC subsidiary companies was 25% for both years ended 31 December 2012 and 2011.

## **Liquidity and Financial Resources**

### *Total Equity*

As at 31 December 2012, total equity was approximately of RMB1,655.3 million, representing a decrease of approximately 33.9%, as compared to approximately RMB2,504.2 million as at 31 December 2011.

### *Financial Position*

As at 31 December 2012, the Group had total current assets of approximately RMB1,458.0 million (2011: approximately RMB2,720.0 million) and total current liabilities of approximately RMB409.3 million (2011: approximately RMB791.8 million), with net current assets of approximately RMB1,048.8 million (2011: approximately RMB1,928.2 million).

As at 31 December 2012, the Group's net gearing ratio (expressed as a percentage of total interest-bearing liabilities to total assets) was approximately 4.8%, as compared with that as at 31 December 2011 was approximately 12.1%.

### *Cash and Cash Equivalents*

As at 31 December 2012, the Group had cash and cash equivalents of approximately RMB31.7 million (2011: approximately RMB1,331.3 million), of which approximately RMB0.3 million (2011: approximately RMB77.3 million) were denominated in HKD equivalent, approximately RMB0.9 million (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 31 December 2012 (2011: approximately RMB400.0 million) while total banking facilities amounted to approximately RMB100.0 million (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). Total inventory as at 31 December 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 31 December 2012 was approximately 299 days (2011: approximately 116 days) respectively.

The substantial increase in inventory at the end of 31 December 2012 was caused by a drastic decrease in sales revenue of children's products.

#### *Trade Receivables*

As at 31 December 2012 and 31 December 2011, the trade receivables net of provision for doubtful debts were approximately RMB436.6 million and approximately RMB470.7 million respectively. Trade receivables turnover days net of provision for doubtful debts was approximately 188 days (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 strives 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 31 December 2012 and 31 December 2011, the other receivables net of provision for doubtful debts were approximately RMB490.7 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 31 December 2012, impairments have been recognised in trade receivables of approximately RMB31.8 million (2011: approximately RMB2.3 million) and approximately RMB0.7 million (2011: approximately RMB6.9 million) for other receivables.

#### *Trade Payables*

As at 31 December 2012 and 31 December 2011, the trade payables were approximately RMB146.7 million and approximately RMB79.1 million. Trade payables turnover days were approximately 88 days (2011: approximately 27 days). A substantial increase in the trade payable turnover days was mainly attributable to the tight operating cash flows that was caused by drastical decrease in revenue for the year.

### *Overall Liquidity*

Overall, the Group maintained a current ratio of approximately 3.6 as at 31 December 2012 (2011: approximately 3.4). The Group could maintain healthy financial positions in both financial years of 2012 and 2011. As at 31 December 2012, the Group had working capital of approximately RMB1,048.8 million (2011: approximately RMB1,928.2 million), representing a decrease of approximately 45.6%. 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 RMB31.7 million as at 31 December 2012, representing a decrease of approximately 97.6%.

### *Contingent Liabilities*

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

### *Capital Commitments*

The Group did not have any significant capital commitments for the year ended 31 December 2012 (2011: approximately RMB141.4 million). The capital commitments were funded partly by internal resources and partly by bank borrowings.

### *Pledge of Assets*

As at 31 December 2012 and 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 31 December 2012 and 31 December 2011, as a 100-basis point change in the variable rate of bank 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 in 2012. Looking ahead in year 2013, it was expected that the year will continue to be a challenging year as global economy faced low or declining gross domestic product growth and competition heated up in the retail industry of PRC, in particular, experienced a deceleration in its growth rate to 7.6% in the second quarter of 2013, the lowest since 2009, due to low consumption power in PRC as well as the foreign countries.

The Group would expect to struggle with the tough and challenging economic environment in 2013. The Group will be continuing to implement 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 Mainland China;
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 respective areas of procurement, sales, and finance in order to enhance the operation efficiency of the Group.

In 2013, 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 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 31 December 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 audit committee 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 year ended 31 December 2012, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## **REVIEW OF THIS FINAL RESULTS ANNOUNCEMENT**

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2012 have been agreed by the Group's auditor, Zhonghui Anda CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Zhonghui Anda CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Zhonghui Anda CPA Limited on the Results Announcement.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This Results Announcement is available for viewing on the website of the Stock Exchange at <http://www.hkexnews.hk>. The 2012 Annual 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.*