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Boshiwa

BOSHIWA INTERNATIONAL HOLDING LIMITED

博士蛙國際控股有限公司

(Provisional Liquidators Appointed)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1698)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2014**

Boshiwa International Holding Limited (Provisional Liquidators Appointed) (the “**Company**”) announces the condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2014 and consolidated financial position as at 30 June 2014 with comparative figures as at 31 December 2013 as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	<i>Notes</i>	Six months ended 30 June	
		2014	2013
		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Revenue	3	155,779	199,294
Cost of sales		<u>(196,114)</u>	<u>(142,252)</u>
Gross (loss)/profit		(40,335)	57,042
Other gains and losses		(316,657)	(92,147)
Distribution and selling expenses		(57,960)	(170,120)
Administrative and general expenses		(16,886)	(42,032)
Interest on borrowings wholly repayable within five years		<u>(1,971)</u>	<u>(3,873)</u>
Loss before tax		(433,809)	(251,130)
Income tax expense	4	<u>(2,280)</u>	<u>(5,089)</u>
Loss and total comprehensive loss for the period	5	<u>(436,089)</u>	<u>(256,219)</u>
Loss and total comprehensive loss for the period attributable to:			
Owners of the Company		(436,089)	(255,673)
Non-controlling interests		<u>–</u>	<u>(546)</u>
		<u>(436,089)</u>	<u>(256,219)</u>
Loss per share			
– Basic and diluted (RMB cents per share)	7	<u>(21.02)</u>	<u>(12.32)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014

		As at 30 June 2014 <i>RMB'000</i> (Unaudited)	As at 31 December 2013 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	8	214,163	250,123
Prepayments for acquisition of property, plant and equipment		43,381	43,381
Prepaid lease payments – non-current		7,788	910
Investment property		35,882	71,766
Intangible assets		9,002	18,003
Deferred tax assets		19,783	24,849
Deposits		5,735	21,554
		<u>335,734</u>	<u>430,586</u>
Current assets			
Inventories		456,759	362,542
Trade and other receivables	9	1,358,632	738,822
Prepaid lease payments – current		68	68
Bank and cash balances		9,763	30,888
		<u>1,825,222</u>	<u>1,132,320</u>
Current liabilities			
Trade and other payables	10	1,351,803	325,624
Short-term borrowings		144,800	138,850
		<u>1,496,603</u>	<u>464,474</u>
Net current assets		<u>328,619</u>	<u>667,846</u>
Total assets less current liabilities		<u>664,353</u>	<u>1,098,432</u>
NET ASSETS		<u>664,353</u>	<u>1,098,432</u>
Capital and reserves			
Share capital	11	904	904
Reserves		665,428	1,099,507
Equity attributable to owners of the Company		666,332	1,100,411
Non-controlling interests		(1,979)	(1,979)
TOTAL EQUITY		<u>664,353</u>	<u>1,098,432</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2014

	(Unaudited)								
	Attributable to equity holders of the Company							Non- controlling interests	Total equity
	Share capital	Share premium	Capital reserves	Statutory surplus reserve	Share options reserve	Accumulated losses	Total		
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2013	904	2,357,072	331,325	46,077	32,812	(1,112,103)	1,656,087	(766)	1,655,321
Total comprehensive loss for the period	-	-	-	-	-	(255,673)	(255,673)	(546)	(256,219)
Recognition of equity-settled share-based payment expenses	-	-	-	-	5,692	-	5,692	-	5,692
Change in equity for the period	-	-	-	-	5,692	(255,673)	(249,981)	(546)	(250,527)
At 30 June 2013	<u>904</u>	<u>2,357,072</u>	<u>331,325</u>	<u>46,077</u>	<u>38,504</u>	<u>(1,367,776)</u>	<u>1,406,106</u>	<u>(1,312)</u>	<u>1,404,794</u>
At 1 January 2014	904	2,357,072	331,325	46,077	44,196	(1,679,163)	1,100,411	(1,979)	1,098,432
Total comprehensive loss for the period	-	-	-	-	-	(436,089)	(436,089)	-	(436,089)
Recognition of equity-settled share-based payment expenses	-	-	-	-	2,010	-	2,010	-	2,010
Change in equity for the period	-	-	-	-	2,010	(436,089)	(434,079)	-	(434,079)
At 30 June 2014	<u>904</u>	<u>2,357,072</u>	<u>331,325</u>	<u>46,077</u>	<u>46,206</u>	<u>(2,115,252)</u>	<u>666,332</u>	<u>(1,979)</u>	<u>664,353</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
NET CASH USED IN OPERATING ACTIVITIES	<u>(14,262)</u>	<u>(74,830)</u>
Purchases of property, plant and equipment	(5,900)	–
Other investing cash flows (net)	<u>(6,913)</u>	<u>41,008</u>
NET CASH(USED IN)/ GENERATED FROM INVESTING ACTIVITIES	<u>(12,813)</u>	<u>41,008</u>
Proceeds from borrowings	<u>5,950</u>	<u>38,850</u>
NET CASH GENERATED FROM FINANCING ACTIVITIES	<u>5,950</u>	<u>38,850</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(21,125)	5,028
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>30,888</u>	<u>31,745</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY	<u>9,763</u>	<u>36,773</u>
Bank and cash balances	<u>9,763</u>	<u>36,773</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2014

1. BASIS OF PREPARATION

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

These condensed financial statements should be read in conjunction with the 2013 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2013.

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 (the “Provisional Liquidators”)

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

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

Restructuring of the Group

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

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

Listing status of the Company

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

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

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

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

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

Deconsolidation of subsidiaries

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

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

Going concern basis

The Group incurred a loss attributable to owners of the Company of approximately RMB436,089,000 for the six months ended 30 June 2014. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

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

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board that are relevant to its operations and effective for its accounting year beginning on 1 January 2014. IFRSs comprise International Financial Reporting Standards; International Accounting Standards; and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior period.

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

3. REVENUE AND SEGMENT INFORMATION

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

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

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

Revenue analysed by major products categories are as follows:

	Six months ended 30 June	
	2014	2013
	<i>RMB’000</i>	<i>RMB’000</i>
	(Unaudited)	(Unaudited)
Revenue from:		
Children’s apparel and accessories	137,086	129,541
Other children’s products	18,693	69,753
	<hr/>	<hr/>
Total revenue	155,779	199,294
	<hr/> <hr/>	<hr/> <hr/>

Information about major customer

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

4. INCOME TAX EXPENSE

	Six months ended 30 June	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current tax:		
– PRC Enterprise Income Tax	–	(4,261)
Deferred tax charge	<u>2,280</u>	<u>9,350</u>
	<u>2,280</u>	<u>5,089</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 was 16.5% for both periods ended 30 June 2014 and 2013.

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 periods ended 30 June 2014 and 2013.

5. LOSS FOR THE PERIOD

The Group's loss for the period is stated after charging the following:

	Six months ended 30 June	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Allowance for doubtful debts of trade and other receivables	–	65,296
Cost of inventories	196,114	142,252
Depreciation of property, plant, and equipment	29,800	34,672
Depreciation of investment property	–	68
Minimum operating lease rentals in respect of rented premises	17,144	17,144
Contingent operating lease rentals in respect of rented premises	18,746	18,746
Amortisation of prepaid lease payments	34	34

6. DIVIDENDS

During the periods ended 30 June 2014 and 2013, no dividend was declared to the owners of the Company.

7. LOSS PER SHARE

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

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss		
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	<u><u>(436,089)</u></u>	<u><u>(255,673)</u></u>
	Six months ended 30 June	
	2014	2013
	'000	'000
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u><u>2,075,000</u></u>	<u><u>2,075,000</u></u>

The effect of all potential ordinary shares is anti-dilutive for the periods ended 30 June 2014 and 2013.

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group acquired property, plant and equipment of approximately RMB5,900,000 (six months ended 30 June 2013: approximately RMB37,793,000) and disposed property, plant and equipment of approximately RMB12,060,000 (six months ended 30 June 2013: approximately RMB72,909,000).

9. TRADE AND OTHER RECEIVABLES

	As at 30 June 2014 <i>RMB'000</i> (Unaudited)	As at 31 December 2013 <i>RMB'000</i> (Audited)
Trade receivables	446,541	456,832
Less: Allowance for doubtful debts	<u>(97,137)</u>	<u>(97,137)</u>
Trade receivables – net	349,404	359,695
Advance payments to suppliers	257,486	125,989
Other receivables	752,427	253,823
Less: Allowance for doubtful debts of other receivables	<u>(685)</u>	<u>(685)</u>
	<u><u>1,358,632</u></u>	<u><u>738,822</u></u>

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

The Group allows a credit period ranging from 0 to 90 days to its customers. The aging analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date at the end of the reporting period is as follows:

	As at 30 June 2014 <i>RMB'000</i> (Unaudited)	As at 31 December 2013 <i>RMB'000</i> (Audited)
0 to 30 days	10,482	11,274
31 to 90 days	52,411	53,062
91 to 180 days	132,774	137,244
Over 180 days	<u>153,737</u>	<u>158,115</u>
	<u><u>349,404</u></u>	<u><u>359,695</u></u>

10. TRADE AND OTHER PAYABLES

	As at 30 June 2014 <i>RMB'000</i> (Unaudited)	As at 31 December 2013 <i>RMB'000</i> (Audited)
Trade payables	695,770	–
Payroll payables	18,810	10,872
Advance payments from customers	126,872	93,514
Other payables	510,351	221,238
	<u>1,351,803</u>	<u>325,624</u>

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

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

	As at 30 June 2014 <i>RMB'000</i> (Unaudited)	As at 31 December 2013 <i>RMB'000</i> (Audited)
0 to 90 days	370,541	–
91 to 180 days	325,229	–
	<u>695,770</u>	<u>–</u>

11. SHARE CAPITAL

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

	Number of shares <i>'000</i>	Share capital <i>HKD</i>
Ordinary shares of HK0.0005 each		
Authorised:		
At 1 January 2013, 31 December 2013 and 30 June 2014	<u>200,000,000</u>	<u>100,000,000</u>
Issued and fully paid:		
At 1 January 2013, 31 December 2013 and 30 June 2014	<u>2,075,000</u>	<u>1,037,500</u>
	At	At
	30 June	31 December
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Presented in RMB		
Share capital	<u>904</u>	<u>904</u>

12. EVENTS AFTER THE REPORTING PERIOD

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

13. APPROVAL OF FINANCIAL STATEMENTS

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

RESULT FOR THE SIX MONTHS ENDED 30 JUNE 2014

BUSINESS AND FINANCIAL REVIEW

Business Review

Appointment of the Provisional Liquidators and the Winding-Up Hearing

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

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

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

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

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

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

Suspension of trading in shares of the Company

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

Resumption conditions

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

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

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

First delisting stage

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

Second delisting stage

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

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

Third delisting stage

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

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

Restructuring of the Group

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

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

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

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

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

Financial Review

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

Revenue

During the six months ended 30 June 2014, the Group continued to face the substantial challenges of the retail market environment in the PRC. Hence, the pace of recovery of the sales of the Group fell below expectation.

The suspension of the trading in the Company's shares on the Stock Exchange and the low-price competition among competitors further caused adverse effects on demand of the Group's products.

The Group had not licensed with any famous cartoon bands and continued to close down some underperforming stores that caused the Group's revenue to further reduce during the period.

The consolidated revenue for the six months ended 30 June 2014 was approximately RMB155.8 million (30 June 2013: approximately RMB199.3 million), representing a decrease of approximately 21.8% as compared with that in 2013. The revenue was mainly contributed by the sales of children apparel, footwear and accessories.

Negative Gross Profit and Negative Gross Profit Margin

A further decrease in the sales revenue and an increase of procurement costs of raw materials and finished goods were the main factors that resulted in a negative gross profit of approximately RMB40.3 million of the Group for the six months ended 30 June 2014 (30 June 2013: gross profit of approximately RMB57.0 million), with the negative gross profit margin of approximately 25.9% (30 June 2013: gross profit margin of approximately 28.6%). In addition, a general decrease in selling price of the children products that arisen from intense market competition and the Group had held clearance sales to sell the aged inventories at cost or even lower than the cost of goods sold that enlarged the negative gross profit margin and reduced the overall gross profit margin of the Group as compared with that in 2013.

(Loss)/Profit Attributable to Equity Holders

The Group recorded a loss attributable to equity holders of approximately RMB436.1 million or RMB21.0 cents for basic and diluted loss per share for the six months ended 30 June 2014 (30 June 2013: loss of approximately RMB256.2 million or RMB12.3 cents for basic and diluted loss per share).

A substantial loss incurred for the period was caused by the changes in fair value of the various assets of the Group and recorded impairment losses of approximately RMB316.7 million upon the revaluation of the assets (30 June 2013: approximately RMB92.1 million), representing an increase of approximately 243.6%.

The weighted average number of 2,075,000,000 ordinary shares was in issue as at 30 June 2014 (30 June 2013: 2,075,000,000 ordinary shares).

Dividends

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2014 (30 June 2013: Nil).

Other Gains and Losses

The Group recorded substantial net impairment losses of approximately RMB316.7 million on revaluation of various assets for the six months ended 30 June 2014 (30 June 2013: approximately RMB92.1 million), representing an increase of approximately 243.6%.

Distribution and Selling Expenses

Distribution and selling expenses for the six months ended 30 June 2014 were approximately RMB58.0 million (30 June 2013: approximately RMB170.1 million) whilst the distribution and selling expenses to revenue ratio was approximately 37.2% (30 June 2013: approximately 85.4%).

The distribution and selling expenses decreased by approximately RMB112.2 million as compared with that in 2013 was caused by a further close down of the underperforming shops and exercise tighter control of the operating costs in this year.

Administrative and General Expenses

Administrative and general expenses for the six months ended 30 June 2014 were approximately RMB16.9 million (30 June 2013: approximately RMB42.0 million) whilst the administrative expenses to revenue ratio was approximately 10.8% (30 June 2013: approximately 21.1%).

The administrative and general expenses decreased by approximately RMB25.1 million as compared with that in 2013 which was caused by lowered depreciation charges due to the disposal of properties, plant & equipment and exercise tighter control of the expenses for the period.

Finance Costs

Finance costs for the six months ended 30 June 2014 were approximately RMB2.0 million (30 June 2013: approximately RMB3.9 million) whilst the finance costs to revenue ratio was approximately 1.3% (30 June 2013: approximately 1.9%).

The nature of finance costs was mainly attributable to interest on bank loans during the period. An increase of finance cost was mainly caused by the new borrowing of short term bank loans during the period.

Income Tax Expense

	Six Months Ended 30 June	
	2014	2013
	<i>RMB' million</i>	<i>RMB' million</i>
Current tax:		
PRC Enterprise Income Tax	0	(4.3)
Deferred tax charge	2.3	9.4
	2.3	5.1

Hong Kong profits tax for the subsidiary companies incorporated in Hong Kong is provided at the rate of 16.5% (30 June 2013: 16.5%) on the estimated assessable profits arising in Hong Kong (if any) during the period. The applicable income tax rate for PRC subsidiary companies was 25% for both period ended 30 June 2014 and 2013.

Liquidity and Financial Resources

Total Equity

As at 30 June 2014, total equity was approximately RMB664.4 million, representing a decrease of approximately 39.5%, as compared to approximately RMB1,098.4 million as at 31 December 2013.

Financial Position

As at 30 June 2014, the Group had total current assets of approximately RMB1,825.2 million (31 December 2013: approximately RMB1,132.3 million) and the total current liabilities of approximately RMB1,496.6 million (31 December 2013: approximately RMB464.5 million), with net current assets of approximately RMB328.6 million (31 December 2013: approximately RMB 667.8 million).

As at 30 June 2014, the Group's net gearing ratio (expressed as a percentage of total interest-bearing liabilities to total assets) was 6.7%, compared to 8.9% as at 31 December 2013.

Cash and Cash Equivalents

As at 30 June 2014, the Group had cash and cash equivalents of approximately RMB9.8 million (31 December 2013: approximately RMB30.9 million), all balances were denominated in RMB for the period (31 December 2013: of which were RMB0.3 million denominated in HKD equivalent, RMB0.9 million were denominated in USD equivalent).

Bank Borrowings

The Group had interest-bearing short-term bank loan of approximately RMB144.8 million for the six months ended 30 June 2014 (31 December 2013: approximately RMB138.9 million) while the total banking facilities amounted to approximately RMB144.8 million (31 December 2013: approximately RMB138.9 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 mainly consisted of finished goods and raw materials (including the packaging materials) only. Total inventory as at 30 June 2014 was approximately RMB456.8 million as compared to approximately RMB362.5 million as at 31 December 2013, representing an increase of 26.0%. Inventories turnover days as at 30 June 2014 was approximately 422 days (31 December 2013: approximately 419 days).

An increase in inventory of approximately RMB94.2 million as at 30 June 2014 as compared with that in 31 December 2013 was mainly due to a further decrease in sales revenue of children products during the period.

Trade Receivables

As at 30 June 2014 and 31 December 2013, the trade receivables net of provision for doubtful debts were approximately RMB349.4 million and RMB359.7 million, respectively. Trade receivables turnover days net of provision for doubtful debts was approximately 406 days (31 December 2013: approximately 296 days). The trade receivables of the Group comprised of the receivables from the concessions of the department stores, the receivables from authorised dealers and wholesalers.

The Group strikes to exercise due care in managing credit exposure. The Group adopted a series of policies and measures for managing the recovery of trade receivables, including the implementation of more stringent credit standards, credit inspection and close monitoring of outstanding trade receivables. The trade receivables balances are reviewed regularly by our senior management. With our comprehensive credit control system, we seek to maintain strict control over and closely monitor our outstanding receivables to minimise credit risk.

Other Receivables

As at 30 June 2014 and 31 December 2013, the other receivables net of provision for doubtful debts were approximately RMB1,009.2 million and RMB379.1 million, respectively. The other receivables of the Group mainly comprised of advance payment to suppliers and distributors that relating 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 into consideration, the credit history of the customers of the Group and the prevailing market condition.

As at 30 June 2014, impairments have been recognised in respect of trade and other receivables in the amount of approximately RMB97.1 million (31 December 2013: approximately RMB97.1 million) for trade receivables and approximately RMB0.7 million (31 December 2013: approximately RMB0.7 million) for other receivables.

Trade Payables

As at 30 June 2014 and 31 December 2013, the trade payables were approximately RMB695.8 million and Nil, respectively. Trade payables turnover days were approximately 642 days (31 December 2013: Nil). A substantial increase in the trade payable turnover days was mainly attributable to the tight operating cash flows that was caused by the drastic decrease in revenue for the period.

Overall Liquidity

Overall, the Group maintained a current ratio of 1.2 as at 30 June 2014 (31 December 2013: 2.4). The overall liquidity situation of the Group become worse and the weak financial positions will cause the uncertainty of the going concern of the Group.

As at 30 June 2014, the Group had net current assets of approximately RMB328.6 million (31 December 2013: approximately RMB667.8 million), representing a decrease of approximately 50.8%. The decrease was mainly due to an increase of trade and other payables of approximately RMB1,026.2 million, representing an increase of approximately 315.1% as compared with that in 2013. In addition, the balance of cash and cash equivalents decreased from approximately RMB30.9 million as at 31 December 2013 to RMB9.8 million as at 30 June 2014, representing a decrease of approximately 68.4%.

Contingent Liabilities

As at 30 June 2014, the Group had no material contingent liabilities (31 December 2013: Nil).

Capital Commitments

The Group did not have any significant capital commitments as at 30 June 2014 and 31 December 2013.

Pledge of Assets

As at 30 June 2014 and 2013, the Group mortgaged its buildings and was guaranteed by Shanghai Yangpu District Small to Medium Enterprise Guarantee Centre (上海市楊浦區中小企業信用擔保中心) to banks to secure bank loans and general banking facilities granted.

Exposure to fluctuations in exchange and interest rates and related hedge

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

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

The fair value interest rate risk relates primarily to the Group's fixed-rate bank borrowings and fixed-rate loan receivables. The cash flow interest rate risk relates primarily to the variable-rate bank deposits. The Group currently has not entered into interest rate swaps to hedge against the exposure for changing in the fair values of the borrowings. Currently, the Group does not have a specific policy to manage the interest rate risk, but the Group intends to closely monitor the interest rate risk exposure in the future. In the opinion of the Directors, the Group did not have significant exposure to cash flow interest rate risk as of 30 June 2014 and 31 December 2013, 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 continued to face challenges at the second half year of 2014 as the retail environment was situated at a fierce competition in the PRC and is expected to remain challenging and difficulties in the foreseeable future.

The Group would expect to struggle with the tough and challenging economic environment and will continue to implement a series of adjustment measures as follows:

1. To stabilise the development of the existing business, and to actively develop new products;
2. To further develop and expand the market segments of the Group in other provinces of the PRC but will continue to close down the underperforming shops;
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 should implement the optimisation process in internal control procedures of respectively areas of procurement, sales, and finance in order to enhance the operation efficiency of the Group.

The Company will continue to 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**”) and restructuring of the Group to accomplish with the Resumption. Further announcement(s) will be published to shareholders of the Company to update the latest development of the Resumption and related matters of the Company in due course.

CODE ON CORPORATE GOVERNANCE PRACTICE

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

DIRECTORS’ SECURITIES TRANSACTIONS

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

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

AUDIT COMMITTEE

As at 30 June 2014, 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**”).

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

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

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

PURCHASE, SALE AND REDEMPTION OF THE SHARES

During the six months ended 30 June 2014, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The board of directors of the Company has reviewed with the Management the accounting principles and policies as adopted by the Company, the practices of the Group and the unaudited condensed consolidated financial statements for the six months ended 30 June 2014.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This Results Announcement is available for viewing on the website of the Stock Exchange at <http://www.hkexnews.hk>. The 2014 Interim Report will be available on the website of the Stock Exchange at the earliest practicable opportunity.

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

CONTINUED SUSPENSION OF TRADING

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

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

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

Hong Kong, 16 November 2017

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