BAOFENG MODERN INTERNATIONAL HOLDINGS COMPANY LIMITED
寶峰時尚國際控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1121)

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

FINANCIAL HIGHLIGHTS

Revenue was RMB594.9 million, representing an increase of 29.9% from RMB458.0 million for the corresponding period last year.

Profit from operations was RMB135.5 million, representing an increase of 27.7% from RMB106.1 million for the corresponding period last year.

The Board has resolved to pay an interim dividend of HK$0.02 per share.

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The board of directors (the "Board" or "Directors") of Baofeng Modern International Holdings Company Limited (the "Company") is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2011 together with the unaudited comparative figures for the corresponding period in 2010 and the relevant explanatory notes as set out below.

The condensed consolidated interim results are unaudited, but have been reviewed by the Audit Committee of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2011

	Notes	Six months ended 30 June 2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited)
REVENUE	4	594,920	458,008
Cost of sales		(397,404)	(304,801)
Gross profit		197,516	153,207
Other income and gains	4	3,241	865
Selling and distribution costs		(31,883)	(30,243)
General and administrative expenses		(29,575)	(15,106)
Other operating expenses		(3,755)	(2,661)
Profit from operations		135,544	106,062
Finance costs, net	5	(5,019)	11,437
PROFIT BEFORE TAX	6	130,525	117,499
Income tax expense	7	(35,508)	(33,327)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		95,017	84,172
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	9		
- Basic (RMB)		0.10	0.11
- Diluted (RMB)		0.10	0.09

Details of the dividends are disclosed in note 8 to the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2011

	Six months ended 30 June	
	2011	**2010**
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
PROFIT FOR THE PERIOD AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	95,017	84,172

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2011

	Notes	30 June 2011 RMB'000 (unaudited)	31 December 2010 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		52,228	49,336
Prepaid land lease payments		32,300	32,406
Deposits paid for the land use right and the acquisition of building		27,678	—
Prepaid rent		—	1,239
Total non-current assets		112,206	82,981
CURRENT ASSETS			
Inventories		43,600	50,942
Trade receivables	10	123,857	80,839
Prepayments, deposits and other receivables		13,971	12,631
Value added tax recoverable		—	5,532
Pledged bank deposits	12	379,810	—
Cash and bank balances		650,732	327,881
Total current assets		1,211,970	477,825
CURRENT LIABILITIES			
Trade payables	11	44,200	42,924
Deposits received, other payables and accruals		20,468	35,627
Value added tax payable		776	—
Interest-bearing bank borrowings	12	372,352	39,625
Exchangeable note	13	—	58,485
Dividend payable		—	60,900
Tax payable		15,370	16,711
Total current liabilities		453,166	254,272
NET CURRENT ASSETS		758,804	223,553
TOTAL ASSETS LESS CURRENT LIABILITIES		871,010	306,534
NON-CURRENT LIABILITY			
Deferred tax liabilities		2,818	—
Net assets		868,192	306,534
EQUITY			
Equity attributable to owners of the Company			
Issued capital	14	66,410	7
Reserves		801,782	306,527
Total equity		868,192	306,534

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Baofeng Modern International Holdings Company Limited (the "Company") is a limited liability company incorporated in the Cayman Islands. The Company's registered office is located at the office of Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1 -1111, Cayman Islands. The Company's principal place of business is located in Huoju Industrial Zone, Quanzhou, Fujian Province, the People's Republic of China ("PRC"). The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 28 January 2011 (the "Listing Date").

The principal activity of the Company is investment holding. The Group is involved in the manufacture and sales of sandals and slippers. There were no significant changes in the nature of the Group's principal activities during the period.

In the opinion of the directors, the holding company and the ultimate holding company of the Company is Best Mark International Limited ("Best Mark"), which was incorporated in the British Virgin Islands.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* issued by the International Accounting Standards Board ("IASB") and the disclosure requirements under Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2010 except in relation to the following new and revised International Financial Reporting Standards ("new IFRSs") which are effective for the Group's financial year beginning on 1 January 2011.

IFRS 1 Amendment	Amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards — Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*
IAS 24 (Revised)	*Related Party Disclosures*
IAS 32 Amendment	Amendment to IAS 32 *Financial Instruments: Presentation — Classification of Rights Issues*
IFRIC 14 Amendments	Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement*
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to IFRSs 2010	Amendments to a number of IFRSs issued in May 2010

The adoption of the new IFRSs has had no material effect on the results and financial position for the current or prior accounting periods which have been prepared and presented.

3. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) the Original Equipment Manufacturer ("OEM") segment produces slippers for branding and resale by others;

(b) the Boree branded products segment manufactures and trades Boree branded slippers ("Boree products"); and

(c) the Baofeng branded products segment manufactures and trades Baofeng branded slippers ("Baofeng products").

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax.

The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, other unallocated income and gains, finance costs, net, as well as corporate and unallocated expenses are excluded from such measurement.

Period ended 30 June 2011

	OEM	**Boree products**	**Baofeng products**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*
Segment revenue				
Sales to external customers	310,442	203,855	80,623	594,920
Segment results	74,124	63,720	27,789	165,633
Reconciliation:				
Interest income				2,948
Other unallocated income and gains				293
Corporate and other unallocated expenses				(33,330)
Finance costs, net				(5,019)
Profit before tax				130,525

Period ended 30 June 2010

	OEM	Boree products	Baofeng products	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*
Segment revenue				
Sales to external customers	300,024	111,386	46,598	458,008
Segment results	80,821	26,204	15,939	122,964
Reconciliation:				
Interest income				400
Other unallocated income and gains				465
Corporate and other unallocated expenses				(17,767)
Finance income, net				11,437
Profit before tax				117,499

Geographical information

Revenue from external customers

	Six months ended 30 June	
	2011	**2010**
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
PRC (principal place of operations)	463,353	370,189
United States of America	119,817	77,958
Europe	2,658	1,487
South East Asia	3,782	3,537
Other countries	5,310	4,837
	594,920	458,008

The revenue information above is based on the location of the customers.

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of revenue, other income and gains is as follows:

	Six months ended 30 June	
	2011	**2010**
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Revenue		
Manufacture and sale of goods	594,920	458,008
Other income and gains		
Interest income	2,948	400
Rental income	69	56
Subsidy income*	—	409
Others	224	—
	3,241	865

* There are no unfulfilled conditions or contingencies relating to these subsidies.

5. FINANCE COSTS, NET

	Six months ended 30 June	
	2011	**2010**
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest on bank loans repayable within five years	(3,809)	(1,592)
Interest expenses on exchangeable note	(1,210)	(7,313)
Waiver of maturity yield payment of exchangeable note	—	20,342
	(5,019)	11,437

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Six months ended 30 June	
	2011	**2010**
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Cost of inventories sold*	397,404	304,801
Depreciation*	2,786	2,617
Amortisation of prepaid land lease payments	106	66
Minimum lease payments under operating leases in respect of land and buildings*	2,479	2,507
Employee benefit expenses*:		
Wages and salaries	59,793	41,547
Staff walfare	2,988	1,820
Pension scheme contribution	4,350	3,482
	67,131	46,849
Loss on disposal of items of property, plant and equipment	18	4
Research and development costs**	1,012	1,006

* The cost of inventories sold for the reporting period ended 30 June 2011 includes approximately RMB50,622,000 (2010: RMB37,172,000) relating to direct staff costs, depreciation of manufacturing facilities and operating lease payments in respect of land and buildings, which are also included in the respective total amounts disclosed above for each of these types of expenses.

** The research and development costs for the reporting period are included in "General and administrative expenses" on the face of the condensed consolidated income statement.

7. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong for the reporting period (2010: Nil). Taxes on profits assessable in the Mainland China have been calculated at the prevailing rates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended 30 June	
	2011	**2010**
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Current - Mainland China		
Charge for the period	36,440	27,220
Withholding tax	—	5,500
Under/(Over)provision in prior years	(3,750)	607
Deferred - Mainland China	2,818	—
Total tax charge for the period	35,508	33,327

8. DIVIDEND

	Six months ended 30 June	
	2011	**2010**
	RMB$'000	*RMB$'000*
	(unaudited)	*(unaudited)*
Proposed interim dividend	16,632	60,900

An interim dividend of HK$0.02 per ordinary share for the period ended 30 June 2011 will be paid to the shareholders whose names appear in the register of members on 23 September 2011. The interim dividend was declared after the period ended 30 June 2011, and therefore has not been included as a liability in the condensed consolidated statement of financial position.

For the period ended 30 June 2010, an interim dividend of HK$694 per ordinary share, amounting to HK$70,000,000 (equivalent to RMB60,900,000) for 100,816 ordinary shares in issue, was declared by the Board to the shareholders on the register of members on 11 September 2010.

9. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share is based on the consolidated profit for the period attributable to owners of the Company and the weighted average number of ordinary shares of 961,325,967 (2010: 750,000,000) in issue during the period.

The weighted average number of ordinary shares used to calculate the basic earnings per share for the six months ended 30 June 2011 includes the 102,719 ordinary shares in issue, 749,897,281 ordinary shares issued pursuant to the capitalisation issue as if the shares had been in issue throughout the six months ended 30 June 2011, and 250,000,000 ordinary shares issued on 28 January 2011 in connection with the listing of the Company's ordinary shares on the Stock Exchange.

The number of ordinary shares used to calculate the basic earnings per share for the six months ended 30 June 2010 was based on the 750,000,000 ordinary shares, representing the number of shares of the Company immediately after the capitalisation issue, as if the shares had been in issue throughout the six months ended 30 June 2010, as further detailed in note 14 to the condensed consolidated financial statements.

The calculation of diluted earnings per share amounts is based on the consolidated profit for the period attributable to owners of the Company, adjusted to reflect the interest on the exchangeable note and waiver of maturity yield payment of exchangeable note, where applicable (see below). The number of ordinary shares used in the calculation is the number of ordinary shares as used in the basic earnings per share calculation.

No adjustment had been made to the basic earnings per share amounts presented for the period ended 30 June 2011 in respect of a dilution as the impact of the exchangeable note outstanding during the period had an anti-dilutive effect on the basic earnings per share amounts presented.

The calculations of basic and diluted earnings per share are based on:

	Six months ended 30 June	
	2011	**2010**
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Earnings		
Consolidated profit attributable to owners of the Company, used in the basic earnings per share calculation	95,017	84,172
Interest on exchangeable note	1,210	7,313
Less: Waiver of maturity yield payment of exchangeable note	—	(20,342)
Consolidated profit attributable to owners of the Company before interest on exchangeable note and wavier of maturity yield payment of exchangeable note	96,227	71,143

10. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit. The credit period offered to its customers is generally for a period of three months. The Group seeks to apply strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the Group's trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2011	**31 December 2010**
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Within 3 months	116,883	80,839
3 to 6 months	6,974	—
	123,857	80,839

As at 31 December 2010, the Group pledged trade receivables of approximately RMB33,904,000 to secure the bank borrowing granted to the Group (note 12). During the six months ended 30 June 2011, the respective bank borrowing was fully repaid and the pledged trade receivables were released.

11. TRADE PAYABLES

An aged analysis of the Group's trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Within 3 months	44,200	42,924

The trade payables are non-interest-bearing and are normally settled on two to three months terms.

12. INTEREST-BEARING BANK BORROWINGS

	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Current		
Bank loans - unsecured	45,000	10,000
Bank loans - secured	327,352	29,625
	372,352	39,625
Analysed into:		
Bank loans repayable within one year	372,352	39,625

(a) The bank loans were denominated in RMB, HKD and USD and bore interest rates ranging from:

Six months ended 30 June 2011	1.3% per annum over HIBOR/LIBOR - 6.626% per annum
Year ended 31 December 2010	2.957% - 5.576% per annum

(b) At 30 June 2011, certain bank loans were secured by the pledged bank deposits of RMB379,810,000 (31 December 2010: Nil).

(c) At 31 December 2010, certain of the Group's bank loans were secured by the pledge of the Group's trade receivables amounting to RMB33,904,000. During the period ended 30 June 2011, the respective bank borrowing was fully repaid and the pledged trade receivables were released.

13. EXCHANGEABLE NOTE

The exchangeable note was fully exercised on 28 January 2011. Accordingly, the liability component of the exchange note at the date of exercise was extinguished and resulted in an increase in contribution surplus of RMB57,768,000 in shareholders' equity.

14. SHARE CAPITAL

The details of the authorised and issued share capital of the Company are as follows:

Shares

	Notes	**30 June 2011** *RMB'000* *(unaudited)*	**31 December 2010** *RMB'000* *(audited)*
Authorised:			
5,000,000,000 ordinary shares (2010: 4,999,999) of US$0.01 each	(a)	342,400	342
Nil preference share (2010: one) of US$0.01 each	(b)	—	—
		342,400	342
Issued and fully paid:			
1,000,000,000 ordinary shares (2010: 102,719) of US$0.01	(a)	66,410	7
Nil preference share (2010: one) of US$0.01 each	(b)	—	—
		66,410	7

(a) **Ordinary shares**

	Notes	Number of ordinary shares of US$0.01 each	Nominal value of ordinary shares	
			US$'000	*RMB'000*
Authorised:				
At 1 January 2010 and 31 December 2010		4,999,999	50	342
Preference share redesignated as ordinary share on 28 January 2011	(i)	1	—	—
Increase in authorised share capital on 8 January 2011	(ii)	4,995,000,000	49,950	342,058
At 30 June 2011		5,000,000,000	50,000	342,400
Issued:				
At 1 January 2010		100,000	1	7
Issue of shares pursuant to first loan capitalisation	(iii)	816	—	—
Issue of shares pursuant to second loan capitalisation	(iv)	1,903	—	—
At 31 December 2010 and 1 January 2011		102,719	1	7
Capitalisation issue credited as fully-paid conditional on the share premium account of the Company, being credited as a result of the issuance of new shares to the public	(v)	749,897,281	7,499	49,800
Pro forma issued capital as at 31 December 2010		750,000,000	7,500	49,807
Issuance of new shares on 28 January 2011	(vi)	250,000,000	2,500	16,603
At 30 June 2011		1,000,000,000	10,000	66,410

(b) **Preference shares**

	Notes	Number of preference shares of US$0.01 each	Nominal value of preference shares	
			US$'000	*RMB'000*
Authorised:				
At 1 January 2010, 31 December 2010 and 1 January 2011	(i)	1	—	—
Preference share redesignated as ordinary share on 28 January 2011	(i)	(1)	—	—
At 30 June 2011		—	—	—
Issued:				
At 1 January 2010, 31 December 2010 and 1 January 2011		1	—	—
Preference share redesignated as ordinary share on 28 January 2011	(i)	(1)	—	—
At 30 June 2011		—	—	—

Notes:

(i) Pursuant to the written resolution of shareholders passed on 8 September 2008, one authorised but unissued ordinary share was redesignated as a redeemable preference share of par value US$0.01. This preference share was redeemed by the Company on 28 January 2011, immediate before the issue of new shares as detailed in (vi) below.

(ii) Pursuant to a written resolution passed on 8 January 2011, the authorised share capital of the Company was increased from US$50,000 to US$50,000,000 by creation of 4,995,000,000 additional new shares of US$0.01 each following the redesignation as detailed in (i) above.

(iii) Pursuant to the first share subscription agreement signed among the Company, BAOF International Limited, a subsidiary of the Company, Best Mark and Mr. Sze Ching Bor ("Mr. Sze"), a non-executive director of the Company dated 30 June 2010, 816 new ordinary shares of US$0.01 each of the Company were issued to Best Mark as a consideration for discharging the Group's obligation to repay the amount due to a director, Mr. Sze, of HK$10 million (equivalent to RMB8,707,000) at 30 June 2010. The first loan capitalisation resulted in an increase in issued share capital by RMB55 and share premium account by RMB8,707,000.

(iv) Pursuant to the second share subscription agreement signed among the parties described in (iii) above dated 21 December 2010, 1,903 new ordinary shares of US$0.01 each of the Company were issued to Best Mark as a consideration for discharging the Group's obligation to repay the amount due to a director, Mr. Sze, of HK$15 million (equivalent to RMB13,060,000) at 21 December 2010. The second loan capitalisation resulted in an increase in issued share capital by RMB126 and the share premium account by RMB13,060,000.

(v) 749,897,281 new shares of US$0.01 each were further allotted and issued, credited as fully paid at par by the Company, by way of capitalisation of the sum of approximately RMB49,800,000 from the share premium account, to the then existing shareholders of the Company, whose names appeared on the register of the Company on 28 January 2010, in proportion to their respective shareholdings. This allotment and capitalisation were conditional on the share premium account being credited as a result of the issue of new shares to the public in connection with the Company's initial public offering as detailed in (vi) below.

(vi) In connection with the Company's initial public offering, 250,000,000 new shares of US$0.01 each were issued at a price of HK$2.00 per share (equivalent to RMB1.71 per share) for a total cash consideration, before expenses, of approximately HK$500,000,000 (equivalent to RMB427,350,000). Dealings in these shares on the Stock Exchange commenced on 28 January 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is a well known supplier of casual footwear, specialising in fashionable sandals and slippers.

During the six months ended 30 June 2011 (the "Period"), the Group continued to maintain robust growth in both its revenue and profits. The rapid growth was driven by our outstanding business performance in our branded products, namely "Boree" and "Baofeng". The revenue from the branded business increased from RMB158.0 million for the six months ended 30 June 2010 to RMB284.5 million for the six months ended 30 June 2011. The branded products represented 47.8% of total revenue (2010: 34.5%) for the period ended 30 June 2011.

In addition, the Group has been selected as a licensed manufacturer and retailer of slippers for the International Horticultural Exposition 2011 Xian, China. A series of expo-themed products at the expo site have been produced and sold by the Group. This is another similar event the Group participated in after we were named a licensed manufacturer and retailer for the Shanghai World Exposition 2010.

Business Review

Boree

The Boree brand targets the medium-to-high end market with fashionable sandals and slippers being offered. Revenue generated from Boree continued to be the Group's key growth driver, increased by 83.0% to RMB203.9 million during the Period as compared with that of the corresponding period last year (2010: RMB111.4 million).

The number of sales points of Boree products has significantly increased from 451 as at 30 June 2010 to 541 as at 30 June 2011. The Group has a well-established nationwide distribution network that boosted the sales of Boree products and increased the market share during the Period under reviewed.

A flagship store for the Boree brand was opened in Beijing in April 2011. To facilitate the brand promotion, more flagship stores will be opened in Guangzhou, Shenzhen, Hong Kong and Shanghai.

Baofeng

Our Baofeng brand targets the budget-to-medium market and offers slippers with traditional function. Revenue generated from Baofeng recorded remarkable growth with an increase of 73.0% to RMB80.6 million during the Period from RMB46.6 million of the corresponding period in 2010.

NBA branded products

The Group formed an exclusive three year partnership with NBA China in May 2011. As a result of the partnership, a line of NBA branded flip flops, slippers and sandals will be launched in China. The flip flops, slippers and sandals with features of NBA team logos and mascots will be available for adults and children. The Group will manufacture, distribute, sell, advertise, and promote such flip flops, slippers and sandals through retail networks in mainland China, Hong Kong and Macau.

The cooperation with NBA China will enhance the Group's market image and we target to cooperate with more well-known foreign organizations in the future. The partnership will further broaden our line of products.

Original Equipment Manufacturer (the "OEM") business

Our OEM business has included customers that are selected on the Fortune Global 500 list, and we also produced OEM products for various globally renowned brands. Revenue generated from the OEM business during the Period recorded encouraging growth with an increase of 3.5% to RMB 310.4 million as compared with that of the corresponding period last year (2010: RMB300.0 million).

Financial Review

Revenue by product category

	For the six months ended 30 June		Increase/ (decrease)
	2011	**2010**	**% Change**
	RMB'000	*RMB'000*	
Revenue (Total)	594,920	458,008	29.9%
Revenue (Boree Products)	203,855	111,386	83.0%
Revenue (Baofeng Products)	80,623	46,598	73.0%
Revenue (OEM business)	310,442	300,024	3.5%

For the Period under review, the revenue of the Group increased by 29.9% to RMB594.9 million. Revenue from Boree and Baofeng brands increased by 83.0% to RMB203.9 million and 73.0% to RMB80.6 million, respectively, in the Period as compared with those of the corresponding period last year. The robust growth is partly attributed to the rapid expansion of the Group's distribution networks and satisfactory performance of our branded business. The business growth from the OEM business remains stable and the revenue from the OEM business increased by 3.5% to RMB310.4 million for the Period as compared with that of the corresponding period last year.

Selling and distribution costs

Selling and distribution costs increased by 5.6% to RMB31.9 million during the Period under review (2010: RMB30.2 million), primarily due to our aggressive advertising and marketing expenses.

General and administrative expenses

General and administrative expenses increased by 96% to RMB29.6 million during the Period under review (2010: RMB15.1 million) as compared with that of the corresponding period last year, mainly due to the increase in staff cost and professional fees subsequent to the Group's listing, an once-off incentive bonus to staff upon listing and the newly imposed city construction tax and education surcharges by the PRC tax bureau since December 2010, the amount we paid for the Period is in a sum of RMB4.2 million.

Liquidity and financial resources

During the Period, net cash inflow from operating activities of the Group amounted to RMB32.7 million (2010: RMB71.0 million). As at 30 June 2011, cash and bank balances together with pledged bank deposits were RMB1,030.5 million, representing a net increase of 214.3% as compared to RMB327.9 million as at 31 December 2010. The huge increase is mainly attributable to the net proceeds we raised in relation to our initial public offering in January 2011.

Pledge of assets

As at 30 June 2011, the Group secured its bank borrowings by the pledge of the Group's bank deposits amounting to RMB379.8 million. At 31 December 2010, certain of the Group's bank loans were secured by the pledge of the Group's trade receivables amounting to RMB33,904,000. During the period ended 30 June 2011, the respective bank borrowing was fully repaid and the pledged trade receivables were released.

Capital commitment and contingent liabilities

As at 30 June 2011, the Group had contracts for commitment of advertising and consultancy contract of RMB0.3 million and the acquisition of building of RMB5.3 million. As at 30 June 2011, the Group did not have any material contingent liabilities.

Profit attributable to shareholders

For the Period under review, the total condensed consolidated profit attributable to the owners of the Company amounted to RMB95.0 million, representing an increase of 12.9% in comparison to the corresponding period last year (2010: RMB84.2 million).

As compared with the financial figures for the Period and the corresponding period in 2010, there was a significant non-recurring item affecting the net profit of the Group, namely the "finance cost/income from exchangeable note, net".

The details are set out as the following:

	Six months ended 30 June	
	2011	**2010**
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Profit for the Period attributable to owners of the Company	95,017	84,172
Adjustment for finance cost/(income) from exchangeable note, net	1,210	(13,029)
Profit from core operation	96,227	71,143
Growth	35.3%	

Taking into account the above significant non-recurring items, the profit from the core operations for the Period is in a sum of RMB96.2 million, representing a 35.3% increase as compared with the corresponding period in 2010 (2010: RMB71.1 million).

Foreign exchange risk

During the Period under review, the sales of the Group were mainly denominated in US dollars and Renminbi. The cost of sales and operating expenses were mainly denominated in Renminbi. The Group did not hedge any exposure in foreign currency risk during the Period under review. However, management of the Group monitors the foreign exchange risk and will consider hedging significant foreign currency risk exposure should the need arise.

Gearing ratio

As at 30 June 2011, the gearing ratio of the Group was 33.5%. (as at 31 December 2010: 36.6%). Gearing ratio is total debt divided by the total equity plus total debt. Total debt refers to the total liability minus the sum of tax payable, dividend payable and deferred tax liability.

Human resources

As of 30 June 2011, the Group had a total of 2,511 employees (as at 31 December 2010: 2,382 employees).

Use of net proceeds from the share offering

The shares of the Company were listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the Listing Date with net proceeds received by the Company from the share offering of HK$453,570,000 (approximately RMB387,666,000) (after deducting underwriting commission and related expenses).

The utilization of the net proceeds as at 30 June 2011 is set out as follows:

Nature	**Amount raised**	**Amount utilized**
	RMB'000	*RMB'000*
To increase production capacity	135,683	32,549
Marketing and advertising expenses	96,917	19,461
To acquire other branded product business	58,150	—
To strengthen design capability	19,383	80
To establish flagship shops and showrooms	19,383	—
To strengthen the distribution resource planning system	19,383	690
General working capital	38,767	38,767
Total:	387,666	91,547

Future Prospects

Looking forward, the Group is committed to continuously expanding our Boree and Baofeng branded businesses and maintaining our prominence in the casual footwear market in the PRC through our five key business strategies. We will continue to 1) develop our branded product business with a focus on marketing and promotions; 2) strengthen our design capability; 3) explore and capitalize on potential market opportunities in other Asian countries and strive to replicate our success in other high-growth cities in the future; 4) enhance our production capacity; and 5) upgrade our information system with details as follows:

Firstly, we will continue to develop the branded product business to secure our prominence and increase recognition in the PRC casual footwear market. With the success of Boree brand, we will continue to promote the brand in the medium-to-high end market, to secure our identity as a brand which places emphasis on fashion and trends, and to explore opportunities establishing a market presence in Asia.

In order to further diversify our product portfolio, the Group has entered a three year partnership with NBA China. The NBA branded products will be one of our focuses in the coming years. The partnership with NBA China will further broaden our line of products and help the Group achieve sustainable business growth by reaching more consumers through the NBA's growing fan base.

Going forward, the Group will continue to explore opportunities in cooperating with other well-known international and domestic brands, thus further enhancing our brand image.

Secondly, we will strengthen our design capability. We believe that strengthening our design capability must go hand-in-hand with our plan to shift the business towards developing our branded products. The success of our branded products depends on our ability to produce a wide variety of designs in line with fashion trends. We will continue to get in touch with global trends and offer special sandal and slipper designs by organizing international design competitions, engaging an external design house in Italy and collaborating with an external research centre in Dongguan.

Thirdly, we will continue to explore expansion opportunities. In the domestic market, we intend to encourage and facilitate distributors to set up flagship stores and showrooms in first-tier cities such as Beijing, Guangzhou, Shanghai, Shenzhen and Hong Kong in order to increase our market coverage. In overseas markets, we strive to explore growth opportunities in Asia and other overseas markets. The management considers there are enormous opportunities in South East Asia, since people often wear slippers in such hot and humid climates. We expected that our presences in Philippines will be established in 2011. The Group will continue to expand its geographical coverage and increase market penetration in the PRC's casual footwear market.

Fourthly, the Group intends to expand and improve its production capacity. Due to our competitive edge in the branded product business and the overall growing demand for slippers, the Group will continue to expand and improve production capacity in order to meet growing demand. We plan to build additional production facilities in the coming years and expect to increase our total capacity significantly.

Lastly, we will strengthen our information systems to monitor the performance of distributors. We believe that the upgrades of our Enterprise Resource Planning ("ERP") system and Distribution Resource Planning ("DRP") system will enhance our sales growth and develop distribution strategies with accurate information.

The PRC's casual footwear industry has been growing steadily in recent years, and the fashionable slipper and sandal market is still in its early growth stage. As the industry is benefiting from urbanization, rising disposable incomes of urban households and retail sales in the PRC, we are confident that the Group has entered into a period of rapid growth and the results in the coming years will continue to be encouraging.

CORPORATE GOVERNANCE

The Company was listed on the Listing Date. The Directors consider that since the Listing Date, the Company has applied the principles and complied with the applicable code provisions of the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 to the Listing Rules.

Model Code for Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as the required standard for securities transactions by Directors. Having made specific enquiry of all Directors, all Directors have complied with the code of conduct and required standards set out in the Model Code from the Listing Date and up to the date of this announcement.

Purchase, redemption or sale of listed securities of the Company

The shares of the Company were first listed on the Main Board of the Stock Exchange on the Listing Date. Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities from the Listing Date and up to the date of this announcement.

Audit Committee

An Audit Committee was established by our Board on 8 January 2011 with written terms of reference in compliance with the Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are to review and supervise our Group's financial reporting process and internal control system. The Audit Committee comprises three members, all being independent non-executive Directors.

The Audit Committee has reviewed the Company's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2011.

OTHER INFORMATION

Interim Dividend

The Board has resolved to pay an interim dividend of HK$0.02 per share. The interim dividend will be distributed on or around 14 October 2011 to shareholders whose names appear on the register of members of the Company as at the close of business on 23 September 2011.

Closure of Register of Members

The register of members of the Company will be closed from 21 September 2011 to 23 September 2011, both days inclusive, during which period no transfer of the shares will be registered. In order to qualify for the interim dividend payable on or around 14 October 2011, all transfers of shares of the Company accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share register in Hong Kong, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong before 4:30 p.m. on 20 September 2011.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the Company's website at www.chinabaofeng.com and the website of the Stock Exchange. The interim report will be sent to shareholders of the Company and made available at the aforesaid websites in due course.

By Order of the Board
Baofeng Modern International Holdings Company Limited
Zheng Liuhe
Chairman

Hong Kong, 29 August 2011

As at the date of this announcement, the executive directors are Mr. Zheng Liuhe, Mr. Zhang Aiguo, Mr. Chen Qingwei and Mr. Zheng Jingdong. The non-executive directors are Mr. Sze Ching Bor and Mr. Cheung Miu, and the independent non-executive directors are Professor Bai Changhong, Mr. Lee Keung and Ms. An Na.