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 2016

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 2016 and consolidated financial position as at 31 December 2016 with comparative figures for the year ended 31 December 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	**2016**	2015
		RMB'000	*RMB'000*
Revenue	*7*	**5,758**	1,437
Cost of sales		**(3,958)**	(1,071)
Gross profit		**1,800**	366
Other gains and losses	*8*	**(1,489)**	(133,335)
Distribution and selling expenses		**(1,084)**	(840)
Administrative and general expenses		**(7,037)**	(519)
Interest on short-term borrowing from an investor		**(45)**	–
Loss before tax		**(7,855)**	(134,328)
Income tax expense	*9*	**–**	–
Loss and total comprehensive loss for the year attributable to owners of the Company	*10*	**(7,855)**	(134,328)
Loss per share			
– Basic and diluted (RMB cents per share)	*13*	**(0.38)**	(6.47)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Notes	**2016**	2015
		RMB'000	*RMB'000*
Current assets			
Inventories	*15*	**251**	–
Trade and other receivables	*16*	**1,260**	–
Bank and cash balances	*17*	**11,091**	14
		12,602	14
Current liabilities			
Trade and other payables	*18*	**71,301**	64,344
Non-refundable deposit from an investor		**4,480**	–
Short-term borrowing from an investor	*19*	**9,006**	–
		84,787	64,344
NET LIABILITIES		**(72,185)**	(64,330)
Capital and reserves			
Share capital	*20*	**904**	904
Reserves	*22*	**(73,089)**	(65,234)
TOTAL DEFICIT		**(72,185)**	(64,330)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Attributable to equity holders of the Company								
	Share capital	**Share premium**	**Capital reserves**	**Statutory surplus reserve**	**Share options reserve**	**Accumulated losses**	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2015	904	2,357,072	331,325	46,077	48,214	(2,647,971)	135,621	(1,979)	133,642
Total comprehensive loss for the year	–	–	–	–	–	(134,328)	(134,328)	–	(134,328)
De-consolidation of subsidiaries	–	–	(19,546)	(46,077)	–	–	(65,623)	1,979	(63,644)
Change in equity for the year	–	–	(19,546)	(46,077)	–	(134,328)	(199,951)	1,979	(197,972)
Balance at 31 December 2015	904	2,357,072	311,779	–	48,214	(2,782,299)	(64,330)	–	(64,330)
Balance at 1 January 2016	**904**	**2,357,072**	**311,779**	**–**	**48,214**	**(2,782,299)**	**(64,330)**	**–**	**(64,330)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**(7,855)**	**(7,855)**	**–**	**(7,855)**
Change in equity for the year	**–**	**–**	**–**	**–**	**–**	**(7,855)**	**(7,855)**	**–**	**(7,855)**
Balance at 31 December 2016	**904**	**2,357,072**	**311,779**	**–**	**48,214**	**(2,790,154)**	**(72,185)**	**–**	**(72,185)**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016	2015
	RMB'000	*RMB'000*
Cash flows from operating activities		
Loss before tax	**(7,855)**	(134,328)
Adjustments for:		
Net foreign exchange losses	**4,702**	–
Loss on deconsolidation of subsidiaries	**–**	71,672
Interest on short-term borrowing from an investor	**45**	–
Operating cash flows before working capital changes	**(3,108)**	(62,656)
Increase in inventories	**(251)**	–
(Increase)/Decrease in trade and other receivables	**(1,260)**	3,214
Increase in trade and other payables	**2,255**	59,292
Increase in non-refundable deposit from an investor	**4,480**	–
Net cash generated from/(used in) operating activities	**2,116**	(150)
Cash flows from financing activities		
Net cash outflow arising on deconsolidation of subsidiaries	**–**	(3,067)
Short-term borrowing raised from an investor	**8,961**	–
Net cash generated from/(used in) financing activities	**8,961**	(3,067)
Net increase/(decrease) in cash and cash equivalents	**11,077**	(3,217)
Cash and cash equivalents at 1 January	**14**	3,231
Cash and cash equivalents at 31 December represented by bank and cash balances	**11,091**	14

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 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 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 RMB7,855,000 for the year ended 31 December 2016 and as at 31 December 2016, the Group had net current liabilities and net liabilities of RMB72,185,000. 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 2016. 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 2016. 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.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

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.

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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. 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.

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

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.

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).

 (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

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 of disposal 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 nonoccurrence 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) 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.

(b) 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.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk and liquidity 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

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 RMB.

(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 2016

	2016	2015
	RMB'000	*RMB'000*
Financial assets:		
Loan and receivables (including cash and cash equivalents)	**12,351**	14
Financial liabilities:		
Amortised costs	**84,787**	64,433

7. REVENUE

Revenue represents the net amounts received and receivable for goods sold 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:

	2016	2015
	RMB'000	*RMB'000*
Revenue from:		
Children's apparel and accessories	**5,643**	1,365
Other children's products	**115**	72
Total revenue	**5,758**	1,437

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

	2016	2015
	RMB'000	*RMB'000*
Net exchange losses	**(4,846)**	(26)
Loss on deconsolidation of subsidiaries	**–**	(71,672)
Others	**3,357**	(61,637)
	(1,489)	(133,335)

9. INCOME TAX EXPENSE

	2016	2015
	RMB'000	*RMB'000*
Income tax expense	**–**	–

The applicable income tax rate for the Group is 25% for both years ended 31 December 2016 and 2015.

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

	2016	2015
	RMB'000	*RMB'000*
Loss before tax	**(7,855)**	(134,328)
Income tax expense at PRC income tax rate of 25%	**(1,964)**	(33,582)
Tax effect of temporary differences not recognised	**1,569**	–
Others	**395**	33,582
Income tax expense	**–**	–

10. LOSS FOR THE YEAR

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

	2016	2015
	RMB'000	*RMB'000*
Cost of inventories	**3,958**	1,071
Minimum operating lease rentals in respect of rented premises	**12**	–
Auditors' remuneration	**403**	292
Staff costs including directors' emoluments		
Salaries, bonus and allowances	**125**	–
Retirement benefits scheme contributions	**17**	–
	142	–

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

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

	Fees *RMB'000*	**Salaries, and allowances** *RMB'000*	**Discretionary bonus** *RMB'000*	**Share-based payments** *RMB'000*	**Retirement benefit scheme contributions** *RMB'000*	**Total** *RMB'000*
Mr. Zhong Zheng Yong	–	–	–	–	–	–
Ms. Chen Li Ping	–	–	–	–	–	–
Mr. Chen Pei Qi	–	–	–	–	–	–
Total for 2016	–	–	–	–	–	–

	Fees *RMB'000*	Salaries, and allowances *RMB'000*	Discretionary bonus *RMB'000*	Share-based payments *RMB'000*	Retirement benefit scheme contributions *RMB'000*	Total *RMB'000*
Mr. Zhong Zheng Yong	–	–	–	–	–	–
Ms. Chen Li Ping	–	–	–	–	–	–
Mr. Chen Pei Qi	–	–	–	–	–	–
Total for 2015	–	–	–	–	–	–

There was no arrangement under which a director waived or agreed to waive any emoluments during the year (2015: Nil).

Nil (2015: Nil) of the five highest paid individuals of the Group were the Directors whose emolument is set out in the above.

	2016 *RMB'000*	2015 *RMB'000*
Basic salaries and allowances	**65**	–
Retirement benefit scheme contributions	**10**	–
	75	–

The emoluments fell within the following band:

	Number of individuals **2016**	2015
Nil to HK$1,000,000	**5**	–

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 2016 and 2015, no dividend was declared to the owners of the Company.

13. 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:

	2016	2015
	RMB'000	*RMB'000*
Loss		
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	**(7,855)**	(134,328)

	2016	2015
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**2,075,000**	2,075,000

The effect of all potential ordinary shares is anti-dilutive for the year ended 31 December 2015 and 2016.

14. SUBSIDIARIES

Particulars of the Company's major subsidiary is set out below:

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid share/registered capital at the date of this report	Attributable equity interest held by the Company as at As at 31 December 2016	Attributable equity interest held by the Company as at As at 31 December 2015	Principal activities
Indirectly held:					
上海金誠通博國際貿易有限公司	The People's Republic of China (the "PRC")	RMB10,000,000	**100%**	N/A	Designing, sourcing and marketing of children's products

15. INVENTORIES

	2016	2015
	RMB'000	*RMB'000*
Finished goods and merchandise	**251**	–

16. TRADE AND OTHER RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade receivables	**1,236**	–
Other receivables	**24**	–
	1,260	–

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

	2016	2015
	RMB'000	*RMB'000*
0 to 30 days	**1,236**	–

There are no receivables past due but not impaired.

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 reporting date. After reassessment, the management believes that no further allowance is required.

17. BANK AND CASH BALANCES

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

18. TRADE AND OTHER PAYABLES

	2016	2015
	RMB'000	*RMB'000*
Trade payables	**1,398**	–
Payroll payables	**142**	–
Other payables	**69,761**	64,344
	71,301	64,344

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

	2016	2015
	RMB'000	*RMB'000*
0 to 90 days	**1,398**	–

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.

19. SHORT-TERM BORROWING FROM AN INVESTOR

The amount is unsecured, interest-bearing with 7% per annum and repayable based on the progress of business restructuring.

20. SHARE CAPITAL

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

	Number of shares	**Share capital**
	'000	***HKD***
Ordinary shares of HK$0.0005 each		
Authorised:		
At 1 January 2015, 31 December 2015 and 2016	200,000,000	100,000,000
Issued and fully paid:		
At 1 January 2015, 31 December 2015 and 2016	2,075,000	1,037,500

	2016	2015
Presented in RMB	***RMB'000***	*RMB'000*
Share capital	**904**	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.

21. 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 2015, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 30,000,000 (2015: 30,000,000), representing 1.4% (2015: 1.4%) of the shares of the Company in issue at that date.

Share option

Grantee	**Vesting Period**	**Exercisable period**	**Exercise price per share**	**Outstanding at 1.1.2015, 31.12.2015 and 31.12.2016**
			HKD	
Directors	28.9.2011-27.9.2012	10-year	4.30	3,931,282
	28.9.2011-27.9.2013	10-year	4.30	3,931,282
	28.9.2011-27.9.2014	10-year	4.30	3,931,281
Employees	28.9.2011-27.9.2012	10-year	4.30	6,068,718
	28.9.2011-27.9.2013	10-year	4.30	6,068,718
	28.9.2011-27.9.2014	10-year	4.30	6,068,719
				30,000,000
Exercisable at the end of the reporting period				30,000,000

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.

22. RESERVES

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

23. 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 noncancellable operating leases which fall due as follows

	2016	2015
	RMB'000	*RMB'000*
Within one year	**48**	–

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.

24. 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.

25. 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.

26. 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 4 to these consolidated financial statements.

27. 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:

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements and whether the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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 2015, 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 2016 and 2015, 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 2016 and 2015 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:

	2016	2015
	RMB'000	*RMB'000*
Income and expenses for the years ended 31 December:		
Revenue	**4,701**	1,437
Cost of sales	**(3,014)**	(1,071)
Gross profit	**1,687**	366
Other gains and losses	**(1,345)**	(133,309)
Distribution and selling expenses	**(1,072)**	(840)
Administrative and general expenses	**(6,526)**	(127)
Loss before tax	**(7,256)**	(133,910)
Income tax expense	**–**	–
Loss and total comprehensive loss for the year attributable to owners of the Company	**(7,256)**	(133,910)

	2016	2015
	RMB'000	*RMB'000*
Assets and liabilities as at 31 December:		
Current assets		
Bank and cash balances	**–**	14
	–	14
Current liabilities		
Trade and other payables	**67,190**	62,486
	67,190	62,486
Net current liabilities	**(67,190)**	(62,472)
NET LIABILITIES	**(67,190)**	(62,472)

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 2016 and 2015.

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 2016 and 2015 and the related party balances as at 31 December 2016 and 2015 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 2016 and 2015.

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 year ended 31 December 2015 and except for the increase in non-refundable deposit from an investor, no sufficient evidence has been provided to satisfy ourselves as to the cash flows from operating activities as included in the consolidated statement of cash flows for the year ended 31 December 2016.

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, share-based payment, operating leases, and events after the reporting period as disclosed in notes 6, 11, 21, 23 and 26.

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 2016 and 2015 and the financial position of the Group as at 31 December 2016 and 2015, and the related disclosures thereof in the consolidated financial statements.

8. 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.

RESULT FOR THE YEAR ENDED 31 DECEMBER 2016

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 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 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 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

Due to the control over the below subsidiaries had been lost since January 2015 as mentioned before under the section of Basis of Preparation in note 2 to the consolidated financial statements, the results, assets, liabilities, and cash flows of these subsidiaries were deconsolidated from the financial statements of the Group.

The major subsidiaries deconsolidated are as follows:

i. Kingman Holdings Limited

ii. Pacific Leader International Holdings Limited

iii. Shanghai Rongchen Boshiwa (Group) Co., Ltd.

iv. Boshiwa Enterprise Development Co., Ltd.

v. Shanghai Rongchen Information & Consulting Co., Ltd.

vi. Shanghai Desheng Information Technology Limited

vii. 北京博士蛙商貿有限公司

viii. 博士蛙(上海)國際貿易有限公司

ix. 浙江博士蛙企業發展有限公司

x. 博士蛙(上海)物流發展有限公司

xi. 上海歐紀源健康管理諮詢有限公司

xii. 上海博士蛙貿易有限公司

The consolidated financial statements have been prepared based on the books and records of the Company, the remaining subsidiaries and the newly formed subsidiaries under the Restructuring.

Revenue

The consolidated revenue of the Group for the year ended 31 December 2016 was approximately RMB5.8 million (2015: approximately RMB1.4 million) was contributed by the sales of both children's apparel, footwear and accessories and other children's products.

Gross Profit and Gross Profit Margin

Gross profit for the year ended 31 December 2016 was approximately RMB1.8 million (2015: approximately RMB0.4 million) and the gross profit margin was approximately 31.3% (2015: approximately 25.5%).

Loss for the Year

The loss attributable to the equity holders of the Company was approximately RMB7.9 million for the year ended 31 December 2016, representing the basic and diluted loss per share of approximately RMB0.4 cents. (2015: Loss of approximately RMB134.3 million, representing RMB6.5 cents basic and diluted loss per share).

The weighted average number of 2,075,000,000 ordinary shares outstanding was in issue as at 31 December 2016 (2015: 2,075,000,000 ordinary shares).

Dividends

The Board did not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: Nil).

Other Gains and Losses

Other losses for the year ended 31 December 2016 was approximately RMB1.5 million (2015: approximately RMB133.3 million).

During the year, the Group had other gains of approximately RMB3.4 million. The other loss for the year ended 31 December 2016 was mainly caused by the exchange loss on translation of trade and other payables to RMB of approximately RMB4.8 million.

As at 31 December 2015, the other losses comprise of the loss on deconsolidation of subsidiaries of approximately RMB71.7 million and further provision for impairment losses on various assets of approximately RMB61.6 million.

Distribution and Selling Expenses

Distribution and selling expenses for the year ended 31 December 2016 were approximately RMB1.1 million (2015: approximately RMB0.8 million) whilst the distribution and selling expenses to revenue ratio was approximately 18.8% (2015: approximately 58.5%).

Administrative and General Expenses

Administrative and general expenses for the year ended 31 December 2016 were approximately RMB7.0 million (2015: approximately RMB0.5 million) whilst the administrative and general expenses to revenue ratio was approximately 122.2% (2015: approximately 36.1%). The Group's administrative and general expenses for the year ended 31 December 2016 were mainly comprise of legal and professional fees for restructuring exercise of approximately RMB2.4 million.

Finance Costs

Finance cost for the year ended 31 December 2016 was the interest expenses of approximately RMB45,000 (2015: Nil).

Liquidity and Financial Resources

As at 31 December 2016, the Group had total assets of approximately RMB12.6 million (2015: approximately RMB14,000). The current assets of the Group as at 31 December 2016 were bank and cash balance of approximately RMB11.1 million and trade and other receivables of approximately RMB1.3 million.

As at 31 December 2016, the current liabilities of the Group were approximately RMB84.8 million (2015: approximately RMB64.3 million) which were attributable to trade and other payables of approximately RMB71.3 million (2015: approximately RMB64.3 million); short-term borrowing from an investor of approximately RMB9.0 million (2015: Nil) and non-refundable deposit from an investor of approximately RMB4.5 million (2015: Nil).

The net liabilities value per share of the company was approximately RMB0.035 as at 31 December 2016 (2015: approximately RMB0.031 per share).

The weighted average number of 2,075,000,000 ordinary shares was in issue as at 31 December 2016 (2015: 2,075,000,000 ordinary shares).

The Group's net gearing ratio expressed as a percentage of total interest-bearing liabilities to total assets. The gearing ratio for the year was approximately 71.5%. As at 31 December 2015, no gearing ratio was computed as the Group did not have interest-bearing indebtedness.

Contingent Liabilities

As at 31 December 2016 and 2015, the Group had insufficient information to disclose its contingent liabilities due to loss of control of subsidiary companies.

Capital Commitments

The Group did not have any significant capital commitments as at 31 December 2016 and 31 December 2015.

Pledge of Assets

Golden Stream which is one of the subsidiary company of the Group has mortgaged, charged and assigned the wholly-owned shares of its subsidiary company named Gold Topper to the Potential Investor by way of deed dated 5 December 2016 to secure the short term borrowing from the potential investor.

As at 31 December 2016, the Group's buildings were sealed and preserved by an order of the PRC court of Jian District of Shanghai.

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. 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 2016 and 31 December 2015, 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

Looking forward to 2017, the Company will put all efforts to speed up the process of the Restructuring and cooperate with the engaged professional parties to submit a viable resumption proposal to the Stock Exchange for the purpose of 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.

Simultaneously, the Group will re-engineer and start up its business through its newly established Shanghai Jincheng, a PRC subsidiary company located in Shanghai. The Group will continue its business development in sales the children's apparel and accessories and other children products (the "children products") through a variety of sales channels.

Upon the completion of the Restructuring and the Resumption, the Group is going to use the proceeds of shares subscription and the open offer under the restructuring plan to expand its self-managed retail outlets which major include Department Store Concessions, Boshiwa 365 shops and the retail outlets operated by authorised dealers and online stores.

The Group also plans to rapidly expand its online shops since changes in customers' purchasing behavior has led to rapid growth of online sales in recent years. Management of the Group recognises the importance of information technology and big data analysis to achieve its business growth over the long run. Hence, the e-commerce will be a great growth driver for the Group in future.

In future, the department store concessions will be used as the venue to exhibit the children's products to customers in order to cope with the development of its online shops.

The Group targets to adjust the sales channel mix in order to maximise its profits and market segment. It targets to open more self-managed retail outlets, expand its e-commerce and invites more authorised dealers of both online or retail outlets to join in the business of Boshiwa.

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 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

The Audit Committee (the "**AC**") was vacant as at 31 December 2016.

With reference to the List of Directors and their Roles and Functions published by the Company on 8 October 2014, the AC comprised 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 report 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.

PURCHASE, SALE AND REDEMPTION OF THE SHARES

During the year ended 31 December 2016, 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 2016 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 2016 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.