The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

10 December 2013

The Directors
China Creative Home Group Limited

Guotai Junan Capital Limited

Dear Sirs,

We report on the financial information of China Creative Home Group Limited (the "**Company**") and its subsidiaries (together, the "**Group**") which comprises the consolidated statements of financial position as at 31 December 2010, 2011 and 2012 and 30 June 2013, the statements of financial position of the Company as at 31 December 2011 and 2012 and 30 June 2013, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013 (the "**Relevant Periods**"), and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of the Company and is set out in Sections I to III below for inclusion in Appendix I to the prospectus of the Company dated 10 December 2013 (the "**Prospectus**") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company was incorporated in the Cayman Islands on 7 July 2011 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation as described in Note 1.2 of Section II headed "Reorganisation" below, which was completed on 8 November 2011, the Company became the holding company of the subsidiaries now comprising the Group (the "**Reorganisation**").

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in Note 1.2 of Section II below. All of these companies are private companies.

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No audited financial statements have been prepared by the Company as it has not involved in any significant business transactions since its date of incorporation, other than the Reorganisation. The audited financial statements of the other companies now comprising the Group as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their respective places of incorporation. The details of the statutory auditors of these companies are set out in Note 1.2 of Section II below.

The directors of the Company have prepared the consolidated financial statements of the Company and its subsidiaries now comprising the Group for the Relevant Periods, in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") (the "**Underlying Financial Statements**"). The directors of the Company are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with HKFRSs. We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (the "**HKSAs**") issued by the HKICPA pursuant to separate terms of engagement with the Company.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with HKFRSs, and for such internal control as the directors determine is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

OPINION

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company as at 31 December 2011 and 2012 and 30 June 2013 and of the state of affairs of the Group as at 31 December 2010, 2011 and 2012 and 30 June 2013 and of the Group's results and cash flows for the Relevant Periods.

REVIEW OF STUB PERIOD COMPARATIVE FINANCIAL INFORMATION

We have reviewed the stub period comparative financial information set out in Sections I to II below included in Appendix I to the Prospectus which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 June 2012 and a summary of significant accounting policies and other explanatory information (the "**Stub Period Comparative Financial Information**").

The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the accounting policies set out in Note 2 of Section II below.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of the Stub Period Comparative Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with HKSAs and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report, has not been prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section II below.

I. FINANCIAL INFORMATION OF THE GROUP

The following is the financial information of the Group prepared by the directors of the Company as at 31 December 2010, 2011 and 2012 and 30 June 2013, and for each of the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013 (the "**Financial Information**"):

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 30 June
		2010	2011	2012	2013
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS					
Non-current assets					
Property, plant and equipment	*7*	278,860	297,155	294,298	289,012
Land use rights	*8*	96,915	119,957	117,326	116,015
Prepayments	*11*	19,393	–	–	9,272
		395,168	417,112	411,624	414,299
Current assets					
Inventories	*9*	18,029	23,317	27,369	43,412
Trade receivables	*10*	145,714	203,730	288,967	274,055
Deposits, prepayments and other receivables	*11*	1,851	7,535	16,499	17,384
Amount due from a related company	*12*	50,000	–	–	–
Amount due from a controlling shareholder	*12*	81,305	57,479	–	–
Restricted bank deposits	*13*	14,295	7,335	75,865	36,500
Short-term bank deposits	*13*	34,800	35,584	–	–
Cash and cash equivalents	*13*	18,652	5,227	343,794	373,276
		364,646	340,207	752,494	744,627
Total assets		759,814	757,319	1,164,118	1,158,926
EQUITY					
Capital and reserves attributable to the Company's equity holders					
Share capital	*14*	–	–	–	–
Combined capital	*15*	288,177	–	–	–
Capital reserve	*15*	–	288,177	288,177	336,919
Statutory reserve	*16*	51,448	71,074	71,074	79,713
Retained earnings		205,362	237,997	445,226	474,371
Total equity		544,987	597,248	804,477	891,003

		As at 31 December			As at 30 June
		2010	**2011**	**2012**	**2013**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
LIABILITIES					
Non-current liabilities					
Deferred tax liabilities	*19*	10,649	4,724	5,406	2,662
Current liabilities					
Trade and other payables	*17*	100,251	97,809	265,592	183,942
Amounts due to related companies	*12*	50	120	–	–
Amount due to a controlling shareholder	*12*	–	–	4,162	–
Bank borrowings	*18*	92,000	50,000	60,951	64,400
Current income tax liabilities		11,877	7,418	23,530	16,919
		204,178	155,347	354,235	265,261
Total liabilities		214,827	160,071	359,641	267,923
Total equity and liabilities		759,814	757,319	1,164,118	1,158,926
Net current assets		160,468	184,860	398,259	479,366
Total assets less current liabilities		555,636	601,972	809,883	893,665

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December		As at 30 June
		2011	2012	2013
	Note	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS				
Non-current assets				
Investment in a subsidiary	*28*	596,962	596,962	640,152
Current assets				
Amount due from a controlling shareholder	*12*	–	–	4,241
Prepayments	*11*	–	798	2,186
		–	798	6,427
Total assets		596,962	597,760	646,579
EQUITY				
Share capital	*14*	–	–	–
Share premium	*30*	–	–	–
Reserves	*30*	596,913	597,001	646,579
Total equity		596,913	597,001	646,579
LIABILITIES				
Current liabilities				
Amount due to a controlling shareholder	*12*	49	759	–
		49	759	–
Total equity and liabilities		596,962	597,760	646,579
Net current (liabilities)/assets		(49)	39	6,427
Total assets less current liabilities		596,913	597,001	646,579

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December			Six months ended 30 June	
		2010	2011	2012	2012	2013
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Revenue	*20*	751,819	804,072	969,026	397,529	493,891
Cost of sales	*21*	(429,299)	(472,842)	(540,829)	(227,208)	(268,758)
Gross profit		322,520	331,230	428,197	170,321	225,133
Other income	*20*	597	1,883	2,613	1,569	1,652
Selling and distribution costs	*21*	(33,941)	(48,687)	(53,504)	(27,215)	(25,164)
Administrative expenses	*21*	(25,388)	(29,502)	(42,995)	(17,905)	(34,958)
Operating profit		263,788	254,924	334,311	126,770	166,663
Finance costs	*24*	(1,303)	(1,687)	(2,992)	(1,058)	(2,428)
Profit before income tax		262,485	253,237	331,319	125,712	164,235
Income tax expense	*25*	(43,542)	(34,976)	(69,690)	(30,632)	(34,697)
Profit and total comprehensive income for the year/period attributable to equity holders of the Company		218,943	218,261	261,629	95,080	129,538
Earnings per share for profit attributable to equity holders of the Company – Basic and diluted	*26*	218,943	218,261	261,629	95,080	129,538
Dividends	*27*	128,250	166,000	54,400	54,400	91,754

Note: The earnings per share presented above has not taken into account the proposed capitalisation issue of 1,439,999,999 shares pursuant to the shareholders' resolution dated 2 December 2013 (note 35) because the proposed capitalisation issue has not become effective as at the date of this report.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

				Reserves			
	Note	**Share capital** *RMB'000* *(Note 14)*	**Combined capital** *RMB'000* *(Note 15)*	**Capital reserve** *RMB'000* *(Note 15)*	**Statutory reserve** *RMB'000* *(Note 16)*	**Retained earnings** *RMB'000*	**Total** *RMB'000*
As at 1 January 2010		–	243,515	–	28,558	137,559	409,632
Comprehensive income							
Profit for the year		–	–	–	–	218,943	218,943
Transactions with owners							
Capital injection from a controlling shareholder	*15(b)*	–	44,662	–	–	–	44,662
Transfer to statutory reserve	*16*	–	–	–	22,890	(22,890)	–
Dividend	*27*	–	–	–	–	(128,250)	(128,250)
		–	44,662	–	22,890	(151,140)	(83,588)
As at 31 December 2010		–	288,177	–	51,448	205,362	544,987
As at 1 January 2011		–	288,177	–	51,448	205,362	544,987
Comprehensive income							
Profit for the year		–	–	–	–	218,261	218,261
Transactions with owners:							
Issuance of share capital	*14*	–	–	–	–	–	–
Transfer	*15(a)*	–	(288,177)	288,177	–	–	–
Transfer to statutory reserve	*16*	–	–	–	19,626	(19,626)	–
Dividend	*27*	–	–	–	–	(166,000)	(166,000)
		–	(288,177)	288,177	19,626	(185,626)	(166,000)
As at 31 December 2011		–	–	288,177	71,074	237,997	597,248

	Note	Share capital RMB'000 (Note 14)	Combined capital RMB'000 (Note 15)	Reserves: Capital reserve RMB'000 (Note 15)	Reserves: Statutory reserve RMB'000 (Note 16)	Reserves: Retained earnings RMB'000	Total RMB'000
As at 1 January 2012		–	–	288,177	71,074	237,997	597,248
Comprehensive income							
Profit for the year		–	–	–	–	261,629	261,629
Transactions with owners:							
Dividend	27	–	–	–	–	(54,400)	(54,400)
		–	–	–	–	(54,400)	(54,400)
As at 31 December 2012		–	–	288,177	71,074	445,226	804,477
As at 1 January 2012		–	–	288,177	71,074	237,997	597,248
Comprehensive income							
Profit for the period		–	–	–	–	95,080	95,080
Transactions with owners:							
Dividend	27	–	–	–	–	(54,400)	(54,400)
As at 30 June 2012 (Unaudited)		–	–	288,177	71,074	278,677	637,928
As at 1 January 2013		–	–	288,177	71,074	445,226	804,477
Comprehensive income							
Profit for the period		–	–	–	–	129,538	129,538
Transactions with owners:							
Capital injection from the parent company	*15(b)*	–	–	48,742	–	–	48,742
Transfer to statutory reserve	*16*	–	–	–	8,639	(8,639)	–
Dividend	*27*	–	–	–	–	(91,754)	(91,754)
		–	–	48,742	8,639	(100,393)	(43,012)
As at 30 June 2013		–	–	336,919	79,713	474,371	891,003

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December			Six months ended 30 June	
		2010	2011	2012	2012	2013
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Cash flows from operating activities						
Cash generated from operations	*29*	231,464	196,886	350,980	153,565	128,892
Interest paid		(2,606)	(3,374)	(4,130)	(2,103)	(2,428)
Income tax paid		(35,274)	(45,360)	(52,896)	(19,523)	(44,052)
Net cash generated from operating activities		193,584	148,152	293,954	131,939	82,412
Cash flows from investing activities						
Purchases of property, plant and equipment		(161,925)	(20,655)	(11,556)	(2,870)	(1,434)
Proceed from disposal of land use rights and property, plant and equipment	*29(a)*	4,289	–	–	–	–
Prepayments for land use rights		(10,113)	(2,453)	–	–	(9,272)
Additions to land use rights		–	(3,589)	–	–	–
Interest received		576	1,316	2,394	1,459	1,511
(Increase)/decrease in short-term bank deposits		(34,800)	(784)	35,584	35,584	–
Changes in amount due from/to a controlling shareholder		(49,661)	(142,174)	7,241	1,632	(10,416)
Net cash (used in)/generated from investing activities		(251,634)	(168,339)	33,663	35,805	(19,611)
Cash flows from financing activities						
Proceeds from borrowings		42,000	50,000	63,951	8,000	10,000
Repayments of borrowings		(51,000)	(42,000)	(53,000)	(12,700)	(6,551)
Capital contribution from a controlling shareholder		44,662	–	–	–	48,742
Dividends paid to equity holders		–	–	–	–	(85,500)
Net cash generated from/(used in) financing activities		35,662	8,000	10,951	(4,700)	(33,309)
Net (decrease)/increase in cash and cash equivalents		(22,388)	(12,187)	338,568	163,044	29,492
Cash and cash equivalents at beginning of year/period		42,037	18,652	5,227	5,227	343,794
Exchange losses on cash and cash equivalents		(997)	(1,238)	(1)	(3)	(10)
Cash and cash equivalents at end of the year/period	*13*	18,652	5,227	343,794	168,268	373,276

II NOTES TO THE FINANCIAL INFORMATION

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

1.1 Corporate information

China Creative Home Group Limited (the "**Company**") was incorporated in the Cayman Islands on 7 July 2011 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and the companies now comprising the Group (together the "**Group**") are principally engaged in the business of manufacturing, distributing and selling of home decoration products and electric fireplaces primarily in the People's Republic of China (the "**PRC**") (the "**Listing Business**").

The Financial Information is presented in thousands of units of Renminbi ("**RMB'000**"), unless otherwise stated.

1.2 Reorganisation

The Listing Business was controlled by Mr. Chen Fanglin ("**Mr. Chen**") throughout the Relevant Periods.

In preparation for the listing of the shares of the Company (the "**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**HKEX**"), the Company underwent a group reorganisation, pursuant to which the companies engaged in the Listing Business were transferred to the Company ("the **Reorganisation**"). The Reorganisation involved the following steps:

- On 1 February 2010, Allen International Holdings Limited ("**Allen International**") was incorporated with one share allotted and issued to China Prosper Int'l Ltd ("**China Prosper**"), which was wholly-owned by Mr. Chen;

- During 2010, Allen Arts (H.K.) Co., Limited, which is wholly-owned by Mr. Chen, entered into several equity transfer agreements with Allen International to:

  - transfer the 100% equity interest in 福建亞倫電子電器科技有限公司 (Allen Electronics Co., Ltd) ("**Fujian Allen**") to Allen International at a consideration of HK$56,000,000, being the then registered capital of Fujian Allen;

  - transfer the 100% equity interest in 泉州亞倫輕工有限公司 (Quanzhou Allen Light Industry Co., Ltd.) ("**Quanzhou Allen**") to Allen International at a consideration of US$10,000,000, being the then registered capital of Quanzhou Allen; and

  - transfer the 100% equity interest in 亞倫(中國)有限公司 (Allen (China) Co., Ltd) ("**China Allen**") to Allen International at a consideration of RMB150,000,000, being the then registered capital of China Allen.

  Such transfers were completed on 16 July 2010, thereafter, Fujian Allen, Quanzhou Allen and China Allen became wholly-owned subsidiaries of Allen International;

- On 8 November 2011, the Company acquired the entire share capital of China Prosper for a consideration of US$50,000, being the issued share capital of China Prosper. Thereafter, China Prosper became a wholly-owned subsidiary of the Company and the Company became the holding company of the companies now comprising the Group.

Upon the completion of the Reorganisation and as at the date of this report, the Company has direct and indirect interests in the following subsidiaries:

Name	Place and date of incorporation/ establishment	Principal activities	Legal status	Issued or registered/ paid up capital	Effective interest held as at				Note
					31 December			30 June	
					2010	2011	2012	2013	
Directly owned:									
China Prosper 華茂國際有限公司	British Virgin Islands, 30 December 2009	Investment holding	Limited liability company	USD50,000	100%	100%	100%	100%	*(i)*
Indirectly owned:									
Allen International Holdings Limited 亞倫國際控股有限公司	Hong Kong, 10 February 2010	Investment holding	Limited liability company	HKD10,000	100%	100%	100%	100%	*(ii)*
Allen China Co., Ltd 亞倫(中國)有限公司	PRC, 2 September 1993	Manufacturing and sale of home decoration products	Foreign investment enterprise with limited liability	RMB150,000,000	100%	100%	100%	100%	*(ii)*
Allen Electronics Co., Ltd 福建亞倫電子電器科技有限公司	PRC, 19 February 1997	Manufacturing and sale of electric fireplaces	Foreign investment enterprise with limited liability	HKD96,000,000	100%	100%	100%	100%	*(ii)*
Quanzhou Allen Light Industry Co., Ltd 泉州亞倫輕工有限公司	PRC, 27 September 2001	Manufacturing and sale of home decoration products	Foreign investment enterprise with limited liability	USD10,000,000	100%	100%	100%	100%	*(ii)*

Notes:

(i) No audited financial statements have been issued for the Company as it is not required to issue audited financial statements under the statutory requirements of its place of incorporation.

(ii) Name of statutory auditors of subsidiaries

The statutory financial statements of the subsidiaries for the years ended 31 December 2010, 2011 and 2012, where applicable, were audited by certified public accountants as follows:

	Name of statutory auditors		
	2010	**2011**	**2012**
Incorporated in Hong Kong			
Allen International Holdings Limited 亞倫國際控股有限公司	PricewaterhouseCoopers 羅兵咸永道會計師事務所	PricewaterhouseCoopers 羅兵咸永道會計師事務所	PricewaterhouseCoopers 羅兵咸永道會計師事務所
Established in the PRC			
Allen China Co., Ltd 亞倫(中國)有限公司	Quanzhou Chengyuan United Certified Public Accountants 泉州豐澤誠源聯合會計師事務	Quanzhou Minghua United Certified Public Accountants 泉州豐澤明華聯合會計師事務	Quanzhou Fengze Quanxin Link Certified Public Accountants 泉州豐澤泉信聯合會計師事務
Allen Electronics Co., Limited 福建亞倫電子電器科技有限公司	Quanzhou Chengyuan United Certified Public Accountants 泉州豐澤誠源聯合會計師事務	Quanzhou Minghua United Certified Public Accountants 泉州豐澤明華聯合會計師事務	Quanzhou Fengze Quanxin Link Certified Public Accountants 泉州豐澤泉信聯合會計師事務
Quanzhou Allen Light Industry Co., Ltd 泉州亞倫輕工有限公司	Quanzhou Chengyuan United Certified Public Accountants 泉州豐澤誠源聯合會計師事務	Quanzhou Minghua United Certified Public Accountants 泉州豐澤明華聯合會計師事務	Quanzhou Fengze Quanxin Link Certified Public Accountants 泉州豐澤泉信聯合會計師事務

The English names of certain subsidiaries and auditors represent the best effort by the management of the Company in translating their Chinese names as they do not have official English names.

All companies now comprising the Group have adopted 31 December as their financial year end date.

1.3 Basis of presentation

For the purpose of this report, the consolidated statements of comprehensive income, consolidated statements of cash flows and consolidated statements of changes in equity of the Group for each of the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013 have been prepared using the financial information of the companies engaged in the Listing Business, under the common control of Mr. Chen and now comprising the Group as if the current group structure had been in existence throughout each of the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013. The consolidated statements of financial position of the Group as at 31 December 2010, 2011 and 2012 and 30 June 2013 have been prepared to present the assets and liabilities of the companies now comprising the Group at these dates, as if the group structure had been in existence as at these dates. The net assets and results of the Group were consolidated using the existing book values from Mr. Chen's perspective.

Intercompany transactions, balances and unrealised gains/losses on transactions between group's companies are eliminated on consolidation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied throughout the Relevant Periods, unless otherwise stated.

2.1 Basis of preparation

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and has been prepared under the historical cost convention.

The preparation of the Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in Note 5.

The following are standards and amendments to existing standards that have been published and are relevant and mandatory for the Group's accounting periods beginning on or after 1 January 2014 or later periods, but have not been early adopted by the Group.

Effective for the accounting periods beginning on or after 1 January 2014

HKAS 32 (Amendment)	Financial instruments: Presentation – Offsetting Financial Assets and Financial Liabilities

These amendments are to the application guidance in HKAS 32, 'Financial instruments: Presentation', and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.

Effective for the accounting periods beginning on or after 1 January 2015

HKFRS 7 and HKFRS 9 (Amendment)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures
HKFRS 9	Financial Instruments

HKFRS 7 and HKFRS 9 (Amendments) "Mandatory effective date and transition disclosures" delay the effective date to annual periods beginning on or after 1 January 2015, and also modify the relief from restating prior periods. As part of this relief, additional disclosures on transition from HKAS 39 to HKFRS 9 are required.

HKFRS 9 is the first standard issued as part of a wider project to replace HKAS 39. HKFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in HKAS 39 on impairment of financial assets and hedge accounting continues to apply.

The Group will adopt the above new or revised standards, amendments to existing standards as and when they become effective. The Group has already commenced the assessment of the impact to the Group and is not yet in a position to state whether these would have a significant impact on its results of operations and financial position.

2.2 Consolidated financial information

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group's companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors of the Group that makes strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the Financial Information 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 Financial Information is presented in Renminbi ("**RMB**"), which is the functional and presentation currency of the Company and the subsidiaries within the Group.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

(c) Group's companies

The results and financial position of all the Group's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position of the Group's entities are translated at the closing rate at the dates of the Relevant Periods;
- income and expenses for each statement of comprehensive income of the Group's entities are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On combination, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated statement of comprehensive income as part of the gain or loss on sale.

2.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost over their estimated useful lives, as follows:

Buildings	30 years
Plant and Machinery	5–10 years
Office equipment	5 years
Motor vehicles	4 years

Depreciation on construction in progress commences when the assets are ready for their intended use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each of Relevant Periods.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated statement of comprehensive income.

2.6 Land use rights

Land use rights represent upfront operating lease payments made for the land and are stated at payments less amount written off on a straight-line basis over the lease period and impairment loss.

2.7 Impairment of non-financial assets

Assets that have an indefinite useful life or have not yet been available for use are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial assets

(a) Classification

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The Group's financial assets comprise trade and other receivables (Notes 10, 11 and 12), restricted bank deposits, short-term bank deposits and cash and cash equivalents (Note 13) in the statements of financial position.

(b) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date - the date on which the Group commits to purchase or sell the asset. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.9 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision 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 the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income.

When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against in the statement of comprehensive income.

Trade and other receivables are included in current assets, except for those mature after twelve months of the end of reporting periods which are classified as non-current assets.

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

2.12 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.13 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings 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 end of reporting periods.

Borrowing costs are accounted for on the accrual basis and charged to the consolidated statement of comprehensive income in the year in which they are incurred, except for costs related to funding of construction or acquisition of qualifying assets which are capitalised as part of the cost of that asset during the construction period and up to the date of completion of construction.

2.15 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting periods in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Information. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of reporting periods and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balance on a net basis.

2.16 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.17 Employee benefits

(a) Pension obligations

Full time employees of the PRC entities participate in a government mandated multi-employer defined contribution plan pursuant to which certain pension benefits, medical care, unemployment insurance, employee housing fund and other welfare benefits are provided to employees. Chinese labour regulations require the Company to accrue for these benefits based on certain percentages of the employees' salaries. Full time employees who have passed the probation period are entitled to such benefits.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Employee leaves entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service payment as a result of services rendered by employees up to the reporting date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(c) Bonus plans

The Group recognises a liability and an expense for bonuses, based on performance and takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.18 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of value added tax and after eliminating sales within the Group.

(a) Sales of goods

Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the customer, and the customer has accepted the products and collectability of the related receivables is reasonably assumed.

(b) Interest income

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

2.19 Leases – as a lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

2.20 Research and development

Costs associated with research are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique products controlled by the Group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the home decoration products and electric fireplaces so that it will be available for use;
- Management intends to complete the home decoration products and electric fireplaces and use or sell it;
- There is an ability to use or sell the home decoration products and electric fireplaces;
- It can be demonstrated how the home decoration products and electric fireplaces will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the home decoration products and electric fireplaces are available; and
- The expenditure attributable to the home decoration products and electric fireplaces during its development can be reliably measured.

Development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

2.21 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are declared by the Directors in the case of interim dividends or approved by the Company's shareholders in the case of final dividends.

2.22 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resource will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate 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.

Risk management is carried out by the Group's management under the supervision of Board of Directors. The Group's management identifies, evaluates and manages significant financial risks in the Group's individual operating units. The Board of Directors provides guidance for overall risk management.

(a) Market risk

(i) Foreign currency risk

The Group

The major non-RMB assets are bank deposits and trade receivables denominated in Hong Kong dollar ("**HKD**") and the United States dollar ("**USD**").

The Company and all of its subsidiaries' functional currency is RMB, so the bank balances and trade receivables denominated in foreign currencies are subject to retranslation at each reporting date. Fluctuation of the exchange rates of RMB against foreign currencies could affect the Group's results of operations.

The Group does not have a foreign currency hedging policy. However, management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

As at 31 December 2010, 2011 and 2012 and 30 June 2013, if RMB had strengthened/weakened by 5% against HKD and USD, with all other variables held constant, the Group's post-tax profit for the Relevant Periods would have been RMB2,105,000 higher/lower, RMB1,302,000 higher/lower and RMB1,395,000 higher/lower and RMB1,044,000 higher/lower, mainly as a result of net foreign exchange gains/losses on translation of HKD and USD denominated bank deposits, trade receivables and bank borrowings.

(ii) Interest rate risk

Cash flow and fair value interest rate risk refers to the changes in cash flows or fair value of a financial instrument as a result of fluctuations in market interest rates.

As the Group has no significant interest-bearing assets/liabilities other than restricted bank deposits, short-term bank deposits, cash and cash equivalents and borrowings, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

Restricted bank deposits, short-term bank deposits, cash and cash equivalents and borrowings at fixed rates expose the Group to fair value interest-rate risk, and those at variable rates expose the Group to cash flow interest-rate risk.

The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. Management monitors interest rate fluctuations to ensure that exposure to interest rate risk is within an acceptable level and will consider hedging significant interest rate exposure should the need arise.

The Group

As at 31 December 2010, 2011 and 2012 and 30 June 2013, if interest rates on all interest-bearing bank deposits and borrowings had been 100 basis-points higher/lower with all other variables held constant, profits for the Relevant Periods would have been approximately RMB486,000 higher/lower, RMB16,000 higher/lower, RMB2,977,000 higher/lower and RMB1,404,000 higher/lower, respectively.

(b) Credit risk

Credit risk mainly arises from cash and cash equivalents and deposits with banks, trade receivables and other receivables. The carrying amounts of each of these financial assets represent restricted represent the Group's maximum exposure to credit risk in relation to its financial assets.

For credit risks in respect of cash and cash equivalents and deposits with banks, the Group managed the risk by placing cash and cash equivalents and deposits with major local banks and state-owned banks in the PRC with good credit standing. For credit risk in respect of trade receivables from customers, the Group has policies in place to ensure that sales are made to reputable and credit-worthy customers with an appropriate financial strength and credit history. The management is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. In order to minimise the credit risk, management of the Company has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each debtor at the end of each reporting periods to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is limited.

The Group has no significant concentration of credit risk with respect to accounts receivable from third party customers as the Group has a vast number of individual customers.

The table below shows the bank deposit balances of the major banks with or without external credit ratings as at 31 December 2010, 2011 and 2012 and 30 June 2013 as follows:

	As at 31 December			**As at 30 June**
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Commercial banks with external credit ratings*				
A	18,877	7,120	383,757	375,912
A-	–	–	–	11,262
BBB	57	5,341	20,205	7,879
BB+	13,854	79	5,665	12,559
	32,788	12,540	409,627	407,612
Commercial banks without external credit ratings	34,805	35,590	10,024	2,144
	67,593	48,130	419,651	409,756

* *The source of credit rating is from Fitch*

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and through collection from customers. The Group finances its working capital requirements through a combination of funds generated from operations, bank borrowings (Note 18) and capital injection from equity holders. The Group maintains undrawn banking facilities to manage its working capital requirements.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of reporting periods to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Total less than 1 year *RMB'000*	**Carrying amount** *RMB'000*
Group		
At 31 December 2010		
Trade and other payables	95,224	95,224
Amounts due to related companies	50	50
Bank borrowings	93,004	92,000
	188,278	187,274
Group		
At 31 December 2011		
Trade and other payables	94,364	94,364
Amounts due to related companies	120	120
Bank borrowings	52,311	50,000
	146,795	144,484
Company		
At 31 December 2011		
Amount due to a controlling shareholder	49	49
Group		
At 31 December 2012		
Trade and other payables	256,757	256,757
Amount due to a controlling shareholder	4,162	4,162
Bank borrowings	63,705	60,951
	324,624	321,870
Company		
At 31 December 2012		
Amount due to a controlling shareholder	759	759
Group		
At 30 June 2013		
Trade and other payables	179,221	179,221
Bank borrowings	65,301	64,400
	244,522	243,621

As at 30 June 2013, the Company did not have any financial liabilities.

3.2 Capital risk management

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.

The Directors of the Company regularly monitor the capital structure, which consists of the equity attributable to the Company's shareholders as disclosed in the statements of financial position. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or dispose of assets to reduce debts.

The Group monitors capital on the basis of the gearing ratio. The ratio is calculated as total debt divided by total equity. Total debt is calculated as interest bearing borrowings. Total capital is calculated as equity as shown in the consolidated statements of financial position. During the Relevant Periods, the Group's strategy was to maintain a gearing ratio of below 20%.

	As at 31 December			As at 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total debt	92,000	50,000	60,951	64,400
Total equity	544,987	597,248	804,477	891,003
Gearing ratio	17%	8%	8%	7%

4 FAIR VALUE ESTIMATION

The carrying amounts of the Group's current financial assets, including trade and other receivables, restricted bank deposits, short-term bank deposits, cash and cash equivalents, and amount due from a controlling shareholder, and the Group's current financial liabilities including trade and other payables, bank borrowings, amount due to a controlling shareholder and amounts due to related companies approximate their fair values due to their short maturities.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are discussed below.

5.1 Provision for impairment of receivables

Significant judgement is exercised on the assessment of the collectability of trade receivables from each customer. In making its judgement, management considers a wide range of factors such as results of follow-up procedures performed by sales personnel, customer payment trends including subsequent payments and customers' financial position.

5.2 Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives, and related depreciation and amortisation charges for its property, plant and equipment and intangible assets. The estimates are based on the historical experience of the actual useful lives of property, plant and equipment and intangible assets of similar nature and functions. Management will increase the depreciation and amortisation charges where useful lives are less than previously estimated lives. It will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable and amortisation lives and therefore affect the depreciation and amortisation charges in future periods.

5.3 Income taxes and deferred income taxes

Significant judgement is required in determining the provision for income taxes and deferred income taxes. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred income tax provision in the period in which such determination is made.

Deferred income tax liabilities have not been established for withholding tax that would be payable on certain profits of PRC subsidiaries to be repatriated and distributed by way of dividends as the Directors consider that the timing of the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the future.

If those undistributed earnings of the PRC subsidiaries are considered to be repatriated and distributed by way of dividends, deferred income tax liabilities would have been increased by approximately RMB8,993,000, RMB17,331,000 and RMB21,818,000 as at 31 December 2011 and 2012, and 30 June 2013, respectively.

6 SEGMENT REPORTING

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker that are used to making strategic decisions.

The chief operating decision-maker is identified as the executive directors of the Company. The executive directors consider the business from a product perspective and assesses the performance of the operating segments based on a measure of revenue and segment results.

The management has identified two reportable segments based on the Group's two major product types, namely the 'home decoration products' and 'electric fireplaces'. These two segments derive its revenue from the manufacturing, distributing and selling of home decoration products and electric fireplaces.

Segment assets consist primarily of certain property, plant and equipment, certain land use rights, inventories, trade receivables, deposits, prepayments and other receivables, restricted bank deposits, short-term bank deposits and, cash and cash equivalents. They exclude deferred income tax asset, amount due from a controlling shareholder and assets used by corporate functions.

Segment liabilities consist primarily of trade and other payables. They exclude current income tax liabilities, deferred income tax liabilities, amounts due to related companies, a controlling shareholder and bank borrowings.

Capital expenditure comprises additions to land use rights, and property, plant and equipment.

Geographical information on assets and liabilities is not presented as the majority of assets and liabilities of the Group are located in the PRC and the cost to develop it would be excessive.

Others primarily relate to the provision of corporate services for investment holding companies and inactive companies. These activities are excluded from the reportable operating segments and are presented to reconcile to the totals included in the Group's consolidated statements of comprehensive income and financial position.

The segment information provided to the executive directors for the years ended 31 December 2010, 2011 and 2012 and for the six months ended 30 June 2012 and 2013 are as follows:

	Electric fireplace	**Home decoration products**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2010:				
Segment revenue				
– PRC	182,405	447,407	–	629,812
– International	9,825	117,429	–	127,254
	192,230	564,836	–	757,066
Less: Inter-segment revenue	–	(5,247)	–	(5,247)
Revenue from external customers	192,230	559,589	–	751,819
Segment results	72,154	192,525	(14)	264,665
Unallocated expense				(877)
Finance costs				(1,303)
Profit before income tax				262,485
Income tax expense				(43,542)
Profit for the year				218,943
Other segment items:				
Capital expenditure	113,160	13,016	47,884	174,060
Depreciation and amortisation	401	5,875	877	7,153
Interest income	29	547	–	576

	Electric fireplace *RMB'000*	Home decoration products *RMB'000*	Others *RMB'000*	Total *RMB'000*
For the year ended 31 December 2011:				
Segment revenue				
– PRC	208,685	478,844	–	687,529
– International	34,442	96,707	–	131,149
	243,127	575,551	–	818,678
Less: Inter-segment revenue	–	(14,606)	–	(14,606)
Revenue from external customers	243,127	560,945	–	804,072
Segment results	91,914	163,937	(86)	255,765
Unallocated expense				(841)
Finance costs				(1,687)
Profit before income tax				253,237
Income tax expense				(34,976)
Profit for the year				218,261
Other segment items:				
Capital expenditure	47,846	920	3,383	52,149
Depreciation and amortisation	2,813	6,532	841	10,186
Interest income	1,091	225	–	1,316

	Electric fireplace *RMB'000*	Home decoration products *RMB'000*	Others *RMB'000*	Total *RMB'000*
For the year ended 31 December 2012:				
Segment revenue				
– PRC	385,960	488,480	–	874,440
– International	50,898	77,168	–	128,066
	436,858	565,648	–	1,002,506
Less: Inter-segment revenue	–	(33,480)	–	(33,480)
Revenue from external customers	436,858	532,168	–	969,026
Segment results	187,529	150,570	(2,443)	335,656
Unallocated expense				(1,345)
Finance costs				(2,992)
Profit before income tax				331,319
Income tax expense				(69,690)
Profit for the year				261,629
Other segment items:				
Capital expenditure	835	236	9,803	10,874
Depreciation and amortisation	6,002	5,884	1,345	13,231
Interest income	1,224	1,170	–	2,394

	Electric fireplace *RMB'000*	Home decoration products *RMB'000*	Others *RMB'000*	Total *RMB'000*
For the six months ended 30 June 2012 (Unaudited):				
Segment revenue				
– PRC	144,267	221,631	–	365,898
– International	5,529	36,390	–	41,919
	149,796	258,021	–	407,817
Less: Inter-segment revenue	–	(10,288)	–	(10,288)
Revenue from external customers	149,796	247,733	–	397,529
Segment results	60,503	67,926	(1,232)	127,197
Unallocated expense				(427)
Finance costs				(1,058)
Profit before income tax				125,712
Income tax expense				(30,632)
Profit for the period				95,080
Other segment items:				
Capital expenditure	378	–	1,045	1,423
Depreciation and amortisation	2,968	3,065	427	6,460
Interest income	1,193	266	–	1,459

	Electric fireplace *RMB'000*	Home decoration products *RMB'000*	Others *RMB'000*	Total *RMB'000*
For the six months ended 30 June 2013:				
Segment revenue				
– PRC	244,918	220,997	–	465,915
– International	10,446	32,293	–	42,739
	255,364	253,290	–	508,654
Less: Inter-segment revenue	–	(14,763)	–	(14,763)
Revenue from external customers	255,364	238,527	–	493,891
Segment results	101,799	70,904	(4,298)	168,405
Unallocated expense				(1,742)
Finance costs				(2,428)
Profit before income tax				164,235
Income tax expense				(34,697)
Profit for the period				129,538
Other segment items:				
Capital expenditure	224	1	931	1,156
Depreciation and amortisation	3,013	2,964	1,741	7,718
Interest income	325	1,184	–	1,511

	Electric fireplace	Home decoration products	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2010:				
Segment assets	237,039	364,098	158,677	759,814
Segment liabilities	33,625	66,626	114,576	214,827
As at 31 December 2011:				
Segment assets	319,188	298,106	140,025	757,319
Segment liabilities	42,615	55,194	62,262	160,071
As at 31 December 2012:				
Segment assets	399,418	672,033	92,667	1,164,118
Segment liabilities	80,793	184,799	94,049	359,641
As at 30 June 2013:				
Segment assets	455,874	598,471	104,581	1,158,926
Segment liabilities	60,960	122,889	84,074	267,923

7 PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Plant and machinery *RMB'000*	Office equipment *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
As at 1 January 2010						
Cost	90,547	11,992	1,825	699	46,277	151,340
Accumulated depreciation	(23,139)	(5,690)	(1,116)	(643)	–	(30,588)
Net book amount	67,408	6,302	709	56	46,277	120,752
Year ended 31 December 2010						
Opening net book amount	67,408	6,302	709	56	46,277	120,752
Additions	–	2,534	64	–	160,630	163,228
Transfer upon completion	–	4,000	–	–	(4,000)	–
Depreciation *(Note (a))*	(3,018)	(1,765)	(297)	(40)	–	(5,120)
Closing net book amount	64,390	11,071	476	16	202,907	278,860
As at 31 December 2010						
Cost	90,547	18,526	1,889	699	202,907	314,568
Accumulated depreciation	(26,157)	(7,455)	(1,413)	(683)	–	(35,708)
Net book amount	64,390	11,071	476	16	202,907	278,860
Year ended 31 December 2011						
Opening net book amount	64,390	11,071	476	16	202,907	278,860
Additions	4,372	4,367	247	233	17,495	26,714
Transfer upon completion	142,807	–	–	–	(142,807)	–
Disposals	–	(618)	(8)	–	–	(626)
Depreciation *(Note (a))*	(5,481)	(2,027)	(241)	(44)	–	(7,793)
Closing net book amount	206,088	12,793	474	205	77,595	297,155
As at 31 December 2011						
Cost	237,726	21,923	2,118	932	77,595	340,294
Accumulated depreciation	(31,638)	(9,130)	(1,644)	(727)	–	(43,139)
Net book amount	206,088	12,793	474	205	77,595	297,155

	Buildings	Plant and machinery	Office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2012						
Opening net book amount	206,088	12,793	474	205	77,595	297,155
Additions	–	814	380	214	9,466	10,874
Transfer upon completion	87,061	–	–	–	(87,061)	–
Disposals	(812)	(2,319)	–	–	–	(3,131)
Depreciation *(Note (a))*	(8,710)	(1,633)	(189)	(68)	–	(10,600)
Closing net book amount	283,627	9,655	665	351	–	294,298
As at 31 December 2012						
Cost	323,179	18,359	2,498	1,146	–	345,182
Accumulated depreciation	(39,552)	(8,704)	(1,833)	(795)	–	(50,884)
Net book amount	283,627	9,655	665	351	–	294,298
Six months ended 30 June 2012 (Unaudited)						
Opening net book amount	206,088	12,793	474	205	77,595	297,155
Additions	–	100	–	–	1,323	1,423
Transfer upon completion	5,890	–	–	–	(5,890)	–
Disposals	–	(1,045)	–	–	–	(1,045)
Depreciation *(Note (a))*	(4,121)	(885)	(101)	(34)	–	(5,141)
Closing net book amount	207,857	10,963	373	171	73,028	292,392
As at 30 June 2012 (Unaudited)						
Cost	243,616	19,828	2,118	932	73,028	339,522
Accumulated depreciation	(35,759)	(8,865)	(1,745)	(761)	–	(47,130)
Net book amount	207,857	10,963	373	171	73,028	292,392
Six months ended 30 June 2013						
Opening net book amount	283,627	9,655	665	351	–	294,298
Additions	312	227	509	108	–	1,156
Disposals	–	(33)	(2)	–	–	(35)
Depreciation *(Note (a))*	(5,390)	(855)	(97)	(65)	–	(6,407)
Closing net book amount	278,549	8,994	1,075	394	–	289,012
As at 30 June 2013						
Cost	323,491	18,484	3,004	1,254	–	346,233
Accumulated depreciation	(44,942)	(9,490)	(1,929)	(860)	–	(57,221)
Net book amount	278,549	8,994	1,075	394	–	289,012

(a) Depreciation expenses have been charged to the statement of comprehensive income as follows:

	Year ended 31 December			Six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Cost of sales	3,763	6,285	6,786	3,352	3,474
Administrative expenses	1,317	1,463	3,753	1,755	2,898
Selling and distribution costs	40	45	61	34	35
	5,120	7,793	10,600	5,141	6,407

(b) Bank borrowings and bills payable are secured by certain property, plant and equipment with an aggregate net book values of approximately RMB26,964,000, RMB25,705,000, RMB206,903,000 and RMB203,115,000 as at 31 December 2010, 2011 and 2012 and 30 June 2013 respectively.

(c) The Group's buildings at their net book values are analysed as follows:

	As at 31 December			As at 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
In PRC, held on:				
Leases of between 10 to 50 years	62,559	204,332	281,946	276,905
Leases of over 50 years	1,831	1,756	1,681	1,644
Closing net book amount	64,390	206,088	283,627	278,549

8 LAND USE RIGHTS

	As at 31 December			As at 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Opening net book amount	88,116	96,915	119,957	117,326
Additions	10,832	25,435	–	–
Amortisation	(2,033)	(2,393)	(2,631)	(1,311)
Closing net book amount	96,915	119,957	117,326	116,015

Notes:

(a) Amortisation of the Group's land use rights has been charged to administrative expenses in the consolidated statement of comprehensive income.

(b) Bank borrowings and bills payable are secured by certain land use rights with an aggregate net book value of approximately RMB37,032,000, RMB36,138,000, RMB60,084,000 and RMB59,344,000 as at 31 December 2010, 2011 and 2012 and 30 June 2013 respectively.

(c) The Group's land use rights at their net book values are analysed as follows:

	As at 31 December			As at 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
In PRC, held on:				
Leases of between 10 to 50 years	76,644	100,016	97,716	96,570
Leases of over 50 years	20,271	19,941	19,610	19,445
Closing net book amount	96,915	119,957	117,326	116,015

9 INVENTORIES

	As at 31 December			As at 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	8,378	6,032	5,941	9,033
Work in progress	6,872	4,413	7,902	19,899
Finished goods	2,779	12,872	13,526	14,480
	18,029	23,317	27,369	43,412

For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, the cost of inventories recognised as expense and included in cost of sales amounted to approximately, RMB424,076,000, RMB458,393,000, RMB529,495,000, RMB220,347,000 and RMB261,195,000 respectively.

10 TRADE RECEIVABLES

	As at 31 December			As at 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	145,714	203,730	288,967	274,055
Less: Provision for impairment	–	–	–	–
Trade receivables – net	145,714	203,730	288,967	274,055

Notes:

(a) The credit terms granted to customers by the Group were usually 60 to 90 days during the Relevant Periods.

The ageing analysis of trade receivables by invoice date as at 31 December 2010, 2011 and 2012 and 30 June 2013 is as follows:

	As at 31 December			As at 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 to 30 days	89,274	65,660	137,566	92,724
31 to 60 days	52,580	75,330	108,100	92,132
61 to 90 days	3,860	57,818	25,488	73,299
Over 90 days	–	4,922	17,813	15,900
	145,714	203,730	288,967	274,055

(b) As at 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, the Group's trade receivables of RMB145,714,000, RMB147,281,000 and RMB246,884,000 and RMB191,112,000 respectively are neither past due nor impaired.

As at 31 December 2011 and 2012 and 30 June 2013, trade receivables of RMB56,449,000 and RMB42,083,000 and RMB82,943,000 respectively were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these past due but not impaired trade receivables by overdue date is as follows:

	As at 31 December			As at 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 to 30 days	–	54,426	42,083	74,144
31 to 60 days	–	2,023	–	8,799
	–	56,449	42,083	82,943

(c) As at 31 December 2010, 2011 and 2012 and 30 June 2013, no trade receivables were impaired and provided for. During the year ended 31 December 2012 and the six months ended 30 June 2013, trade receivables of RMB1,309,000 and RMB1,930,000 were written off directly respectively.

(d) The Group does not hold any collateral as security for trade receivables.

(e) The carrying amounts of trade receivables approximate their fair values and are mainly denominated in the following currencies:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	104,508	174,026	252,139	247,731
US dollar	41,206	29,704	36,828	26,324
	145,714	203,730	288,967	274,055

11 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Group

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Deposits and prepayments	1,403	6,021	15,731	16,908
Value-added tax recoverable	246	1,288	467	184
Others	202	226	301	292
	1,851	7,535	16,499	17,384
Non-current				
Prepayments for land use rights	19,393	–	–	9,272

Company

	As at 31 December		As at 30 June
	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*
Current			
Prepayment for professional service fee in respect of listing preparation	–	798	2,186

The carrying amounts of the Group's deposits, prepayments and other receivables are mainly denominated in RMB and the Company's prepayment is mainly denominated in HKD.

12 BALANCES WITH RELATED PARTIES

Details of the balances with related parties are as follows:

Group

	As at 31 December			As at 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amount due from/(to) a controlling shareholder *(note (i))*				
– Mr. Chen	81,305	57,479	(4,162)	–
Maximum outstanding receivable balance during the year/period	162,766	83,175	57,479	–
Amount due from a related company *(note (ii) and (iii))*				
– Fujian Meiya Property Development Co., Ltd. (福建美亞房地產開發有限公司)	50,000	–	–	–
Amounts due to related companies *(note (ii) and (iii))*				
– Dongfang (Quanzhou) Light Industry Co., Ltd. (東方(泉州)輕工有限公司)	50	50	–	–
– Fujian Meiya Property Development Co., Ltd. (福建美亞房地產開發有限公司)	–	70	–	–
	50	120	–	–

Company

	As at 31 December		As at 30 June
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Amount due (to)/from a controlling shareholder *(note (i))*			
– Mr. Chen *(note (ii))*	(49)	(759)	4,241
Maximum outstanding receivable balance during the year/period	–	–	4,241

Notes:

(i) Mr. Chen is the controlling shareholder of the Company who is also a director the Company.

(ii) The related companies are beneficially owned by Mr. Chen.

(iii) The amounts due from/to related companies and balance with controlling shareholder are unsecured, non-interest bearing and has no fixed term of repayment.

(iv) The carrying amounts of these balances approximate their fair values and are denominated in RMB and have been settled before the listing of the Company.

13 RESTRICTED BANK DEPOSITS/SHORT-TERM BANK DEPOSITS/CASH AND CASH EQUIVALENTS

	As at 31 December			As at 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Restricted bank deposits *(Note (a))*	14,295	7,335	75,865	36,500
Short-term bank deposits	34,800	35,584	–	–
Cash and cash equivalents	18,652	5,227	343,794	373,276
	67,747	48,146	419,659	409,776

Notes:

(a) The restricted bank deposits are held in designated bank accounts mainly for the issuance of bills payable to suppliers and are denominated in RMB.

(b) The carrying amounts of restricted bank deposits, short-term bank deposits and cash and cash equivalents of the Group are denominated in the following currencies:

	As at 31 December			As at 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	60,847	48,090	419,616	409,673
US dollar	6,900	56	43	103
	67,747	48,146	419,659	409,776

(c) The conversion of RMB denominated balances into foreign currencies and the remittance of cash out of PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

14 SHARE CAPITAL

	Number of ordinary shares	Nominal value of ordinary shares *HK$*	Equivalent nominal value of ordinary shares *RMB*
Authorised:			
Ordinary shares of HK$0.0001 each upon incorporation on 7 July 2011 and at 31 December 2011 and 2012 and 30 June 2013	3,800,000,000	380,000	
Issued and fully paid:			
Ordinary shares of HK$0.0001 each at 7 July 2011, 31 December 2011 and 2012 and 30 June 2013	1	0.0001	0.0001

The Company was incorporated in the Cayman Islands on 7 July 2011 as a limited liability company with an authorised share capital of 3,800,000,000 ordinary shares of HK$0.0001 each. On the 7 July 2011, one ordinary share of HK$0.0001 was issued at par to Codan Trust Company (Cayman) Limited which was transferred to Mr. Chen on the same date. Such share was subsequently transferred to China Wisdom Asia Limited, the parent company of the Company on 22 March 2012.

15 COMBINED CAPITAL AND CAPITAL RESERVE

(a) The Company was incorporated on 7 July 2011 and the Reorganisation was completed in 2011. For the purpose of the Financial Information, the combined capital as at 31 December 2010 primarily represented the aggregate amount of share capital of the companies now comprising the Group.

At 31 December 2011 and 2012 and 30 June 2013, capital reserve of the Group represented the difference between the share capital of the subsidiaries acquired pursuant to the Reorganisation as disclosed in Note 1.2 over the nominal value of the share capital of the Company issued in exchange thereof.

(b) During the Relevant Periods, the controlling shareholder made cash contributions to the Group through capital injection to the companies now comprising the Group, which were accounted for as increase in capital/capital reserve.

16 STATUTORY RESERVE

	As at 31 December			As at 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period	28,558	51,448	71,074	71,074
Transfer from retained earnings	22,890	19,626	–	8,639
At end of the year/period	51,448	71,074	71,074	79,713

In accordance with the Laws of the PRC on Enterprises Operated Exclusively with Foreign Capital and the Articles of Association of the Group's subsidiaries incorporated in the PRC, an appropriation to the Statutory Reserves, after net of accumulated losses of previous years, have to be made prior to profit distribution to the investor. The appropriation for the Statutory Reserve of these foreign investment enterprises shall be no less than 10% of the net profit until the accumulated appropriation exceeds 50% of the registered capital.

17 TRADE AND OTHER PAYABLES

	As at 31 December			As at 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	67,746	60,896	82,950	77,344
Bills payable	21,600	21,150	157,100	86,000
Trade and bills payables	89,346	82,046	240,050	163,344
Value added tax payable *(Note (a))*	5,027	3,390	8,780	3,206
Salary and welfare payables	5,801	7,447	9,822	10,493
Retention fee payables	–	4,372	2,552	2,274
Deposits received in advance	–	55	55	1,515
Others	77	499	4,333	3,110
	100,251	97,809	265,592	183,942

Notes:

(a) Certain subsidiaries of the Group are subject to output value added tax ("**VAT**") generally calculated at 17% of the product selling prices. An input credit is generally available at 17% whereby input VAT previously paid on purchases of raw materials and equipments can be used to offset the output VAT to determine the net VAT payable/(recoverable).

(b) The ageing analysis of the Group's trade payables and bills payable at 31 December 2010, 2011 and 2012 and 30 June 2013 is as follows:

	As at 31 December			As at 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 to 30 days	42,082	45,423	87,365	57,863
31 to 60 days	29,414	28,159	71,154	20,773
61 to 90 days	3,450	1,114	21,605	27,365
Over 90 days	14,400	7,350	59,926	57,343
	89,346	82,046	240,050	163,344

(c) The carrying amounts of trade and other payables approximate their fair values and are denominated in RMB.

(d) As at 31 December 2010, 2011 and 2012 and 30 June 2013, the Group's bills payable were secured by certain property, plant and equipment, land use rights, restricted bank deposits of the Group and guaranteed by the controlling shareholders (notes 7, 8, 13 and 33) and certain third parties.

18 BORROWINGS

	As at 31 December			As at 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Secured bank borrowings	92,000	50,000	60,951	64,400

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at 31 December 2010, 2011 and 2012 and 30 June 2013 are as follows:

	As at 31 December			As at 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
6 months or less	28,700	12,700	5,000	64,400
6-12 months	63,300	37,300	55,951	–
	92,000	50,000	60,951	64,400

The carrying amounts of bank borrowings of the Group are denominated in the following currencies:

	As at 31 December			As at 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	92,000	50,000	59,400	64,400
US dollar	–	–	1,551	–
	92,000	50,000	60,951	64,400

As at 31 December 2010, 2011 and 2012 and 30 June 2013, the Group's borrowings approximated their fair values, with an effective interest rate of 6.34%, 8.58% and 7.33% and 7.01% respectively.

As at 31 December 2010, the balance included bank borrowings of RMB50,000,000 which were drawn on behalf of a related company (note 12) and the corresponding interest expense was also borne by this related company. Such bank borrowings were repaid during 2011.

The Group's borrowings were secured by certain property, plant and equipment, land use rights, restricted bank deposits of the Group and guaranteed by the controlling shareholders (notes 7, 8, 13 and 33) and certain third parties.

19 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off and that the deferred income taxes relate to the same tax jurisdiction.

The movement on the deferred income tax was as follows:

	Year ended 31 December			Six months ended 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	(6,831)	(10,649)	(4,724)	(5,406)
Charged to the consolidated statements of comprehensive income *(Note 25)*	(10,568)	(2,825)	(3,682)	(1,756)
Withholding tax paid in relation to the remittance of dividends	6,750	8,750	3,000	4,500
At end of year/period	(10,649)	(4,724)	(5,406)	(2,662)

The movement in deferred income tax during the Relevant Periods is as follows:

Deferred income tax assets	**Accelerated accounting depreciation**	**Tax losses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2010	765	–	765
Credited to the consolidated statement of comprehensive income	128	–	128
At 31 December 2010	893	–	893
Credited to the consolidated statement of comprehensive income	175	–	175
At 31 December 2011	1,068	–	1,068
Credited to the consolidated statement of comprehensive income	198	1,226	1,424
At 31 December 2012	1,266	1,226	2,492
Credited to the consolidated statement of comprehensive income	163	–	163
At 30 June 2013	1,429	1,226	2,655

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not have any unrecognised deferred income tax assets during the Relevant Periods.

Deferred income tax liabilities	**Undistributed earnings Total**
	RMB'000
At 1 January 2010	(7,596)
Charged to the consolidated statement of comprehensive income	(10,696)
Withholding tax paid in relation to the remittance of dividends	6,750
At 31 December 2010	(11,542)
Charged to the consolidated statement of comprehensive income	(3,000)
Withholding tax paid in relation to the remittance of dividends	8,750
At 31 December 2011	(5,792)
Charged to the consolidated statement of comprehensive income	(5,106)
Withholding tax paid in relation to the remittance of dividends	3,000
At 31 December 2012	(7,898)
Charged to the consolidated statement of comprehensive income	(1,919)
Withholding tax paid in relation to the remittance of dividends	4,500
At 30 June 2013	(5,317)

Management is of the view that undistributed earnings totalling RMB179,856,000, RMB346,621,000 and RMB436,367,000 at 31 December 2011 and 2012 and 30 June 2013, respectively, are for re-investment in the PRC and not for distribution. Accordingly, deferred income tax liabilities of RMB8,993,000 and RMB17,331,000 and RMB21,818,000 have not been recognised as at 31 December 2011 and 2012 and 30 June 2013, respectively, for the withholding tax that would be payable on the undistributed profits of subsidiaries in the PRC.

The analysis of deferred tax assets and liabilities is as follows:

	As at 31 December			As at 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred income tax assets				
– to be recovered after more than 12 months	893	1,068	1,266	1,429
– to be recovered within 12 months	–	–	1,226	1,226
	893	1,068	2,492	2,655
Deferred income tax liabilities				
– to be settled within 12 months	(11,542)	(5,792)	(7,898)	(5,317)
Deferred income tax liabilities - net	(10,649)	(4,724)	(5,406)	(2,662)

20 REVENUE AND OTHER INCOME

	Year ended 31 December			Six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Sales of products					
– Electric fireplaces	192,230	243,127	436,858	149,796	255,364
– Home decoration products	559,589	560,945	532,168	247,733	238,527
	751,819	804,072	969,026	397,529	493,891
Other income					
– Interest income	576	1,316	2,394	1,459	1,511
– Others	21	567	219	110	141
	597	1,883	2,613	1,569	1,652

21 EXPENSES BY NATURE

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Raw materials used *(Note)*	318,880	342,993	393,186	157,110	200,042
Packaging and others consumables used	36,877	40,399	43,021	17,594	22,359
Changes in inventories of finished goods and work in progress	804	(7,634)	(4,143)	5,905	(12,951)
Depreciation of property, plant and equipment *(Note 7)*	5,120	7,793	10,600	5,141	6,407
Amortisation of land use right *(Note 8)*	2,033	2,393	2,631	1,319	1,311
Employee benefit expenses *(Note)/(Note 22)*	69,129	81,849	96,692	40,776	53,600
Auditor's remuneration	30	30	30	30	28
Professional service fees in respect of listing preparation	–	–	2,718	1,209	4,464
Net foreign exchange loss/(gain)	1,255	1,878	606	(49)	1,484
Bad debts direct written-off	–	–	1,309	–	1,930
Delivery expenses	13,738	21,488	26,655	12,723	11,724
Electricity and utilities	6,693	9,490	12,130	5,029	6,272
Operating lease rentals	1,440	340	200	120	–
Travelling expenses	1,183	1,328	570	311	393
Advertising and promotion expenses	11,309	16,590	17,664	10,295	8,571
Loss on disposal of property, plant and equipment	–	626	3,131	1,045	35
Product consultation expenses *(Note)*	–	–	–	–	5,015
Other expenses	20,137	31,468	30,328	13,770	18,196
Total cost of sales, selling and distribution costs and administrative expenses	488,628	551,031	637,328	272,328	328,880

Note: For the years ended 31 December 2010, 2011 and 2012 and for the six months ended 30 June 2012 and 2013, research and development expenses comprise of:

	Year ended 31 December			Six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Employee benefit expenses	6,888	4,833	7,948	2,955	2,307
Cost of raw materials used	4,590	3,265	5,599	2,081	2,550
Product consultation expense *(note)*	–	–	–	–	5,015
	11,478	8,098	13,547	5,036	9,872

Note: The amount mainly represent services provided by Fuzhou University for product design and development pursuant to an agreement entered in September 2012.

22 EMPLOYEE BENEFIT EXPENSES

The analysis of employee benefit expenses is as follows:

	Year ended 31 December			Six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Wages and salaries (including discretionary bonuses) and other benefits	62,433	73,861	88,156	36,376	48,482
Social security costs	6,696	7,988	8,536	4,400	5,118
	69,129	81,849	96,692	40,776	53,600

Employee benefit expenses have been charged to the consolidated statements of comprehensive income as follows:

	Year ended 31 December			Six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Cost of sales	56,086	69,457	80,618	33,324	44,820
Administrative expenses	10,860	9,921	13,244	6,210	7,165
Selling and distribution costs	2,183	2,471	2,830	1,242	1,615
	69,129	81,849	96,692	40,776	53,600

23 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

For the years ended 31 December 2010, 2011 and 2012 and for the six months ended 30 June 2012 and 2013, the remuneration of directors of the Company paid/payable by the Group are as follows:

Name of Director	Fees	Salary	Discretionary bonuses	Inducement fees	Other benefits	Employer's contribution to pension scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2010:							
Executive directors							
Mr. Chen Fanglin	–	–	–	–	–	–	–
Mr. Chen Hongming	–	76	60	–	–	3	139
Mr. Shen Jianzhong	–	65	60	–	–	3	128
	–	141	120	–	–	6	267
Year ended 31 December 2011:							
Executive directors							
Mr. Chen Fanglin	–	–	–	–	–	–	–
Mr. Chen Hongming	–	144	80	–	–	3	227
Mr. Shen Jianzhong	–	128	80	–	–	3	211
	–	272	160	–	–	6	438
Year ended 31 December 2012:							
Executive directors							
Mr. Chen Fanglin	–	–	–	–	–	–	–
Mr. Chen Hongming	–	235	100	–	–	3	338
Mr. Shen Jianzhong	–	216	100	–	–	3	319
	–	451	200	–	–	6	657

Name of Director	Fees	Salary	Discretionary bonuses	Inducement fees	Other benefits	Employer's contribution to pension scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Period ended 30 June 2012 (Unaudited):							
Executive directors							
Mr. Chen Fanglin	–	–	–	–	–	–	–
Mr. Chen Hongming	–	113	–	–	–	2	115
Mr. Shen Jianzhong	–	105	–	–	–	2	107
	–	218	–	–	–	4	222
Period ended 30 June 2013:							
Executive directors							
Mr. Chen Fanglin	–	–	–	–	–	–	–
Mr. Chen Hongming	–	138	–	–	–	2	140
Mr. Shen Jianzhong	–	132	–	–	–	2	134
	–	270	–	–	–	4	274

(b) Five highest paid individuals

During the Relevant Periods, the five individuals whose emoluments were the highest in the Group included 2 directors, whose emoluments were reflected in the analysis presented above. The emoluments payable to the remaining individuals during the Relevant Periods were as follows:

	Year ended 31 December			Six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Wages and salaries (including discretionary bonuses) and other benefits	395	520	857	302	310
Social security costs	8	9	10	5	5
	403	529	867	307	315

The emoluments of the individuals fell within the following bands:

	Year ended 31 December			Six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
	Number	*Number*	*Number*	*Number*	*Number*
Emolument bands					
Nil – HK$1,000,000	3	3	3	3	3

During the Relevant Periods, no director or the five highest paid individuals received any emolument from the Group as an inducement to join, upon joining the Group, or as compensation for loss of office.

24 FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Interest expense on bank borrowings	2,606	3,374	4,130	2,103	2,428
Less: interest capitalised *(Note)*	1,303	1,687	1,138	1,045	–
	1,303	1,687	2,992	1,058	2,428

Note: The capitalisation rate of borrowings is 6.34%, 8.58%, 7.33% and 8.50% for the years ended 31 December 2010, 2011, 2012 and for the six months ended 30 June 2012 respectively.

25 INCOME TAX EXPENSE

	Year ended 31 December			Six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Current income tax	32,974	32,151	66,008	27,221	32,941
Deferred income tax *(Note 19)*	10,568	2,825	3,682	3,411	1,756
Total taxation	43,542	34,976	69,690	30,632	34,697

(i) Cayman Islands profits tax

The Company has not been subject to any taxation in the Cayman Islands.

(ii) Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group does not have any assessable profits in Hong Kong for the Relevant Periods.

(iii) PRC enterprise income tax ("EIT")

Under the Enterprise Income Tax Law of PRC (the "**New EIT Law**"), which is effective from 1 January 2008, the tax rate is 25%.

As a foreign investment production enterprise in the PRC, the Group's principal subsidiaries, Quanzhou Allen, Fujian Allen and China Allen, are entitled to enjoy a five-year tax holiday from the first tax profitable year, with two years of exemption from EIT followed by a 50% reduction in EIT for the subsequent three years. As approved by the tax authority, the tax holiday began in 2007.

Pursuant to the New EIT Law, with respect to a new and high technology enterprise, the tax levied on its income will be at a preferential rate of 15% after obtaining the high-tech certificate and completing the tax reduction and exemption filing with the tax authorities. On 7 July 2010, Fujian Allen obtained the high-tech certificate, which expired on 6 July 2013.

The applicable income tax rate for Quanzhou Allen and China Allen was 12.5%, 12.5%, 25% and 25% and 25%, respectively for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013. The applicable income tax rate for Fujian Allen was 12.5%, 12.5%, 15% and 15% and 15%, respectively for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013.

(iv) Withholding tax on distributed profits

According to the New EIT Law, starting from 1 January 2008, a 10% withholding tax will be levied on the immediate holding companies established outside PRC when their PRC subsidiaries declare dividends out of their profits earned after 1 January 2008. A lower withholding tax rate may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign immediate holding companies, provided certain criteria are met. Withholding tax of the Group has been provided at a rate of 5% during the Relevant Periods.

The income tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the group's companies as follows:

	Year ended 31 December			Six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Profit before income tax	262,485	253,237	331,319	125,712	164,235
Tax calculated at domestic tax rates applicable to profits in the respective countries	65,624	63,330	83,439	31,735	42,112
Effects of the preferential tax rates	(32,876)	(31,753)	(18,679)	(6,033)	(10,122)
Expenses not deductible for taxation purposes	98	399	(176)	(176)	431
Overprovision in prior year	–	–	–	–	(247)
Withholding tax	10,696	3,000	5,106	5,106	2,523
Tax charge	43,542	34,976	69,690	30,632	34,697

26 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the Relevant Periods. In determining the weighted average number of ordinary shares in issue during each of these years/periods, the 1 share has been treated as if it has been in issue since 1 January 2010.

	Year ended 31 December			Six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Profit attributable to equity holders of the Company	218,943	218,261	261,629	95,080	129,538
Weighted average number of ordinary shares in issue	1	1	1	1	1
Basic earnings per share *(note a)*	218,943	218,261	261,629	95,080	129,538

Notes:

(a) As there were no dilutive potential ordinary shares outstanding during the Relevant Periods, diluted earnings per share is the same as basic earnings per share.

(b) The basic and diluted earnings per share as presented has not taken into account the proposed capitalisation issue of 1,439,999,999 shares pursuant to the shareholder resolutions dated 2 December 2013 because the proposed capitalisation issue has not become effective as of the date of this report.

27 DIVIDENDS

	Year ended 31 December			Six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Dividends declared	128,250	166,000	54,400	54,400	91,754

Dividends during the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013 represented dividends declared by the companies now comprising the Group to the then equity holders of the companies, after elimination of intra-group dividends.

For the year ended 31 December 2010, dividends of RMB128,250,000 were declared on 15 January 2010 by the companies now comprising the Group. Dividends of RMB128,250,000 was set off with the amount due from a controlling shareholder in 2010.

For the year ended 31 December 2011, dividends of RMB166,000,000 were declared on 15 January 2011 by the companies now comprising the Group. Dividends of RMB166,000,000 was set off with the amount due from a controlling shareholder in 2011.

For the year ended 31 December 2012, dividends of RMB54,400,000 were declared on 10 January 2012 by the Company. Dividends of RMB54,400,000 was set off with the amount due from a controlling shareholder in 2012.

For the six months ended 30 June 2013, dividends of RMB91,754,000 were declared on 21 January 2013 by the Company. Dividends of RMB85,500,000 was paid by cash and RMB6,254,000 was set off with the amount due from a controlling shareholder in 2013.

The rates for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

28 INVESTMENT IN A SUBSIDIARY – COMPANY

	As at 31 December		As at 30 June
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Investment in China Prosper pursuant to the Reorganisation *(note 1.2)*	596,962	596,962	640,152

The details of the subsidiaries are included in Note 1.2.

29 CASH GENERATED FROM OPERATIONS

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Profit before income tax	262,485	253,237	331,319	125,712	164,235
Adjustments for:					
– Amortisation of land use right	2,033	2,393	2,631	1,319	1,311
– Loss on disposal of property, plant and equipment	–	626	3,131	1,045	35
– Depreciation of property, plant and equipment	5,120	7,793	10,600	5,141	6,407
– Interest income	(576)	(1,316)	(2,394)	(1,459)	(1,511)
– Finance costs	1,303	1,687	2,992	1,058	2,428
– Foreign exchange losses/(gain) on operating activities	1,255	1,878	606	(49)	1,484
– Bad debts direct written-off	–	–	1,309	–	1,930
Changes in working capital:					
– decrease/(increase) in inventories	127	(5,288)	(4,052)	6,716	(16,043)
– (increase)/decrease in trade receivables	(67,652)	(58,656)	(87,151)	(12,581)	11,308
– increase in deposits, prepayments and other receivables	(126)	(5,684)	(8,964)	(4,143)	(885)
– (increase)/decrease in restricted bank deposits	(960)	6,960	(68,530)	(21,830)	39,365
– increase/(decrease) in trade and other payables	28,794	(6,814)	169,603	52,516	(81,172)
– (decrease)/increase in amounts due to related companies	(339)	70	(120)	120	–
Cash generated from operations	231,464	196,886	350,980	153,565	128,892

Notes:

(a) In the consolidated statements of cash flows, the proceeds of RMB4,289,000 from disposal of land use rights and property, plant and equipment transacted in 2009 were received during the year ended 31 December 2010. Such consideration was included in other receivables under 'deposits, prepayment and other receivables' as at 1 January 2010.

(b) Non-cash transactions:

The Group entered into the following non-cash financing activities which are not reflected in the consolidated statement of cash flows:

(i) In 2010, the companies now comprising the Group declared dividend of RMB128,250,000 which was set off with the balance due from a controlling shareholder in 2010.

(ii) In 2011, the companies now comprising the Group declared dividend of RMB166,000,000 which was set off with the balance due from a controlling shareholder in 2011.

(iii) In 2012, the Company declared dividend of RMB54,400,000 which was set off with the balance due from a controlling shareholder in 2012.

(iv) In the six months ended 30 June 2013, the Company declared dividend of RMB91,754,000 of which RMB6,254,000 was set off with the balance due from a controlling shareholder in 2013.

(v) In 2010, the Group has drawn bank borrowings of RMB50,000,000 on behalf of a related company and the loans proceed were deposited by the bank to such related company directly. The corresponding interest expense was also borne by such related company. These bank borrowings were repaid by such related company during the year ended 31 December 2011.

30 RESERVES ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

	Note	**Share premium** *RMB'000*	**Capital reserve** *RMB'000* *(Note 15)*	**Retained earnings** *RMB'000*	**Total** *RMB'000*
As at 1 January 2011		–	–	–	–
Total comprehensive income					
Loss for the year		–	–	(49)	(49)
Transactions with owners:					
Capital injection from a shareholder		–	335	–	335
Issuance of share capital	*14*	–	–	–	–
Investment in China Prosper pursuant to Reorganisation	*1.2*	–	596,627	–	596,627
		–	596,962	–	596,962
As at 31 December 2011		–	596,962	(49)	596,913
As at 1 January 2012		–	596,962	(49)	596,913
Total comprehensive income					
Profit for the year		–	–	54,488	54,488
Transactions with owners:					
Dividend	*27*	–	–	(54,400)	(54,400)
As at 31 December 2012		–	596,962	39	597,001

	Note	Share premium RMB'000	Capital reserve RMB'000 (Note 15)	Retained earnings RMB'000	Total RMB'000
As at 1 January 2012		–	596,962	(49)	596,913
Total comprehensive income					
Profit for the year		–	–	55,697	55,697
Transactions with owners:					
Dividend	*27*	–	–	(54,400)	(54,400)
As at 30 June 2012 (Unaudited)		–	596,962	1,248	598,210
As at 1 January 2013		–	596,962	39	597,001
Total comprehensive income					
Profit for the period		–	–	92,590	92,590
Transactions with owners:					
Capital injection from a shareholder		–	48,742	–	48,742
Dividend	*27*	–	–	(91,754)	(91,754)
		–	48,742	(91,754)	(43,012)
As at 30 June 2013		–	645,704	875	646,579

31 FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets – Loans and receivables

Group

	As at 31 December			As at 30 June
	2010 *RMB'000*	**2011** *RMB'000*	**2012** *RMB'000*	**2013** *RMB'000*
Trade receivables	145,714	203,730	288,967	274,055
Deposits, prepayment and other receivables (excluded prepayment, value added tax recoverable)	202	226	301	292
Amount due from a related company	50,000	–	–	–
Amount due from a controlling shareholder	81,305	57,479	–	–
Restricted bank deposits	14,295	7,335	75,865	36,500
Short-term bank deposits	34,800	35,584	–	–
Cash and cash equivalents	18,652	5,227	343,794	373,276
	344,968	309,581	708,927	684,123

Company

	As at 31 December 2011	As at 31 December 2012	As at 30 June 2013
	RMB'000	*RMB'000*	*RMB'000*
Amount due from a controlling shareholder	–	–	4,241

Financial liabilities at amortised cost

Group

	As at 31 December 2010	2011	2012	As at 30 June 2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables (excluded value added tax and other tax payables and deposits received in advance)	95,224	94,364	256,757	179,221
Amounts due to related companies	50	120	–	–
Amount due to a controlling shareholder	–	–	4,162	–
Bank borrowings	92,000	50,000	60,951	64,400
	187,274	144,484	321,870	243,621

Company

	As at 31 December 2011	As at 31 December 2012	As at 30 June 2013
	RMB'000	*RMB'000*	*RMB'000*
Amount due to a controlling shareholder	49	759	–

32 COMMITMENTS

(a) The Group's capital commitments at the end of Relevant Periods are as follows:

	As at 31 December 2010	2011	2012	As at 30 June 2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted but not provided for				
– Property, plant and equipment	19,178	8,328	771	8,608
– Land use right	–	–	–	9,272
	19,178	8,328	771	17,880

(b) Operating leases commitments

The Group leases offices and warehouses under non-cancellable operating lease agreements. The lease terms are between one and five years.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
No later than 1 year	340	140	–	–
Later than 1 year and no later than 5 years	140	–	–	–
	480	140	–	–

33 RELATED-PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

The directors of the Company are of the view that the following companies were related parties that had transactions or balances with the Group during the Relevant Periods:

Company/Person	Relationship with the Group
Mr. Chen	Controlling shareholder and director of the Company
Ms. Chen Xiangqun	Controlling shareholder and spouse of Mr. Chen
Dongfang (Quanzhou) Light Industry Co., Ltd. (東方(泉州)輕工有限公司)	Controlled by Mr. Chen
Quanzhou Xinliya Trading Co., Ltd. (泉州欣利亞商貿有限公司)	Controlled by Mr. Chen
Fujian Meiya Property Development Co., Ltd. (福建美亞房地產開發有限公司)	Controlled by Mr. Chen

(a) Purchase of services

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Rental expense *(note)*	1,440	340	200	120	–

Note: This represents payment of rental expense for staff quarters and factory plants to Dongfang (Quanzhou) Light Industry Co., Ltd., Quanzhou Xinliya Trading Co., Ltd. and Fujian Meiya Property Development Co., Ltd. The rental expense paid during the Relevant Periods was determined at prevailing market rate of respective staff quarters and factory plants.

(b) Key management compensation

Key management includes directors and other key management of the Group. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December			Six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Directors' fees	–	–	–	–	–
Basic salaries, housing allowances, other allowances and benefits in kind	520	952	1,879	569	823
Contributions to pension plans	11	15	23	10	13
	531	967	1,902	579	836

(c) Guarantees provided by related parties

Guarantees provided by related parties for bills payable were as follows:

	As at 31 December			As at 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Personal guarantees provided by Mr. Chen	–	14,600	37,750	27,400
Joint guarantees provided by Mr. Chen and Ms. Chen Xiangqun	21,600	6,550	110,350	55,600
	21,600	21,150	148,100	83,000

Guarantees provided by related parties for bank borrowings were as follows:

	As at 31 December			As at 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Personal guarantees provided by Mr. Chen	30,000	50,000	40,300	45,300
Joint guarantees provided by Mr. Chen and Ms. Chen Xiangqun	50,000	–	4,000	4,000
	80,000	50,000	44,300	49,300

According to the letter of release of guarantees issued by the respective banks, all the guarantees provided by the related parties would be released, upon the successful listing of the Company's shares on The Stock Exchange of Hong Kong Limited.

34 CONTINGENCIES

The Group did not have material contingent liabilities as at 31 December 2010, 2011 and 2012 and 30 June 2013.

35 SUBSEQUENT EVENTS

Save as disclosed elsewhere in this report, the following significant events took place subsequent to 30 June 2013:

(i) Pursuant to the written resolution passed by the shareholders on 2 December 2013, the authorised share capital of the Company was increased from HK$380,000 to HK$1,000,000 by the creation of an additional 6,200,000,000 shares of HK$0.0001 each;

(ii) Pursuant to the written resolution passed by the shareholders on 2 December 2013, conditional on the share premium account of the Company being credited as a result of the global offering, the directors were authorised to capitalise an amount of approximately HK$144,000 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 1,439,999,999 shares for allotment and issue to the shareholders in proportion to their respective shareholdings.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2013. Save as disclosed in this report, no dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2013.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong