Bolina

BOLINA HOLDING CO., LTD.
航標控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock code: 1190

INTERIM REPORT 2012

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Xiao Zhiyong *(Chairman and CEO)*
Ms. Ye Xiaohong
Mr. Yang Qingyun
Mr. Lu Jianqing

Independent Non-executive Directors

Mr. Tong Jifeng
Mr. Lin Shimao
Mr. Leung Ka Man

AUDIT COMMITTEE

Mr. Lin Shimao *(Chairman)*
Mr. Leung Ka Man
Mr. Tong Jifeng

REMUNERATION COMMITTEE

Mr. Yang Qingyun *(Chairman)*
Mr. Tong Jifeng
Mr. Lin Shimao

NOMINATION COMMITTEE

Mr. Xiao Zhiyong *(Chairman)*
Mr. Tong Jifeng
Mr. Lin Shimao

CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

Mr. Yuen Chi Wai, Stanley, *HKICPA, CPA Aust*

AUDITORS

Ernst & Young, Certified Public Accountants

LEGAL ADVISOR

Herbert Smith

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN PRC

Caikeng Industrial Park
Changtai Economic Development Zone
Changtai County
Fujian Province
People's Republic of China

PLACE OF BUSINESS IN HONG KONG

Suite 2, 17th Floor
Sino Plaza
255-257 Gloucester Road
Causeway Bay
Hong Kong

REGISTERED OFFICE

Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman
KY1-1108
Cayman Islands

PRINCIPAL SHARE REGISTRAR

Appleby Trust (Cayman) Ltd.
Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman
KY1-1108
Cayman Islands

BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

STOCK CODE

The Stock Exchange of Hong Kong Limited: 1190

COMPANY WEBSITE

www.bolina.cc

INVESTOR RELATIONS WEBSITE

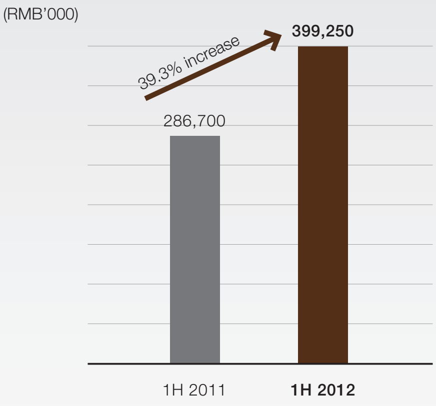
http://bolina.todayir.com/html/ir_overview.php

Financial Highlights

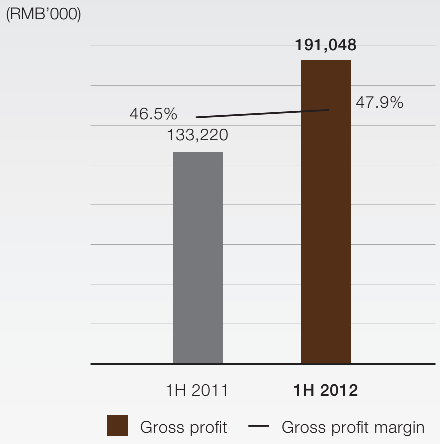
	For the six months period ended		
	2012	2011	% change
	RMB'000	RMB'000	
		Unaudited	
Revenue	**399,250**	286,700	39.3%
Gross profit	**191,048**	133,220	43.4%
Profit for the period attributable to owners of the parent	**133,185**	70,267	89.5%
Earnings per share attributable to equity holders of the parent	**RMB16.9 cents**	RMB8.9 cents	89.9%
Gross profit margin	**47.9%**	46.5%	
Net profit margin	**33.4%**	24.5%	
	30 June	31 December	
	2012	2011	
	RMB'000	RMB'000	
Total assets	**759,461**	584,883	29.8%
Net current assets	**204,238**	75,570	170.3%
Net assets	**376,480**	243,307	54.7%
Cash and cash equivalents	**402,170**	261,458	53.8%
Debt-to-Equity ratio	**62.8%**	92.5%	
Current ratio	**1.55**	1.23	

Financial Highlights

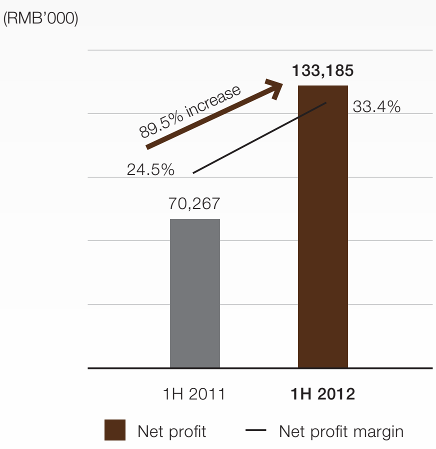
REVENUE



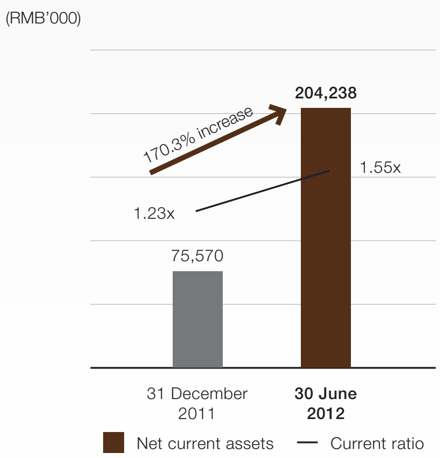
GROSS PROFIT AND MARGIN



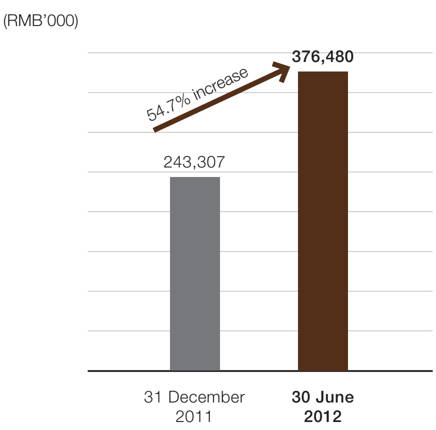
NET PROFIT AND MARGIN



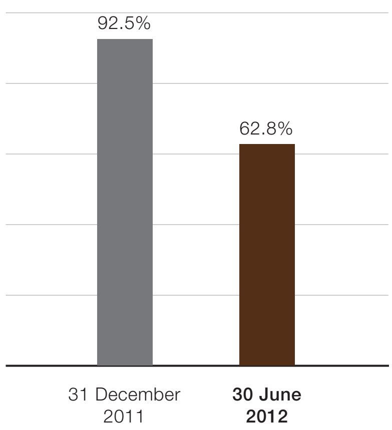
NET CURRENT ASSETS AND CURRENT RATIO



NET ASSETS



DEBT-TO-EQUITY RATIO



Chairman's Statement

Bolina Holding Co., Ltd. (the "Company" or "Bolina", and, together with its subsidiaries, the "Group") is pleased to present to the shareholders its first interim results since it was listed on the main board of the Hong Kong Stock Exchange on 13 July 2012. For the six months ended 30 June 2012, the Group achieved desired business growth and further consolidated its leading position in China's sanitary ware industry.

INTERIM RESULTS

For the six months ended 30 June 2012, the Group's revenue amounted to RMB399.3 million, representing an increase of 39.3% as compared with the corresponding period of last year. Consolidated profit attributable to the Company's shareholders for the six months ended 30 June 2012 amounted to RMB133.2 million, representing an increase of 89.5% as compared with the corresponding period of last year. The basic earnings per share was RMB0.169 during the reporting period. The board of directors of the Company (the "Board") does not recommend the declaration of interim dividend for the six months ended 30 June 2012.

IMPORTANT MILESTONES

Since its establishment in 2002, the Group has been focusing on product research and development and improvement in order to provide ceramic sanitary ware products with strong functionality and environment-friendly features. Leveraging on our strong abilities of product research and development, quality control as well as experience in providing ODM and OEM products to international brands, the Group has been able to continuously build up its Bolina (航標) brand by strengthening its competitive advantages over the other local brands. The awareness of the Bolina (航標) brand and its sales performance have been enhanced rapidly since the Group started to make full efforts in promoting the Bolina (航標) brand in 2008. During the past decade, the Company achieved leapfrog development and grew from a small enterprise to the second largest manufacturer of China's mid-to-high end ceramic sanitary ware products, having become one of the leaders in China's ceramic sanitary ware market.

The Company's shares were successfully listed on the main board of the Hong Kong Stock Exchange on 13 July 2012, which was, to the Group, an important milestone during the ten-year development period since its business commenced in 2002. Funds raised from its IPO significantly strengthened the Group's financial position and provided sufficient funds for its future development (including the successful launch of operation of the fifth production line in July this year and the commencement of construction of the sixth production line), as a result, laying a foundation for the continuous growth of the Group's earnings.

BUSINESS ENVIRONMENT

Rapid growth of the PRC economy

Benefiting from the implementation of reform and opening-up policy in the 1980s, China has experienced rapid economic growth. The nominal GDP increased from RMB21,631 billion in 2006 to RMB47,156 billion in 2011, representing a compound annual growth rate ("CAGR") of 16.9% over the period. According to the forecast by Frost & Sullivan, China's nominal GDP is expected to reach RMB72,999 billion in 2015, representing a CAGR of 11.5% over the period from 2011 to 2015. Along with the economic development, China's per capita nominal GDP also increased from RMB16,500 in 2006 to RMB34,999 in 2011, representing a CAGR of 16.2% during the period and is projected to reach RMB53,345 in 2015, growing at a forecasted CAGR of 11.1% during the period from 2011 to 2015.

Chairman's Statement

Accelerating urbanization process

Rapid economic growth in China has led to an accelerating urbanization process with an influx of rural inhabitants to the urban areas in China. According to Frost & Sullivan, the urban population in China increased by 18.5% from approximately 582.9 million in 2006 to approximately 690.8 million in 2011 with the urbanization rate, being the urban population as a percentage of the total population, increasing from 44.3% in 2006 to 51.3% in 2011. It is estimated that the urban population in China will further grow by 18.1% from approximately 690.8 million in 2011 to approximately 815.8 million by the end of 2015, with the urbanization rate expected to reach 59.3% in 2015. The ongoing urbanization in China has had a substantial impact on the consumption patterns and habits of Chinese consumers. In particular, residents who have moved into urban areas from rural areas have been influenced by the consumption habits of the urban residents and have been increasingly willing to spend on products that would enhance their living standard and comfort (including sanitary ware products).

Rising disposable income

As a result of the economic development and the urbanization process, per capita annual disposable income of urban households in China has increased significantly over the past few years from RMB11,759 in 2006 to RMB21,810 in 2011, representing a CAGR of 13.1% for the period. According to Frost & Sullivan, in line with the expectation of continuous economic growth in China, per capita annual disposable income of urban households will further increase from RMB21,810 in 2011 to RMB36,291 in 2015, representing a CAGR of 13.6% for the period. The rise of the affluent emerging middle class helps support the rising demand for mid-to-high end sanitary ware products.

Growth of residential properties market in China

The economic growth and urbanization process in China has created strong demand for housing. The total completed floor space of residential properties in China increased from approximately 1,314.1 million sq.m. in 2006 to approximately 2,202.5 million sq.m. in 2011, representing a CAGR of 10.9% during the period. According to Frost & Sullivan, the total completed floor space of residential properties is projected to grow to 3,581.6 million sq.m. by the end of 2015, representing a CAGR of 12.9% from 2011 to 2015.

Although the PRC property industry has slowed down in recent years, in view of macroeconomic factors such as rising disposable income, increasing nominal GDP and per capita nominal GDP and accelerating urbanization in China, it is still expected that the demand for housing and the property market in the PRC as a whole will continue to grow, especially in the less developed and lower tiers cities. The housing price index data recently released in various cities also indicates that the long-term drive for upgrade demand in the property market stays robust. Furthermore, the PRC government is committed to resolving the availability of indemnificatory housing and quality housing in less developed areas, including a plan to construct a total of 36 million units of indemnificatory apartments for low-income families from 2011 to 2015. In addition, in view of a series of policies such as boosting domestic demand and improving the wellbeing of its people recently adopted by the PRC government for the purpose of stimulating its economy, the Company believes that it will lead to positive response to the consumer market of housing and its ancillary products.

Chairman's Statement

THE INDUSTRY

China is one of the largest sanitary ware markets in the world. The development of the retail industry in China has brought about significant changes in retail distribution with the emergence of a variety of distribution channels for sanitary ware products. Sanitary ware products in China are broadly distributed through five key channels:

(1) nationwide home renovation and furniture shopping mall chains such as Red Star Macalline (紅星美凱龍);

(2) regional home renovation and furniture markets;

(3) wholesale markets for construction projects;

(4) brand specialty stores; and

(5) online stores.

Nationwide home renovation and furniture shopping mall chains, regional home renovation and furniture markets and brand specialty stores are the three major retail distribution channels for sanitary ware products in China, with nationwide home renovation and furniture shopping mall chains being the most popular and effective channel due to their extensive geographic coverage, diversified product portfolio and the one stop shopping experience they offer. Manufacturers of sanitary ware products compete in the areas of production expertise, design capabilities, brand strength, distribution network and sales and marketing skills. Compared to their international peers, local manufacturers have advantages in terms of lower manufacturing costs, better local market intelligence and competitive pricing. Residential households are the largest target market for sanitary ware products in China. Commercial properties (such as hotels, business offices, shopping malls, cinemas, gymnasiums, restaurants and entertainment centers) and public buildings (such as government offices, hospitals, schools and transportation centers) are also key sources of demand for sanitary ware products in China. Backed by economic growth, the urbanization process, rising disposable income and increasing demand for housing in China, the sanitary ware market in China has experienced a high level of growth in recent years. According to Frost & Sullivan, retail revenue from the sanitary ware market in China has significantly increased from RMB39,259 million in 2006 to RMB84,679 million in 2011, representing a CAGR of 16.6% over the period. Although the sanitary ware market in China has experienced rapid growth in the past few years, per capita spending on sanitary ware products in China still lags behind more developed regions such as Western Europe and the United States by a significant margin. According to Frost & Sullivan, per capita expenditure on sanitary ware products in China in 2011 was RMB62.8, which represented 48.6% and 33.8% of the per capita expenditure on sanitary ware products in Western Europe and the United States, respectively, in 2011, implying significant growth potential for the sanitary ware market in China.

In addition, the increase in home renovation and upgrade activities is expected to drive growth in demand for sanitary ware products in China. According to Frost & Sullivan, renovation accounted for 18.3% of the total decoration volume in China in 2010. In contrast, renovation accounted for 51.4% of the total decoration volume in the United States. In line with increasing disposable income and expectations for enhanced living standards, it is expected that there will be more home renovation and upgrade activities in China with the replacement of old sanitary ware products with new products of better design, quality and functionality. Driven by demand growth for housing and an increase in home renovation activities, the sanitary ware market in China is projected to grow to RMB144,848 million by 2015, representing a CAGR of 14.4% over the period from 2011 to 2015.

Chairman's Statement

CORPORATE SOCIAL RESPONSIBILITY

The Group has a team of 83 research and development experts and technicians focusing on product development and improvement of production technologies and processes, which has developed over one hundred innovative products and obtained 14 patents to date. Meanwhile, the Group is committed to minimizing the impact of its operation on the environment and has established an environment management system in accordance with international standards and obtained ISO 14001 certification. The Group also delivers Bolina sanitary ware products with excellent quality, environment-friendly and water-conserving features – the related intellectual proprietary rights have been registered by the Group. An innovative product "3.0 liter-per-flush water-conservation siphonic toilet" with industry-leading technologies was launched, with its water-conservation feature being 50% higher than six liters per flush as required by the Chinese National Standards. The toilet's three outstanding measures in terms of water seal, water per flush and trap size outperform the Chinese National Standards, not only leading in China but also meeting the market criteria in Europe and the U.S.. The Group has been promoting its strategy of delivering the world's leading brand and realizing its grand vision of "Bringing green life to Bolina owners".

FUTURE OUTLOOK

By seizing the opportunities brought by rapid development in domestic market, the rollout of the Group's own branded products under "航標" and "Bolina" has been in full swing starting from 2008. The Group's retailing and branding strategies were fully implemented in domestic market and Bolina has grown rapidly into a leading brand in domestic mid-to-high end sanitary ware market. As at 30 June 2012, the Group's distribution network covered 178 regional distributors with 373 points of sale. Now, the Group has established a distribution network covering a wide area throughout the PRC with a standardized network management system so as to support the strategy to develop its own brands.

A wide section energy-saving and environment-friendly tunnel kilns powered by gas (節能環保型寬截面燃氣隧道窯) with an overall length of 110 meters in Fujian Wanrong Sanitary Ware Company Limited ("Fujian Wanrong"), the Group's fifth ceramic sanitary ware production line with an annual capacity of one million units, commenced operations on 29 July 2012. The successful commencement of operation of this production line marked another great milestone in the Company's business development, which will enhance the overall production capacity of the Group to further fuel the enlargement of its domestic market share. With the successful commencement of operation of this production line, the ceramic sanitary ware production lines of the Group will produce 4.9 million units per year. Currently, the fifth production line operates at full capacity for the orders and the sixth production line commenced construction in this August. Upon its completion and operation, the Group will have an annual output of 5.9 million units.

Looking ahead, the Group will closely monitor the market changes and continue to increase the input for its production and continues to promote strategic innovation and improve production capacity. Based on the management philosophy of achieving excellent quality, attaching importance to environment protection and ensuring product quality and customer satisfaction, in reliance upon its strong research and development capabilities and outstanding product quality, and by seizing opportunities created by the successful listing of the Company in Hong Kong, the Company will continue to make use of its advantages to grow rapidly to the leading sanitary ware brand in the PRC and achieve its goal of becoming the first-rate brand with its output ranking first as well in the PRC sanitary ware industry.

Xiao Zhiyong
Chairman

Zhangzhou, China, 28 August 2012

Management Review and Prospect

In the first half of 2012, the production of sanitary ware products increased at a steady and relatively fast speed and the demand for sanitary ware products was gradually improved against the rather complex domestic and international economic environment. Under the impact of both supply and demand, the price of the Group's own branded products remained steady in general in the first half of the year. Against such market environment in the first half of 2012 and under the leadership of the Board, the Group followed the operation strategy of "Expanding the distribution of our own brands", continuously strengthened its characteristic business model and enhanced operation quality and profitability while continuing to expand its distribution network.

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2012, the Group's revenue reached RMB399.3 million, increasing by 39.3% as compared with the corresponding period of last year; and profit attributable to shareholders of the Company reached RMB133.2 million, up by 89.5% as compared with the corresponding period of last year.

SALES VOLUME

During the first half of 2012, the Group enhanced market analysis and forward-looking anticipation to monitor closely the changes in supply and demand and strengthened marketing services and customer development. For the six months ended 30 June 2012, the Group's sales volume was 2.0 million units, increasing by 25.1% as compared with the corresponding period of last year, which further consolidated the Group's leading position as the second largest domestic ceramic sanitary ware brand in China's mid-to-high end ceramic sanitary ware market in terms of retail sales.

PRODUCTION

The Group manufactures ceramic sanitary ware products at its production facilities in Zhangzhou, Fujian Province, the PRC. The Group's annual designed production capacity was 3.9 million units per year as at 30 June 2012, which is one of the largest manufacturers of ceramic sanitary ware products in the PRC in terms of designed production capacity as at 30 June 2012. The Group believes that its sizable production facilities provide it with economies of scale, shorten lead time in launching new products and allow it to allocate additional production capacity to manufacture its own branded products, which command a higher margin in comparison with ODM and OEM products.

DISTRIBUTION NETWORK

The Group was dedicated to the third party distributor model and continued to improve operation capacity and quality of the distribution network, to standardize distribution network governance, to promote differentiated operation innovation, to improve the quality of the network operation team and to optimize the existing network layout.

The Group's distribution network, comprising 101 distributors and 36 sub-distributors operating 189 points of sale as at 30 June 2011, increased to 178 distributors and 44 sub-distributors operating 373 points of sale as at 30 June 2012, covering a wide area throughout the PRC.

Management Review and Prospect

SUBSEQUENT EVENTS

(a) The Company was listed on the Main Board of the Hong Kong Stock Exchange on 13 July 2012 and raised proceeds of approximately HK$483.1 million at an issue price of HK$2.15 per share (including the proceeds from issuance of additional shares pursuant to exercise of over-allotment option on 8 August 2012), and

(b) A wide section energy-saving and environmentally-friendly tunnel kilns powered by gas (節能環保型寬截面燃氣隧道窯) with an overall length of 110 meters of Fujian Wanrong, the Group's fifth ceramic sanitary ware production line with an annual capacity of one million units, commenced operations on 29 July 2012. The successful operation of such production line marked another great milestone in the Company's business development, which will enhance the overall production capacity of the Group to further fuel the enlargement of its domestic market share. With the successful operation of this production line, the ceramic sanitary ware production lines of the Group will produce 4.9 million units per year. Currently, the fifth production line operates at full capacity for the orders and the sixth production line commenced construction in this August. Upon its completion and operation, the Group will have an annual output of 5.9 million units.

INTERNAL CONTROL AND MANAGEMENT

The Group gives priority to the protection of shareholders' assets through internal control and management system. The Company has already taken the following measures to improve its internal control system:

(a) The Company engaged internal control consultants to review its Group's internal control systems and procedures in 2010. The Company continued to adopt measures and policies to improve its internal control systems based on their review and recommendations;

(b) The Company has appointed Mr. Lin Shimao, who has expertise in accounting and financial management, as an independent non-executive director. The Company expects to draw on his experience with respect to compliance with applicable regulatory and financial reporting requirements;

(c) The Company has appointed Mr. Yuen Chi Wai, Stanley as its company secretary, who is responsible for the day-to-day compliance matters of the Group. He is also responsible for monitoring the timing for convening annual general meetings of the Company;

(d) An audit committee was established to review the internal control systems and procedures for compliance with the requirements of the Listing Rules;

(e) The Company appointed CCB International Capital Limited as compliance adviser to advise on compliance matters in accordance with the Listing Rules, and

(f) The Company's secretarial team have been responsible for preparing and keeping proper records of minutes of board meetings and shareholders' meetings of the Company. The Company's secretarial team is familiar with the statutory requirements in relation to board meetings and shareholders' meetings and will ensure proper compliance of all such requirements.

Management Review and Prospect

OUTLOOK OF BUSINESS OPERATION

In the second half of 2012 and the near future, the volatility in international financial markets will cast uncertainties for the prospect of economic recovery. It is estimated that China's economy would grow at a reduced pace during the second half of this year under the government's macro-control.

The Group will continue to improve and implement the existing development strategy, make efforts to acquire strategic resources, consolidate the Group's industrial base, implement the self-owned brands strategy to enhance product competitiveness, and achieve a stable and sustainable industrial profitability. The Group will also continue to implement the distribution network model, innovate operation management, serve its customers with enriched product mix and enhance the value and profitability of the distribution network. The Group will also make use of its comprehensive advantages to improve its ability to deliver a sustainable development, accomplish the operation goals for 2012 and generate higher returns for the shareholders.

Management Discussion and Analysis

For the six months ended 30 June 2012, sales volume of the Group was 2.0 million units and revenue was RMB399.3 million, up by 25.1% and 39.3% respectively, as compared with the corresponding period of 2011.

For the six months ended 30 June 2012, gross profit of the Group was RMB191.0 million, up by 43.4% as compared with the corresponding period of 2011; profit attributable to shareholders of the Company was RMB133.2 million, up by 89.5% from RMB70.3 million for the six months ended 30 June 2011.

I. OPERATION SCALE

1. Sales Volume

During the first half of 2012, the orders of the Group's business maintained a steady growth as compared with the corresponding period of last year due to the expansion and development of its distribution network. For the six months ended 30 June 2012, sales volume of the Group was 2.0 million units, up by 25.1% over the corresponding period of 2011. The increase was mainly attributable to the fact that the volume of one-piece toilets rose by 52.0% as compared with the corresponding period of last year to 300.6 thousand units during the period.

During the first half of 2012, the Group seized market opportunities to increase sales volume and further consolidated its market status by optimizing distribution network system and fully leveraging competitive edges of the complete industrial chain. In particular, the sales volume of non-ceramic sanitary products increased by 310.0% as compared with the corresponding period of last year due to the expanded product sales mix.

2. Revenue

The Group's revenue increased by RMB112.6 million, or 39.3%, from RMB286.7 million for the six months ended 30 June 2011 to RMB399.3 million for the six months ended 30 June 2012. The increase was mainly attributable to the increase of RMB88.8 million in sales revenue generated from its own branded products.

The following table sets out the Group's revenue derived from its different product categories during the six months ended 30 June 2012 and 2011:

	Six months ended 30 June			
	2012		2011	
	RMB'000	**%**	RMB'000	%
Ceramic sanitary ware products				
Two-piece toilets (with water tanks)	**134,842**	**33.8**	121,498	42.4
One-piece toilets	**182,134**	**45.6**	119,294	41.6
Washbasins and stands	**20,606**	**5.2**	21,203	7.4
Other ceramic products including urinals and bidets	**14,999**	**3.7**	11,986	4.2
Sub-total	**352,581**	**88.3**	273,981	95.6
Non-ceramic sanitary products	**46,669**	**11.7**	12,719	4.4
Total	**399,250**	**100.0**	286,700	100.0

Management Discussion and Analysis

I. OPERATION SCALE *(continued)*

2. Revenue *(continued)*

The following tables set out the breakdown of the Group's revenue by sale channels during the six months ended 30 June 2012 and 2011:

	Six months ended 30 June			
	2012		2011	
	RMB'000	**%**	RMB'000	%
Branded products				
Distributors	**253,554**	**63.5**	166,966	58.2
Direct sales in the PRC	**3,169**	**0.8**	939	0.3
Direct sales to overseas customers	**507**	**0.1**	490	0.2
Sub-total	**257,230**	**64.4**	168,395	58.7
Non-branded products				
OEM	**56,793**	**14.2**	43,520	15.2
ODM	**85,227**	**21.4**	74,785	26.1
Sub-total	**142,020**	**35.6**	118,305	41.3
Total	**399,250**	**100.0**	286,700	100.0

3. Revenue by Segment

Revenue derived from the Group's branded products increased from RMB168.4 million for the six months ended 30 June 2011 to RMB257.2 million for the six months ended 30 June 2012. The increase in revenue was mainly attributable to the significant increase in the number of the distributors and points of sale for its branded products business.

Revenue derived from the Group's ODM and OEM products increased from RMB118.3 million for the six months ended 30 June 2011, to RMB142.0 million for the six months ended 30 June 2012. Such increases were primarily attributable to its strategy to maintain a steady growth rate in its ODM and OEM business. Revenue from its ODM business amounted to RMB85.2 million for the six months ended 30 June 2012. Revenue from its ODM business accounted for 60.0% and 63.2% of the total non-branded product revenue for the six months ended 30 June 2012 and 2011 respectively.

Management Discussion and Analysis

I. OPERATION SCALE *(continued)*

3. Revenue by Segment *(continued)*

The following tables set forth breakdowns of the Group's revenue by product category and by business segment during the six months ended 30 June 2012 and 2011 respectively:

OEM products

	Six months ended 30 June					
	2012			2011		
Products	**Units**	**Average price RMB**	**Revenue RMB'000**	Units	Average price RMB	Revenue RMB'000
Two-piece toilets (with water tanks)	**460,579**	**110.0**	**50,663**	373,553	104.2	38,929
Washbasins and stands	**61,825**	**58.1**	**3,589**	69,809	55.1	3,847
Other ceramic products (including urinals and bidets)	**22,342**	**98.1**	**2,192**	1,821	87.3	159
Non-ceramic sanitary products	**10,049**	**34.7**	**349**	16,137	36.3	585
Total	**554,795**	**102.4**	**56,793**	461,320	94.3	43,520

ODM products

	Six months ended 30 June					
	2012			2011		
Products	**Units**	**Average price RMB**	**Revenue RMB'000**	Units	Average price RMB	Revenue RMB'000
Two-piece toilets (with water tanks)	**626,892**	**130.7**	**81,922**	548,637	129.4	71,012
One-piece toilets	**5,976**	**334.7**	**2,000**	8,326	357.8	2,979
Washbasins and stands	**16,408**	**64.2**	**1,054**	11,735	67.0	786
Other ceramic products (including urinals and bidets)	**3,469**	**72.4**	**251**	54	148.1	8
Total	**652,745**	**130.6**	**85,227**	568,752	131.5	74,785

Management Discussion and Analysis

I. OPERATION SCALE *(continued)*

3. Revenue by Segment *(continued)*

Own branded products

	Six months ended 30 June					
	2012			2011		
Products	**Units**	**Average price RMB**	**Revenue RMB'000**	Units	Average price RMB	Revenue RMB'000
Two-piece toilets (with water tanks)	**23,467**	**96.2**	**2,257**	101,950	113.4	11,557
One-piece toilets	**294,608**	**611.4**	**180,134**	189,444	614.0	116,315
Washbasins and stands	**154,921**	**103.0**	**15,963**	158,449	104.6	16,570
Other ceramic products (including urinals and bidets)	**127,001**	**98.9**	**12,556**	90,179	131.1	11,819
Non-ceramic sanitary products	**199,950**	**231.7**	**46,320**	35,079	345.9	12,134
Total	**799,947**	**321.6**	**257,230**	575,101	292.8	168,395

II. PROFIT

1. Gross profit

Gross profit increased by RMB57.8 million, or 43.4%, from RMB133.2 million for the six months ended 30 June 2011 to RMB191.0 million for the six months ended 30 June 2012. This was mainly attributable to an increase of sales of the Group's branded products in 2012 as a result of an increase in the number of the distributors and points of sale. Overall gross profit margin increased from 46.5% for the six months ended 30 June 2011 to 47.9% for the six months ended 30 June 2012, which was mainly attributable to the increase in the gross profits generated from the Group's own branded products and that the segment of its own branded products is of a higher gross profit margin as compared with that of the ODM and OEM segments.

For the six months ended 30 June 2012 and 2011, the Group's gross profit and gross profit margin by business segment was as follows:

	Six months ended 30 June			
	2012		2011	
	Gross profit RMB'000	**Gross profit margin %**	Gross profit RMB'000	Gross profit margin %
Branded products	**141,216**	**54.9**	96,112	57.1
OEM	**17,447**	**30.7**	13,045	30.0
ODM	**32,385**	**38.0**	24,063	32.2
Total	**191,048**	**47.9**	133,220	46.5

Management Discussion and Analysis

II. PROFIT *(continued)*

2. Income tax expense

Income tax expense decreased by RMB10.4 million, or 46.0%, from RMB22.6 million for the six months ended 30 June 2011 to RMB12.2 million for the six months ended 30 June 2012. The decrease in the income tax expense was primarily attributable to the reduced tax rate of 15% from 25% due to the accreditation of Zhangzhou Wanjia Ceramic Industry Co., Ltd. (漳州萬佳陶瓷工業有限公司, "Zhangzhou Wanjia"), a subsidiary of the Group, as a New and High Technology Enterprise (高新技術企業). The effective tax rate decreased from 24.3% for the six months ended 30 June 2011 to 8.4% for the six months ended 30 June 2012. The decrease in effective tax rate was mainly due to the reduced tax rate of Zhangzhou Wanjia.

3. Profit attributable to shareholders of the Company and net profit margin

For the six months ended 30 June 2012, profit attributable to shareholders of the Company was RMB133.2 million, which was an increase of RMB62.9 million over the corresponding period of 2011.

For the six months ended 30 June 2012, net profit margin of the Group derived from profit attributable to shareholders of the Company dividing by revenue was 33.4%.

III. EXPENDITURES

Selling and distribution expenses: Selling and distribution costs increased by RMB1.4 million, or 10.4%, from RMB13.5 million for the six months ended 30 June 2011 to RMB14.9 million for the six months ended 30 June 2012. The increase was mainly attributable to the increase in related sales and distribution costs resulting from the increased sales revenue during the period.

Administrative expenses: Administrative expenses increased by RMB4.4 million, or 21.4%, from RMB20.6 million for the six months ended 30 June 2011 to RMB25.0 million for the six months ended 30 June 2012. This was mainly attributable to the provision of rewards associated with the Company's listing by way of initial public offering and the increase in listing expenses charged.

IV. FINANCE COSTS

Finance costs decreased by RMB0.5 million, or 6.8%, from RMB7.4 million for the six months ended 30 June 2011 to RMB6.9 million for the six months ended 30 June 2012, which was mainly attributable to the capitalisation of interest.

V. OTHER INCOME AND GAINS, NET

Other income and gains, net increased by RMB0.1 million, or 9.1%, from RMB1.1 million for the six months ended 30 June 2011 to RMB1.2 million for the six months ended 30 June 2012 primarily due to the increase in the Group's interest income.

Management Discussion and Analysis

VI. INVENTORY

The following table sets out inventory position as at the end of the reporting period indicated:

	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Raw materials	**5,440**	8,772
Accessories	**6,040**	6,810
Work-in-progress	**9,545**	9,725
Finished goods	**39,451**	46,970
Wrappage	**1,600**	1,885
Total	**62,076**	74,162

The Group's inventories decreased from RMB74.2 million as at 31 December 2011 to RMB62.1 million as at 30 June 2012 mainly due to the fact that our Group accelerated the inventory turnover and lowered the level of inventory during the period.

The Group's average inventory turnover days were 59 and 87 days for the six months ended 30 June 2012 and the year ended 31 December 2011, respectively.

VII. TRADE RECEIVABLES TURNOVER

Trade receivables primarily comprise amounts to be received from the sale of sanitary ware products to customers. The Group's trade receivables amounted to RMB69.0 million and RMB58.3 million as at 30 June 2012 and 31 December 2011, respectively. The increase in trade receivables was primarily due to the increase in overseas sales revenue of the Group during the period.

The Group's average trade receivable turnover days were 29 and 31 days for the six months ended 30 June 2012 and the year ended 31 December 2011 respectively. The decrease in the average trade receivable turnover days was primarily due to the growth in sales of its branded products.

Advance payment is normally required from the Group's domestic customers. The trading terms with overseas customers are mainly on credit, the credit period is generally one month, extending up to three months for major customers. Each of the customers has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and have a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management of the Company. Trade receivables are non-interest-bearing.

For the six months ended 30 June 2012 and the year ended 31 December 2011, there was no provision for doubtful debts.

Management Discussion and Analysis

VIII. BANK LOANS AND OTHER BORROWINGS

As at 30 June 2012, the balance of the Group's bank loans and other borrowings, which would all mature within one year, was RMB236.3 million, up by RMB11.3 million or 5.0% from that of RMB225.0 million as at 31 December 2011. This was mainly due to the increase in loans secured by letters of credit.

Certain of the Group's bank loans are secured by: (i) mortgages over the Group's prepaid land lease payments situated in Mainland China, which had aggregate carrying values of approximately RMB12.6 million and RMB12.7 million as at 30 June 2012 and 31 December 2011, respectively; (ii) mortgages over the Group's buildings, which had aggregate carrying values of approximately RMB42.1 million and RMB43.2 million as at 30 June 2012 and 31 December 2011, respectively; (iii) mortgages over the Group's forward letters of credit which amounted to RMB35.6 million and RMB29.2 million as at 30 June 2012 and 31 December 2011, respectively, and (iv) mortgages over the Group's future committed sales proceeds which amounted to US$2.1 million as at 30 June 2012 (31 December 2011: Nil).

IX. TRADE AND BILLS PAYABLES

The Group's trade payables primarily arose from the purchases of toilet lids and water tank fittings, packaging material and raw materials for its production activities. The Group had trade payables of RMB37.8 million and RMB25.4 million as at 30 June 2012 and 31 December 2011, respectively.

The Group's bills payables were RMB0.5 million and nil as at 30 June 2012 and 31 December 2011, respectively, which were primarily related to the purchase of natural gas by the Group.

The Group's average payables turnover days were 28 and 25 days for the six months ended 30 June 2012 and the year ended 31 December 2011, respectively.

X. OTHER FINANCIAL INDICATORS

Basic earnings per share for the six months ended 30 June 2012 was RMB0.169, up by RMB0.08 over that of RMB0.089 for the same period of 2011. Return on equity (ROE) for the six months ended 30 June 2012 was 35.4%, decreased by 5.7% from that of 41.1% for the same period of 2011. This was mainly because the increase of net assets of the Group at the end of the period.

	Six months ended 30 June	
	2012	2011
Profitability		
Earnings per share (RMB)	**0.169**	0.089
ROE (Note a)	**35.4%**	41.1%

Note:

a. Calculated on the basis of profit attributable to the shareholders of the Company for the reporting period divided by total equity as at the end of the reporting period.

Management Discussion and Analysis

X. OTHER FINANCIAL INDICATORS *(continued)*

	As at 30 June 2012	As at 31 December 2011
Solvency		
Current ratio (Note a)	**1.55**	1.23
Debt-to-Equity ratio (Note b)	**62.8%**	92.5%

Notes:

a. Calculated on the basis of current assets divided by current liabilities as at the reporting date.

b. Calculated on the basis of interest-bearing debt divided by total equity as at the end of the reporting period.

As at 30 June 2012, the Group's current and quick ratio was 1.55 and 1.39 respectively, and the debt-to-equity ratio was 62.8%, representing a stable financial structure.

XI. LIQUIDITY AND FINANCIAL RESOURCES

The Group meets its working capital and other capital requirements primarily from the proceeds from its global offering and other issue of new shares, net cash generated from its operating activities and borrowings from banks and financial institutions.

As at 30 June 2012, cash and cash equivalents of the Group amounted to RMB402.2 million, which was mainly denominated in RMB and US dollar.

The following table is a condensed summary of the Group's consolidated statement of cash flows during the reporting period indicated:

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Net cash flows from operating activities	**167,126**	146,526
Net cash flows (used in)/from investing activities	**(8,247)**	88,628
Net cash flows used in financing activities	**(18,154)**	(110,573)
Net increase in cash and cash equivalents	**140,725**	124,581
Cash and cash equivalents at beginning of the period	**261,458**	65,822
Effect of foreign exchange rate changes, net	**(13)**	(343)
Cash and cash equivalents at end of the period	**402,170**	190,060

Management Discussion and Analysis

XI. LIQUIDITY AND FINANCIAL RESOURCES *(continued)*

Net cash flows from operating activities

The Group's net cash generated from operating activities includes funds generated from its operating activities and net cash inflows or outflows resulting from changes in working capital.

In the first half of 2012, the Group's net cash flow from operating activities was RMB167.1 million. The increase in its net cash inflow compared to the first half of 2011 was primarily due to the increase in sales revenue of the Group during the period.

Net cash (used in)/from investing activities

In the first half of 2012, the Group's net cash used in investing activities was RMB8.2 million, consisting primarily of purchase of property, plant and equipment.

Net cash used in financing activities

In the first half of 2012, the Group's net cash used in financing activities was RMB18.2 million consisting primarily of the payment of dividend to the shareholders of the Company.

Set out below is an analysis of short-term borrowings of the Group:

	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Secured	**155,813**	140,037
Guaranteed	**70,500**	60,000
Unsecured	**10,000**	25,000
Total	**236,313**	225,037

	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Fixed interest rate	**164,313**	78,537
Floating interest rate	**72,000**	146,500
Total	**236,313**	225,037

The Group intended to meet its obligations for the above borrowings by using internal resources.

As at 30 June 2012, the Group had banking facilities of RMB299.0 million, all of which were RMB borrowings. The amount of utilized banking facilities was RMB201.4 million and that of unutilized banking facilities was RMB97.6 million.

Management Discussion and Analysis

XII. MARKET RISKS

The Group is exposed to various types of market risks including currency risk, interest rate risk, price risk, credit risk, liquidity risk and inflation.

Currency risk

The Group has transactional currency exposure. Such exposure mainly arises from sales transactions denominated in United States dollars. The Group regularly monitors its foreign exchange exposure and will consider the need to hedge against significant foreign currency exposure where appropriate. The Group entered into two foreign currency forward contracts in 2012 to hedge against fluctuations in the foreign currency.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk arises from bank loans and other borrowings, which are predominantly denominated in RMB. The Group does not have any significant exposure to risk of changes in market interest rates as the Group's debt obligations were either with fixed interest rates or short-term floating interest rates. The Group has no significant interest-bearing assets other than the cash and bank balances.

The Group has not used any financial instrument to hedge its exposure to interest rate risk.

Price risk

The principal raw materials used in the production of the Group's products include sericite, feldspar and clay. The Group is exposed to fluctuations in the price of sericite, feldspar and clay which are influenced by regional supply and demand conditions. Fluctuations in the price of these raw materials could adversely affect the Group's financial performance. The Group has not entered into any commodity derivative instruments to hedge against the risk of adverse changes to commodity prices.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a customer contract or financial instrument, leading to a financial loss. The Group trades only with recognised and creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis and the Group's exposure to bad debts is not significant.

The Group does not require collateral from trading partners. As at 30 June 2012, the Group had certain concentrations of credit risk as 68.1% and 70.0% of trade receivables were due from the Group's largest customer and its five largest customers, respectively. The Group believes that the Group adequately manages concentration of credit risk. The Group have established long-term business relationships with its major customers. Additionally, the Group have purchased insurance to protect against potential losses from unrecovered trade receivables.

The credit risk of its other financial assets, which mainly consist of cash and cash equivalents and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these financial assets set out in our consolidated financial statements.

Management Discussion and Analysis

XII. MARKET RISKS *(continued)*

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group monitors its risk to a shortage of funds by considering the maturity of both its financial assets and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through use of bank borrowings and other borrowings to meet its working capital requirements. During the six months ended 30 June 2012, the Group did not receive any requests for early repayment of any bank borrowings.

Inflation

Inflation in China has not materially or adversely impacted the Group's results of operations in recent years although there has been a recent trend towards inflation which could affect its costs and its advantages as a China-based manufacturer. According to National Bureau of Statistics, PRC, the consumer price inflation in China was 5.4% in 2011.

XIII. CONTINGENT LIABILITIES

As at 30 June 2012, neither the Group nor the Company had any significant contingent liabilities.

XIV. CAPITAL EXPENDITURE

The Group's capital expenditures were incurred primarily in connection with purchases of property, plant and equipment and lease payments. The Group's capital expenditures, represented by the cash used for the purchase of property, plant and equipment, were RMB8.2 million for the six months ended 30 June 2012, mainly in connection with the construction of production facilities for Fujian Wanrong.

Operating Lease Arrangements

The Group leases certain properties, plant, equipment and land under operating lease arrangement for terms ranging from 1 to 12 years. As at the dates indicated below, the Group had total future minimum lease payments under non-cancellable operating leases of property, plant, equipment and land falling due as follows:

	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Within 1 year	**8,352**	8,126
After 1 year but within 5 years	**25,037**	26,139
After 5 years	**19,000**	22,000
Total	**52,389**	56,265

Management Discussion and Analysis

XIV. CAPITAL EXPENDITURE *(continued)*

Commitments

In addition to the Group's operating lease commitments, the Group had the following capital commitments as at the dates indicated below:

	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Contracted, but not provided for property, plant and equipment	**3,947**	5,135
Authorised, but not contracted for property, plant and equipment	**177,946**	184,781
Total	**181,893**	189,916

The Group's capital commitments as at 30 June 2012 primarily related to the construction of the fifth and sixth production lines by Fujian Wanrong.

XV. MAJOR INVESTMENTS AND DISPOSAL

As at 30 June 2012, the Group had no material investment expenditure or disposal.

XVI. REMUNERATION POLICY

The key components of the Group's remuneration package include basic salary, and where appropriate, other allowances, incentive bonus, mandatory provident funds, state-managed retirement benefits scheme and share options under the share option schemes of the Company. The objective of the Group is to associate the interests of key employees with the performance of the Group and the interests of shareholders, as well as achieving balance of short-term and long-term benefits through a reasonable system. Meanwhile, the Group also aims at maintaining the competitiveness of the overall compensation. The level of cash compensation to employees offered by the Group varies with importance of duties. The higher the importance of duties, the higher will be the ratio of incentive bonus of total remuneration. This can ensure that the Group can recruit, retain and motivate high-caliber employees required for the development of the Group and to avoid offering excess reward.

The emoluments payable to directors are determined with reference to the responsibilities, qualifications, experience and performance of the directors. They include incentive bonus primarily based on the results of the Group and share options granted under the share option schemes of the Company. The Remuneration Committee performs regular review on the emoluments of the directors. No director, or any of his associates and executives, is involved in deciding his/her own emolument.

The Group reviews its remuneration policy annually. As at 30 June 2012, the Group had about 2,075 full-time employees, and their remuneration is determined with reference to market rates. No individual employee shall have the right to determine his/her own remuneration.

In addition to the basic remuneration, the Group also provided certain non-monetary benefits, such as training, to its employees. For the six months ended 30 June 2012, the Group provided 143.5 hours of training in aggregate for about 765 person-times. The training courses covered areas such as industry development, marketing management, operation and management, laws and regulations, lean management, project management, finance, logistics, information technology, safe production and general working skills. These training further improved the management skills and professional standard of the management of the Group and enhanced the overall quality of the employees to cater to the Group's rapid developments; hence, improving the competitiveness of the Group.

Other Information

DIRECTORS' INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES

The Company was listed on the main board of Hong Kong Stock Exchange on 13 July 2012. As at the date of this report, the interests of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO), as recorded in the register maintained by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, were as follows:

(a) Long position in ordinary shares of HKD0.01 each of the Company

Name	Long/Short position	Type of interest	Number of Shares	Percentage of shareholding in the Company
Mr. Xiao Zhiyong ("Mr. Xiao")	Long position	Interest in a controlled corporation[1]	599,993,023	59.13%
Ms. Ye Xiaohong ("Ms. Ye")	Long position	Interest of spouse[2]	599,993,023	59.13%
Max Lucky Group Limited ("Max Lucky")	Long position	Beneficial owner	599,993,023	59.13%

Notes:

1. Mr. Xiao is deemed to be interested in the shares held by Max Lucky by virtue of Max Lucky being controlled by Mr. Xiao directly.

2. Ms. Ye, being the wife of Mr. Xiao, is deemed (by virtue of the SFO) to be interested in 599,993,023 shares in the Company which are held by Max Lucky. Max Lucky is wholly-owned by Mr. Xiao.

(b) Interests in share options of the Company

The interests of the directors and the chief executive in the share options of the Company are detailed in the "Share Options" section stated below.

Save as disclosed above, as at the date of this report, none of the directors nor the chief executive had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its subsidiaries or associated companies as defined in the SFO.

SHARE OPTIONS

Pursuant to a resolution passed on the general meeting of shareholders held on 25 June 2012, the Company adopted a share option scheme (the "Share Option Scheme"). As at 30 June 2012, no share options had been granted by the Company pursuant to the Share Option Scheme.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

At no time during the reporting period was the Company, its ultimate holding companies or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

Other Information

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

The Company was listed on the main board of Hong Kong Stock Exchange on 13 July 2012. As at the date of this report, other than the interests disclosed in the section "Directors' interest in Shares, underlying Shares and debentures", the register of substantial shareholders maintained by the Company under Section 336 of the SFO showed that the following person(s)/corporation(s) held interests or short positions in 5% or more of the issued shares capital of the Company:

Name	Long/Short position	Type of interest	Number of Shares	Percentage of shareholding in the Company
Ms. Xiao Xiuyu ("Ms. Xiao")	Long position	Interest in a controlled corporation[1]	102,700,000	10.12%
Grand York Holdings Limited ("Grand York")	Long position	Beneficial owner	102,700,000	10.12%

Note:

1. Ms. Xiao is deemed to be interested in the shares held by Grand York by virtue of Grand York being controlled by Ms. Xiao directly.

CORPORATE GOVERNANCE

Compliance with the Code on Corporate Governance Practices and Corporate Governance Code

The Board of the Company recognizes and appreciates the importance and benefits of good corporate governance practices and has adopted corporate governance and disclosure practices for achieving a higher standard of transparency and accountability.

The Board is of the view that the Company has complied with the Code Provisions set out in the former Code on Corporate Governance Practices during the period from 1 January 2012 to 31 March 2012 and the new Corporate Governance Code ("CG Code") during the period from 1 April 2012 to 30 June 2012 as contained in Appendix 14 to the Listing Rules, except for the following deviation:

Code Provision A.2.1

Code Provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Mr. Xiao Zhiyong ("Mr. Xiao") currently holds the positions of Chairman and Chief Executive Officer of the Company. He is the founder of the Group and has over 25 years of experience in sanitary ware products industry. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in Mr. Xiao provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies, and will not impair the balance of power and authority between the Board and the management of the Company.

Changes to Information in respect of Directors

In accordance with Rule 13.51B(1) of the Listing Rules, there was no change to information required to be disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) during the reporting period.

Other Information

CORPORATE GOVERNANCE *(continued)*

Model Code for securities transactions by the Directors of listed issuers

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the directors. Having made specific enquiry to all the directors, all the directors confirmed that they had complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2012.

INTERIM DIVIDENDS

The Board does not recommend the declaration of interim dividend for the six months ended 30 June 2012.

PURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities during the six months ended 30 June 2012.

PUBLIC FLOAT

Since its listing at the Hong Kong Stock Exchange on 13 July 2012, the Company has maintained the prescribed public float under the Hong Kong Listing Rules, based on the information that is publicly available to the Company and within the best knowledge of the directors.

USE OF NET PROCEEDS FROM LISTING

The Company was listed on the Main Board of the Hong Kong Stock Exchange on 13 July 2012 and raised net proceeds of approximately HK$427.9 million at an issue price of HK$2.15 per share (including the net proceeds received by the Company upon issuance of additional shares pursuant to exercise of over-allotment option).

Reference is made to the section headed "Future Plans and Use of Proceeds – Use of Proceeds" of the prospectus issued by the Company on 29 June 2012 (the "Prospectus"). The net proceeds raised from the initial public offering of shares will be applied to fund the enhancement of the sales and marketing force, the construction of production facilities, the acquisition of sanitary ware manufacturers or facilities that would complement the existing production facilities, research and development and general working capital. As of the date of this report, there is no change to the intended use of proceeds.

AUDIT COMMITTEE

The Board has formed an Audit Committee in accordance with the Listing Rules to fulfill the functions of reviewing and monitoring the financial reporting procedure and internal control of the Company. The Audit Committee members currently comprise all the independent non-executive directors of the Company, namely, Mr. Lin Shimao, Mr. Leung Ka Man and Mr. Tong Jifeng. The Audit Committee has reviewed and approved the Company's audited consolidated interim financial results for the six months ended 30 June 2012.

AUDITED RESULTS

The consolidated interim financial results for the six months ended 30 June 2012 have been audited by Ernst & Young, Certified Public Accountants.

For and on behalf of the Board
Bolina Holding Co., Ltd.
Xiao Zhiyong
Chairman

Zhangzhou, China, 28 August 2012

Independent Auditors' Report

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To the shareholders of Bolina Holding Co., Ltd.
(Incorporated in the Cayman Islands as an exempted company with limited liability)

We have audited the consolidated financial statements of Bolina Holding Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages 29 to 84, which comprise the consolidated and company statements of financial position as at 30 June 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditors' Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2012, and of the Group's profit and cash flows for the period then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Without qualifying our opinion, we draw your attention to the fact that the corresponding figures set out in the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows and the related notes for the six months period ended 30 June 2011 have not been audited.

Ernst & Young
Certified Public Accountants
Hong Kong

28 August 2012

Consolidated Income Statement

Six months ended 30 June 2012

	Notes	Six months ended 30 June 2012 RMB'000	2011 RMB'000 (unaudited)
REVENUE	4(a)	**399,250**	286,700
Cost of sales	5(b)	**(208,202)**	(153,480)
Gross profit		**191,048**	133,220
Other income and gains, net	4(b)	**1,214**	1,102
Selling and distribution costs		**(14,939)**	(13,465)
Administrative expenses		**(25,036)**	(20,635)
Profit from operations		**152,287**	100,222
Finance costs	6	**(6,926)**	(7,392)
Profit before tax	5	**145,361**	92,830
Income tax expense	7	**(12,176)**	(22,563)
Profit for the period attributable to the owners of the parent		**133,185**	70,267
Earnings per share attributable to equity holders of the parent (expressed in RMB per share)			
Basic – For profit for the period	11	**16.9 cents**	8.9 cents
Diluted – For profit for the period	11	**16.9 cents**	8.9 cents

Consolidated Statement of Comprehensive Income

Six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
		(unaudited)
PROFIT FOR THE PERIOD	**133,185**	70,267
Exchange differences on translation of foreign operations	**(12)**	(343)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**(12)**	(343)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO THE OWNERS OF THE PARENT	**133,173**	69,924

Consolidated Statement of Financial Position

30 June 2012

	Notes	**30 June 2012 RMB'000**	31 December 2011 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**167,094**	159,005
Prepaid lease payments	14	**14,786**	14,959
Intangible assets	15	**366**	256
Deferred tax assets	25(b)	**4,250**	3,331
Total non-current assets		**186,496**	177,551
CURRENT ASSETS			
Inventories	16	**62,076**	74,162
Trade receivables	17	**68,960**	58,296
Prepayments, deposits and other receivables	18	**39,079**	13,416
Pledged bank balances	19	**680**	–
Cash and cash equivalents	19	**402,170**	261,458
Total current assets		**572,965**	407,332
CURRENT LIABILITIES			
Trade and bills payables	20	**38,265**	25,426
Other payables and accruals	21	**80,380**	47,547
Dividends payable	22	**–**	17,563
Amounts due to the Controlling Shareholder	32(b)	**–**	807
Bank loans and other borrowings	23	**236,313**	225,037
Income tax payable	25(a)	**13,769**	15,382
Total current liabilities		**368,727**	331,762
NET CURRENT ASSETS		**204,238**	75,570
TOTAL ASSETS LESS CURRENT LIABILITIES		**390,734**	253,121
NON-CURRENT LIABILITIES			
Deferred tax liabilities	25(b)	**14,254**	9,814
Total non-current liabilities		**14,254**	9,814
Net assets		**376,480**	243,307
EQUITY			
Equity attributable to owners of the parent			
Share capital	26	**–**	–
Reserves	27	**376,480**	243,307
Total equity		**376,480**	243,307

Xiao Zhiyong	**Yang Qingyun**
Director	*Director*

Consolidated Statement of Changes in Equity

Six months ended 30 June 2012

	Attributable to owners of the Company						
	Share capital RMB'000 Note 26	Discretionary reserve fund* RMB'000 Note 27(a)(i)	Statutory reserve* RMB'000 Note 27(a)(ii)	Merger reserve* RMB'000 Note 27(a)(iii)	Exchange fluctuation reserve* RMB'000 Note 27(a)(iv)	Retained profits* RMB'000	Total RMB'000
At 1 January 2012	**–**	**21,894**	**7,500**	**101,081**	**3,682**	**109,150**	**243,307**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**133,185**	**133,185**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**(12)**	**–**	**(12)**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**(12)**	**133,185**	**133,173**
At 30 June 2012	**–**	**21,894**	**7,500**	**101,081**	**3,670**	**242,335**	**376,480**
At 1 January 2011	–	12,286	4,540	80,011	4,078	68,344	169,259
Profit for the period	–	–	–	–	–	70,267	70,267
Exchange differences on translation of foreign operations	–	–	–	–	(343)	–	(343)
Total comprehensive income for the period	–	–	–	–	(343)	70,267	69,924
Contribution by the Controlling Shareholder	–	–	–	101,070	–	–	101,070
Distribution to the Controlling Shareholder	–	–	–	(80,000)	–	–	(80,000)
Dividends declared to the Controlling Shareholder	–	–	–	–	–	(89,367)	(89,367)
At 30 June 2011 and 1 July 2011 (unaudited)	–	12,286	4,540	101,081	3,735	49,244	170,886
Profit for the period	–	–	–	–	–	90,127	90,127
Exchange differences on translation of foreign operations	–	–	–	–	(53)	–	(53)
Total comprehensive income for the period	–	–	–	–	(53)	90,127	90,074
Transfer from retained profits	–	9,608	2,960	–	–	(12,568)	–
Dividends declared to the shareholders of the Company	–	–	–	–	–	(17,653)	(17,653)
At 31 December 2011	–	21,894	7,500	101,081	3,682	109,150	243,307

* These reserve accounts comprise the consolidated reserves of RMB376,480,000 in the consolidated statement of financial position as at 30 June 2012 (31 December 2011: RMB243,307,000).

Consolidated Statement of Cash Flows

Six months ended 30 June 2012

	Notes	Six months ended 30 June 2012 RMB'000	2011 RMB'000 (unaudited)
Cash flows from operating activities			
Profit before tax		**145,361**	92,830
Adjustments for:			
– Depreciation	13	**4,156**	3,950
– Recognition of prepaid land lease payment	14	**173**	176
– Amortisation of intangible assets	15	**31**	24
– Reversal of provision for impairment of trade receivables	5(c)	**–**	(136)
– Interest income	4(b)	**(763)**	(60)
– Gain on disposal of items of property, plant and equipment	4(b)	**–**	(10)
– Finance costs	6	**6,926**	7,392
		155,884	104,166
(Increase)/decrease in trade receivables		**(10,664)**	14,625
Decrease/(increase) in prepayments, deposits and other receivables		**2,813**	(2,615)
Decrease in inventories		**12,086**	11,968
Increase in trade and bills payables		**12,839**	5,282
Increase in other payables and accruals		**18,126**	22,553
Cash generated from operations		**191,084**	155,979
Tax paid		**(23,958)**	(9,453)
Net cash flows generated from operating activities		**167,126**	146,526
Cash flows from investing activities			
Purchase of items of property, plant and equipment		**(8,189)**	(42,008)
Proceeds from disposal of items of property, plant and equipment		**–**	20
Purchase of intangible assets		**(141)**	–
Increase in pledged bank balances		**(680)**	(1,348)
Advances to third parties		**(91,090)**	(139,540)
Collection of advances to third parties		**91,090**	225,347
Advances to a related party		**(33,000)**	(304,710)
Collection of advances to a related party		**33,000**	351,632
Advance to the Controlling Shareholder		**–**	(825)
Interest received		**763**	60
Net cash (used in)/from investing activities		**(8,247)**	88,628

Consolidated Statement of Cash Flows

Six months ended 30 June 2012

	Notes	Six months ended 30 June 2012 RMB'000	2011 RMB'000 (unaudited)
Cash flows from financing activities			
Proceeds from bank loans and other borrowings		**185,235**	215,174
Repayment of bank loans and other borrowings		**(173,959)**	(221,778)
Contribution by the Controlling Shareholder		**–**	101,070
Advances from the Controlling Shareholder		**2,919**	8,663
Repayment of advances from the Controlling Shareholder		**(3,726)**	(24,443)
Distribution to the Controlling Shareholder		**–**	(80,000)
Dividends paid		**(17,563)**	(101,867)
Interest paid		**(7,758)**	(7,392)
Listing expenses paid		**(3,302)**	–
Net cash used in financing activities		**(18,154)**	(110,573)
Net increase in cash and cash equivalents		**140,725**	124,581
Cash and cash equivalents at beginning of period		**261,458**	65,822
Effect of foreign exchange rate changes, net		**(13)**	(343)
Cash and cash equivalents at end of period		**402,170**	190,060
Analysis of balances of cash and cash equivalents			
Cash and bank balances		**400,850**	190,060
Time deposits		**2,000**	–
Less: Pledged bank balances		**(680)**	–
Cash and cash equivalents as stated in the statements of financial position		**402,170**	190,060

Statement of Financial Position

30 June 2012

	Notes	30 June 2012 RMB'000	31 December 2011 RMB'000
NON-CURRENT ASSETS			
Investments in subsidiaries	34	**170,886**	170,886
Total non-current assets		**170,886**	170,886
CURRENT ASSETS			
Cash and cash equivalents		**23**	–
Dividend receivable from a subsidiary		**–**	17,880
Prepayments, deposits and other receivables		**462**	181
Total current assets		**485**	18,061
CURRENT LIABILITIES			
Dividends payable	22	**–**	17,563
Amounts due to a subsidiary	34	**909**	520
Total current liabilities		**909**	18,083
Net assets		**170,462**	170,864
EQUITY			
Share capital	26	**–**	–
Reserves	27(b)	**170,462**	170,864
Total equity		**170,462**	170,864

Xiao Zhiyong	**Yang Qingyun**
Director	*Director*

Notes to Financial Statements

30 June 2012

1. CORPORATE INFORMATION

Bolina Holding Co., Ltd. (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands on 19 April 2011. The registered office of the Company is located at the offices of Appleby Trust (Cayman) Ltd., Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The Group has established a principal place of business which is located at Suite No.2 on 17/F., Sino Plaza, 255-257 Gloucester Road, Causeway Bay, Hong Kong.

The shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange on 13 July 2012.

The principal activity of the Company is investment holding. The subsidiaries of the Company are principally engaged in the manufacture and sale of sanitary ware. There were no significant changes in the nature of the Group's principal activities during the period.

In the opinion of the directors, the ultimate holding company of the Company is Max Lucky Group Limited ("Max Lucky"), which is incorporated in the British Virgin Islands.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise stated.

Basis of consolidation

Pursuant to the Reorganisation as more fully explained in the paragraph headed "Our Reorganisation" in the section headed "History, Reorganisation and Group Structure" to the Prospectus issued on 29 June 2012, the Company became the holding company of the companies now comprising the Group on 22 June 2011. Before the Reorganisation and formation of the Group, the listing business was carried out by the subsidiaries now comprising the Group as set out in note 34, all of which were collectively controlled by Mr. Xiao Zhiyong and Ms. Ye Xiaohong (hereinafter collectively referred to as the "Controlling Shareholder"). The consolidated financial statements have been prepared on a combined basis by applying the principles of merger accounting as the Reorganisation involved business combination of entities under common control and the Group is regarded and accounted for as a continuing group. On this basis, the Company has been treated as the holding company of its subsidiaries for the financial periods presented rather than from the date of their acquisition.

Accordingly, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the six months ended 30 June 2011 include the financial information of the Company and its subsidiaries with effect from 1 January 2011 or since their respective dates of incorporation, whichever is shorter. In the opinion of the directors, the consolidated financial statements prepared on the above basis present more fairly the results and state of affairs of the Group as a whole.

All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Notes to Financial Statements

30 June 2012

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted, at the beginning of the financial periods presented, all the HKFRSs that have been issued and effective for the financial periods presented.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 9	Financial Instrument[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 1 Amendments	Amendments to HKAS 1 Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income[1]
HKAS 19 (2011)	Employee Benefits[2]
HKAS 27 (2011)	Separate Financial Statements[2]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[2]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]
HKAS 32 Amendments	Amendments to HKAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities[3]
Annual Improvements to HKFRSs 2009-2011 Cycle	Amendments to a number of HKFRSs issued in May 2012[2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

Notes to Financial Statements

30 June 2012

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

Further information about those changes that are expected to significantly affect the Group is as follows:

(a) HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 Financial Instruments: Recognition and Measurement. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2015.

(b) HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgment to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)-Int 12 Consolidation – Special Purpose Entities. These include assessments in determining whether:

- The Group has control if the Group holds less than a majority of voting rights in an investee
- Potential voting rights are substantive to give power
- Rights are merely protective rights
- A party is a principal or agent
- The Group can direct another entity to act on the Group's behalf
- Structured entities are controlled
- Control changes based on a change in facts and circumstances

(c) HKFRS 11 describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation.

(d) HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities that are previously included in HKAS 27 Consolidated and Separate Financial Statements, HKAS 31 Interests in Joint Ventures and HKAS 28 Investments in Associates. It also introduces a number of new disclosure requirements for these entities.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of the above new standards.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

(e) HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change when the Group is required to use fair value, but provides guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs.

(f) Amendments to HKAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) are presented separately from items which will never be reclassified.

(g) Amendments to HKAS 12 clarify the determination of deferred tax in investment property measured at fair value. The amendments introduce a rebuttable presumption that deferred tax on investment property measured using the fair value model in HKAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments introduce the requirement that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis of the assets.

(h) HKAS 19 (2011) introduces a number of changes in the accounting for pensions and other post-employment benefits that impact on the amount of net plan assets or liabilities for defined benefit pension plans and the results of entities with defined benefit pension plans. The standard also requires termination benefits outside of a wider restructuring to be recognised only when the offer becomes legally binding and cannot be withdrawn, and termination benefits under a wider restructuring to be recognised at the same time as the other restructuring costs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Notes to Financial Statements

30 June 2012

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the group;
(ii) has significant influence over the Group; or
(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;
(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
(iii) the entity and the Group are joint ventures of the same third party;
(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
(vi) the entity is controlled or jointly controlled by a person identified in (a); and
(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal estimated useful lives of property, plant and equipment are as follows:

Leasehold improvements	Over the lease terms
Buildings	20 years
Plant and machinery	5 to 20 years
Furniture and fixtures	3 to 5 years
Motor vehicles	5 to 10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each reporting period end.

Notes to Financial Statements

30 June 2012

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation *(continued)*

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year/period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings, plant and machinery under construction or pending for installation, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives. The principal estimated useful lives of intangible assets are as follows:

Software	5 years
Brand name	10 years

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Research and development costs

All research costs are charged to the income statement as incurred.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances, trade and other receivables, loans receivable and derivative financial instruments.

Notes to Financial Statements

30 June 2012

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income in the income statement. The loss arising from impairment is recognised in the income statement in other expenses.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the income statement in other expenses. Interest earned whilst holding the available-for-sale financial investments are reported as interest income and are recognised in the income statement as other income in accordance with the policies set out for “Revenue recognition” below.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

The Group evaluates its available-for-sale financial assets whether the ability and intention to sell them in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management’s intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the held-to-maturity category is permitted only when the Group has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated income statement.

Notes to Financial Statements

30 June 2012

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

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30 June 2012

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Financial assets carried at amortised cost (continued)

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current 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 income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other expenses in the income statement.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and amounts due to the Controlling Shareholder and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of loans and borrowings is as follows:

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidate statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Notes to Financial Statements

30 June 2012

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments such as forward currency contracts to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the income statement.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into a current or non-current portion based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Notes to Financial Statements

30 June 2012

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and

(b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Employee benefits

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Notes to Financial Statements

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Foreign currencies

The financial statements are presented in RMB, which is also the functional currency of the subsidiaries located in Mainland China. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the reporting date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of the Company and certain overseas subsidiaries are currencies other than the RMB. As at the reporting date, the assets and liabilities of these entities are translated into the presentation currency of the Group at the exchange rates ruling at the reporting date, and their income statements are translated into RMB at the weighted average exchange rates for the year/period. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year/period are translated into RMB at the weighted average exchange rates for the year/period.

2.5 SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Notes to Financial Statements

30 June 2012

2.5 SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES *(continued)*

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – Group as lessee

The Group has entered into property, plant and equipment leases with various lessors. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that the lessors retain all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Estimation uncertainty

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

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and the related depreciation charge for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or 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 lives and therefore depreciation charge in the future periods.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in customer taste or competitor actions in response to severe consumer product industry cycles. Management reassesses these estimates at each reporting date.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Current income tax and deferred tax

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Notes to Financial Statements

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3. SEGMENT INFORMATION

The Group is principally engaged in the manufacture and sale of sanitary ware and accessories. For management purposes, the Group operates in one business unit based on its products, and has one reportable segment which is the manufacture and sale of sanitary ware and accessories.

No operating segments have been aggregated to form the above reportable operating segment.

Geographical information

The following tables present the Group's geographical information in terms of revenue for the six months ended 30 June 2012 and 2011, and non-current assets as at 30 June 2012 and 31 December 2011.

(a) Revenue from external customers

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
		(unaudited)
Americas	**129,466**	104,887
Mainland China	**256,723**	167,905
Europe	**5,339**	6,958
Asia (excluding Mainland China)	**7,722**	6,950
	399,250	286,700

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

(b) Non-current assets

	30 June	31 December
	2012	2011
	RMB'000	RMB'000
Mainland China	**182,246**	174,220

The non-current asset information above is based on the location of the assets and excludes deferred tax assets.

Information about major customers

For the six months ended 30 June 2012 and 2011, revenue from one of the Group's customers, amounting to RMB79,150,000 and RMB65,249,000 respectively, had individually accounted for over 10% of the Group's total revenue.

Notes to Financial Statements

30 June 2012

4. REVENUE, OTHER INCOME AND GAINS, NET

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after netting off sales rebates for the six months ended 30 June 2012 and 2011.

(a) Revenue

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
		(unaudited)
Revenue from the sale of sanitary ware and accessories	**399,250**	286,700

(b) Other income and gains, net

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
		(unaudited)
Other income		
Government grants*	**294**	575
Interest income	**763**	60
Others	**157**	457
	1,214	1,092

* Various government grants have been received for conducting export sales within Fujian Province, Mainland China and for setting up research activities to renovate production machines to save energy. There were no unfulfilled conditions or contingencies relating to these grants as at 30 June 2012.

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
		(unaudited)
Gains, net		
Gains on disposal of items of property plant and equipment	**–**	10
Other income and gains, net	**1,214**	1,102

Notes to Financial Statements

30 June 2012

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

		Six months ended 30 June	
		2012	2011
		RMB'000	RMB'000
			(unaudited)
(a)	**Employee benefit expense (including directors' remuneration (note 8))**		
	Wages and salaries	**32,849**	23,967
	Pension scheme contributions social welfare and other welfare	**4,134**	5,001
		36,983	28,968
(b)	**Cost of sales**		
	Cost of inventories sold	**158,125**	109,732
	Others	**50,077**	43,748
		208,202	153,480
(c)	**Other items**		
	Depreciation of property, plant and equipment*	**4,156**	3,950
	Recognition of prepaid lease payments	**173**	176
	Amortisation of intangible assets	**31**	24
	Operating lease expenses*	**6,641**	4,666
	Advertisement expenses	**5,123**	5,834
	Office expenses	**1,280**	1,241
	Logistics expenses	**4,323**	3,087
	Listing expenses	**4,804**	3,916
	Research and development expenses	**2,831**	2,483
	Reversal of provision for impairment of trade receivables	**–**	(136)
	Foreign exchange loss/(gain)	**(346)**	1,179
	Auditors' remuneration	**800**	13
	Gain on disposal of items of property, plant and equipment	**–**	(10)

* The depreciation amounts of property, plant and equipment of RMB2,991,000 and RMB2,897,000, and the operating lease expenses of RMB6,086,000 and RMB3,844,000 are included in "Cost of sales" in the consolidated income statement for the six months ended 30 June 2012 and 2011, respectively.

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6. FINANCE COSTS

Group

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
		(unaudited)
Interest expense on bank borrowings wholly repayable within five years	**7,301**	6,451
Interest expense on other borrowings wholly repayable within five years	**457**	941
Total interest expenses	**7,758**	7,392
Less: Interest capitalised	**(832)**	–
	6,926	7,392

7. TAX

(a) Tax in the consolidated income statement represent:

Group

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
		(unaudited)
Current – Mainland China corporate income tax	**8,655**	20,008
Deferred tax (note 25(b))	**3,521**	2,555
	12,176	22,563

Subsidiaries incorporated in Hong Kong were subject to income tax at the rate of 16.5% during the six months ended 30 June 2012. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the six months ended 30 June 2012.

Pursuant to Section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Council that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gain or appreciation shall apply to the Company or its operations.

Notes to Financial Statements

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7. TAX *(continued)*

(a) Tax in the consolidated income statement represent: *(continued)*

Pursuant to the International Business Companies Act, 1984 (the “IBC Act”) of the British Virgin Islands (“BVI”), international business companies incorporated pursuant to the IBC Act enjoy a complete exemption from income tax. This includes an exemption from capital gains tax and all forms of withholding tax. Accordingly, the subsidiary incorporated in the BVI is not subject to tax.

The National People’s Congress approved the Corporate Income Tax Law of the People’s Republic of China (the “Income Tax Law”) on 16 March 2007 and the State Council has announced the Detailed Implementation Regulations on 6 December 2007, which have been effective since 1 January 2008. According to the Income Tax Law, the income tax rates for both domestic and foreign investment enterprises were unified at 25% effective from 1 January 2008.

Under the Income Tax Law of the People’s Republic of China (the “PRC”), the Company’s subsidiaries that are established in the PRC were subject to income tax at a base rate of 25% during the period, except for the following two subsidiaries:

Zhangzhou Wanhui Sanitary Ware Co., Ltd. (“Zhangzhou Wanhui”), which is a foreign-invested enterprise exempted from corporate income taxes for its first two profit-making years and is entitled to a 50% tax reduction for the succeeding three years. Since Zhangzhou Wanhui has become profitable since 2008, Zhangzhou Wanhui enjoyed tax exemption for the years 2008 and 2009, and enjoyed 50% tax concession from year 2010 to year 2012.

Zhangzhou Wanjia Ceramic Industry Co., Ltd. (“Zhangzhou Wanjia”) has successfully applied for accreditation as a New and High Technology Enterprise by the accreditation administrative authorities in the PRC, which entitles an entity to a preferential corporate income tax rate of 15% from year 2011 to year 2013.

Pursuant to the Income Tax Law of the PRC, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. On 22 February 2008, Caishui (2008) No. 1 was promulgated by the tax authorities to specify that dividends declared and remitted out of Mainland China from the retained earnings as at 31 December 2007 are exempted from the withholding tax.

Notes to Financial Statements

30 June 2012

7. TAX *(continued)*

(b) Reconciliation between tax expense and accounting profit at applicable tax rate

A reconciliation of the tax expense applicable to profit before tax using the applicable rate for the region in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
		(unaudited)
Profit before tax	**145,361**	92,830
Tax at the statutory tax rate (25%)	**36,340**	23,208
Lower tax rates enacted by local authorities	**(16,251)**	(5,900)
Adjustments in respect of current tax of previous periods (note (a))	**(13,690)**	–
Expenses not deductible for tax purpose	**948**	1,002
Tax losses utilised from previous years	**–**	(373)
Tax loss not recognised	**535**	234
Effect of withholding tax at 10% on the distributable profits of the Group's subsidiaries in Mainland China	**4,294**	4,392
Tax charge	**12,176**	22,563

Note:

(a) On 28 April 2012, Zhangzhou Wanjia was approved by the relevant tax authority as a New and High Technology Enterprise to enjoy a preferential corporate income tax rate of 15% for three years from year 2011 to year 2013. In this regard, the excess of the corporate income tax expenses provided at the statutory tax rate of 25% as at 31 December 2011 over the preferential income tax of approximately RMB13,690,000 was reversed during the six months ended 30 June 2012 after the statutory annual tax filing.

Notes to Financial Statements

30 June 2012

8. DIRECTORS' REMUNERATION

Details of the remuneration of the directors of the Company during the period are presented below based on the remuneration that the directors obtained from the Group in the respective periods.

(a) Independent non-executive directors

Mr. TONG Jifeng, Mr. LIN Shimao and Mr. LEUNG Ka Man were appointed as independent non-executive directors on 25 June 2012.

There was no emolument payable to the independent non-executive directors during the period.

(b) Executive directors

	Six months ended 30 June 2012				
	Directors' fees RMB'000	**Salaries, allowances and other benefits RMB'000**	**Discretionary bonuses RMB'000**	**Contributions to defined contribution retirement schemes RMB'000**	**Total RMB'000**
Executive directors					
Mr. XIAO Zhiyong	**–**	**63**	**11**	**4**	**78**
Ms. YE Xiaohong	**–**	**18**	**3**	**2**	**23**
Mr. YANG Qingyun	**–**	**25**	**4**	**2**	**31**
Mr. LU Jianqing	**–**	**21**	**3**	**2**	**26**
	–	**127**	**21**	**10**	**158**

	Six months ended 30 June 2011 (unaudited)				
	Directors' fees RMB'000	Salaries, allowances and other benefits RMB'000	Discretionary bonuses RMB'000	Contributions to defined contribution retirement schemes RMB'000	Total RMB'000
Executive directors					
Mr. XIAO Zhiyong	–	46	–	4	50
Ms. YE Xiaohong	–	11	–	2	13
Mr. YANG Qingyun	–	25	–	2	27
Mr. LU Jianqing	–	19	–	2	21
	–	101	–	10	111

Notes to Financial Statements

30 June 2012

8. DIRECTORS' REMUNERATION *(continued)*

(b) Executive directors *(continued)*

Mr. XIAO Zhiyong was appointed as the Company's executive director on 19 April 2011.

Ms. YE Xiaohong, Mr. YANG Qingyun and Mr. LU Jianqing were appointed as the Company's executive directors on 25 June 2012.

There was no arrangement under which a director waived or agreed to waive any remuneration during the period.

9. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid employees during the six months ended 30 June 2012 included one (30 June 2011: two) director, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining four (30 June 2011: three) non-directors, highest paid employees for the period are as follows:

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
		(unaudited)
Salaries, bonuses, allowances and benefits in kind	**619**	269
Pension scheme contributions and social welfare	**13**	9
	632	278

The number of non-director, highest paid employees whose remuneration fell within the following band:

	Number of employees Six months ended 30 June	
	2012	2011
Nil to HK$1,000,000	**4**	3

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10. DIVIDENDS

The directors of the Company proposed not to declare any interim dividend for the six months ended 30 June 2012.

The dividends for the period ended 30 June 2011 represented the dividends declared and approved by the Company's subsidiaries to the Controlling Shareholder.

11. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share for the period is based on the consolidated profit attributable to the equity holders of the parent of RMB133,185,000 (six months ended 30 June 2011: RMB70,267,000), and on the assumption that 790,000,000 (six months ended 30 June 2011: 790,000,000) ordinary shares have been in issue throughout the periods, comprising 100 issued ordinary shares of the Company upon incorporation and completion of the Reorganisation and 789,999,900 ordinary shares of the Company by capitalisation issue, as further detailed in note 26 to the financial statements.

No adjustment has been made to the basic earnings per share presented for the six months ended 30 June 2012 and 2011 as the Group had no potentially diluted ordinary shares in issue during those periods.

12. PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to the equity holders of the Company for the period ended 30 June 2012 includes a loss of RMB360,000 (six months ended 30 June 2011: Nil) which has been dealt with in the financial statements of the Company (note 27(b)).

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13. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improvements RMB'000	Buildings RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At 1 January 2011	–	58,567	55,079	2,445	5,365	1,592	123,048
Additions	–	–	3,059	619	2,000	59,430	65,108
Transfer	1,284	1,928	189	–	–	(3,401)	–
Disposals	–	–	–	–	(96)	–	(96)
At 31 December 2011	1,284	60,495	58,327	3,064	7,269	57,621	188,060
Accumulated depreciation:							
At 1 January 2011	–	8,193	10,003	883	2,013	–	21,092
Depreciation during the year	48	2,660	3,935	465	941	–	8,049
Disposals	–	–	–	–	(86)	–	(86)
At 31 December 2011	48	10,853	13,938	1,348	2,868	–	29,055
Net book value:							
At 31 December 2011	1,236	49,642	44,389	1,716	4,401	57,621	159,005
Cost:							
At 1 January 2012	**1,284**	**60,495**	**58,327**	**3,064**	**7,269**	**57,621**	**188,060**
Additions	**–**	**73**	**776**	**452**	**–**	**10,944**	**12,245**
At 30 June 2012	**1,284**	**60,568**	**59,103**	**3,516**	**7,269**	**68,565**	**200,305**
Accumulated depreciation:							
At 1 January 2012	**48**	**10,853**	**13,938**	**1,348**	**2,868**	**–**	**29,055**
Depreciation during the period	**71**	**1,370**	**2,020**	**224**	**471**	**–**	**4,156**
At 30 June 2012	**119**	**12,223**	**15,958**	**1,572**	**3,339**	**–**	**33,211**
Net book value:							
At 30 June 2012	**1,165**	**48,345**	**43,145**	**1,944**	**3,930**	**68,565**	**167,094**

Certain of the Group's buildings with aggregate net book values of approximately RMB42,073,000 and RMB43,178,000 as at 30 June 2012 and 31 December 2011, respectively, were pledged as security for the Group's bank borrowings (note 23(a)).

Notes to Financial Statements

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14. PREPAID LEASE PAYMENTS

Group

	30 June 2012 RMB'000	31 December 2011 RMB'000
Cost:		
At the beginning/end of the period/year	**16,900**	16,900
Amortisation:		
At the beginning of the period/year	**1,941**	1,596
Charge for the period/year	**173**	345
At the end of the period/year	**2,114**	1,941
Net book value:		
At the end of the period/year	**14,786**	14,959

The carrying amount of the Group's prepaid lease payments represents the amount of land use rights situated in Mainland China and held under a medium term lease. The remaining lease terms of the land use rights of the Group range from 40 to 45 years.

Certain of the Group's prepaid land lease payments with aggregate net book values of approximately RMB12,562,000 and RMB12,710,000 as at 30 June 2012 and 31 December 2011 respectively were pledged as security for the Group's bank borrowings (note 23(a)(i)).

Notes to Financial Statements

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15. INTANGIBLE ASSETS

Group

	Brand name RMB'000	Software RMB'000	Total RMB'000
Cost:			
At 1 January 2011	320	80	400
Accumulated amortisation:			
At 1 January 2011	96	–	96
Amortisation provided during the year	32	16	48
At 31 December 2011	128	16	144
Net book value:			
At 31 December 2011	192	64	256
Cost:			
At 1 January 2012	**320**	**80**	**400**
Additions	**–**	**141**	**141**
At 30 June 2012	**320**	**221**	**541**
Accumulated amortisation:			
At 1 January 2012	**128**	**16**	**144**
Amortisation provided during the period	**16**	**15**	**31**
At 30 June 2012	**144**	**31**	**175**
Net book value:			
At 30 June 2012	**176**	**190**	**366**

Notes to Financial Statements

30 June 2012

16. INVENTORIES

Group

	30 June 2012 RMB'000	31 December 2011 RMB'000
Raw materials	**5,440**	8,772
Accessories	**6,040**	6,810
Work in progress	**9,545**	9,725
Finished goods	**39,451**	46,970
Wrappage	**1,600**	1,885
	62,076	74,162

17. TRADE RECEIVABLES

Group

	30 June 2012 RMB'000	31 December 2011 RMB'000
Trade receivables	**69,434**	58,770
Impairment	**(474)**	(474)
	68,960	58,296

The Group's trading terms with its overseas customers are mainly on credit and advance payment is normally required for domestic customers. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, except for one major customer set out in note 3, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

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17. TRADE RECEIVABLES *(continued)*

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provision, is as follows:

	30 June 2012 RMB'000	31 December 2011 RMB'000
Within 3 months	**57,082**	51,251
More than 3 months but less than 1 year	**10,235**	5,408
Over 1 year	**1,643**	1,637
	68,960	58,296

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	30 June 2012 RMB'000	31 December 2011 RMB'000
Neither past due nor impaired	**57,252**	51,251
Less than 3 months past due	**5,137**	3,924
3 to 12 months past due	**4,928**	1,484
Over 1 year past due	**1,643**	1,637
	68,960	58,296

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

17. TRADE RECEIVABLES *(continued)*

The movement in the provision for impairment of trade receivables is as follows:

	Six months ended 30 June 2012 RMB'000	Year ended 31 December 2011 RMB'000
At the beginning of the period/year	**474**	610
Impairment losses recognised	**–**	(136)
At the end of the period/year	**474**	474

Included in the above provision for impairment of trade receivables as at 30 June 2012 is a provision for individually impaired trade receivables of RMB474,000 (31 December 2011: RMB474,000).

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	30 June 2012 RMB'000	31 December 2011 RMB'000
Prepayments and deposits to suppliers	**5,584**	6,133
Deposits and prepayments to chain supermarkets	**2,234**	2,571
Prepayment related to the listing the Company's shares	**14,786**	–
Tax recoverable (note 7(b))	**13,690**	–
Others	**2,785**	4,712
	39,079	13,416

Note:

None of the above assets is past due. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

Notes to Financial Statements

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19. CASH AND CASH EQUIVALENTS AND PLEDGED BANK BALANCES

Group

	30 June 2012 RMB'000	31 December 2011 RMB'000
Cash and bank balances	**400,850**	175,958
Time deposits	**2,000**	85,500
Less: Pledged bank balances	**(680)**	–
Cash and cash equivalents	**402,170**	261,458

At 30 June 2012, the cash and bank balances of the Group denominated in RMB amounted to RMB387,575,000 (31 December 2011: RMB246,320,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between six months and one year depending on the immediate cash requirements of the Group, and earn interest at the respective short term deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

20. TRADE AND BILLS PAYABLES

Group

	30 June 2012 RMB'000	31 December 2011 RMB'000
Trade payables	**37,765**	25,426
Bills payable	**500**	–
Trade and bills payables	**38,265**	25,426

Notes to Financial Statements

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20. TRADE AND BILLS PAYABLES *(continued)*

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

	30 June 2012 RMB'000	31 December 2011 RMB'000
Within 3 months	**33,800**	22,482
3 to 6 months	**2,734**	1,020
6 to 12 months	**546**	243
Over 12 months	**1,185**	1,681
	38,265	25,426

The trade and bills payables are non-interest-bearing and are normally settled on terms of 15 to 120 days.

21. OTHER PAYABLES AND ACCRUALS

Group

	30 June 2012 RMB'000	31 December 2011 RMB'000
Payables for purchase of property, plant and equipment	**6,290**	3,066
Advances from customers	**2,038**	1,508
Staff payroll and welfare payables	**15,166**	11,377
Payables for sales rebate	**12,857**	15,958
Other taxes payable	**8,275**	4,327
Rental payable	**6,342**	2,407
Payables related to the listing of the Company's shares	**20,716**	4,647
Others	**8,696**	4,257
	80,380	47,547

22. DIVIDENDS PAYABLE

Dividends payable as at 31 December 2011 represented the outstanding dividends payable to the shareholders of the Company, which were paid during the six months ended 30 June 2012.

Notes to Financial Statements

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23. BANK LOANS AND OTHER BORROWINGS

Group

	30 June 2012		31 December 2011	
	Effective interest rate (%)	**RMB'000**	Effective interest rate (%)	RMB'000
Current bank borrowings	**6 – 9**	**201,400**	6 – 9	196,500
Other borrowings	**3 – 5**	**34,913**	3 – 5	28,537
		236,313		225,037
Current bank borrowings and other borrowings represent:				
– Secured (note (a))		**155,813**		140,037
– Guaranteed (note (b))		**70,500**		60,000
– Unsecured		**10,000**		25,000
		236,313		225,037

Notes:

(a) Certain of the Group's bank loans are secured by:

(i) mortgages over the Group's prepaid land lease payments situated in Mainland China, which had aggregate carrying values of approximately RMB12,562,000 and RMB12,710,000 as at 30 June 2012 and 31 December 2011, respectively;

(ii) mortgages over the Group's buildings, which had aggregate carrying values of approximately RMB42,073,000 and RMB43,178,000 as at 30 June 2012 and 31 December 2011, respectively;

(iii) mortgages over the Group's forward letters of credit which amounted to RMB35,588,000 and RMB29,156,000 as at 30 June 2012 and 31 December 2011, respectively, and

(iv) mortgages over the Group's future committed sales proceeds which amounted to United States dollars ("US$") 2,108,000 as at 30 June 2012.

(b) Certain of the Group's bank borrowings which amounted to RMB53,500,000 and RMB30,000,000 were guaranteed by the Controlling Shareholder as at 30 June 2012 and 31 December 2011, respectively. Certain of the Group's bank borrowings which amounted to RMB17,000,000 and RMB30,000,000 were guaranteed by certain third parties as at 30 June 2012 and 31 December 2011, respectively.

24. EMPLOYEE RETIREMENT BENEFITS

As stipulated by the PRC state regulations, the employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. During the period, the Mainland China subsidiaries were required to make contributions to the local social security bureau at 10% to 22% (2011: 10% to 22%) of the previous year's average basic salary amount of the geographical area where the employees are under employment with the Mainland China subsidiaries.

The Group has no obligation for the payment of pension benefits beyond the annual contributions as set out above.

As at 30 June 2012 and 31 December 2011, the Group had no significant obligation apart from the contribution as stated above.

Notes to Financial Statements

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25. INCOME TAX PAYABLE AND DEFERRED TAX

Group

(a) The movements in income tax payable during the period/year are as follows:

	Six months ended 30 June 2012 RMB'000	Year ended 31 December 2011 RMB'000
At the beginning of the period/year	**15,382**	1,666
Provision for current tax for the period/year	**22,345**	48,113
Withholding tax	**–**	202
Current tax paid	**(23,958)**	(34,599)
At the end of the period/year	**13,769**	15,382

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax assets and liabilities recognised in the consolidated statement of financial position and the movements during the year/period are as follows:

Deferred tax assets:

	Losses available for offsetting against future taxable profits RMB'000	**Accruals** RMB'000	**Total** RMB'000
At 1 January 2011	–	746	746
Deferred tax credited to the consolidated income statement during the year (note 7)	691	1,894	2,585
At 31 December 2011 and at 1 January 2012	691	2,640	3,331
Deferred tax credited to the consolidated income statement during the period (note 7)	–	919	919
At 30 June 2012	691	3,559	4,250

Notes to Financial Statements

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25. INCOME TAX PAYABLE AND DEFERRED TAX *(continued)*

(b) Deferred tax assets and liabilities recognised: *(continued)*

The Group has tax losses arising in Mainland China of RMB3,399,000 and RMB3,103,000 as at 30 June 2012 and 31 December 2011 respectively that will expire in one to five years for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Hong Kong of RMB17,712,000 and RMB14,916,000 as at 30 June 2012 and 31 December 2011 respectively that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of certain of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is uncertain that taxable profits will be available against which the tax losses can be utilised.

Deferred tax liabilities:

	Accelerated depreciation for tax purposes RMB'000	**Withholding tax** RMB'000	**Total** RMB'000
At 1 January 2011	742	41	783
Deferred tax charged to the consolidated income statement during the year (note 7)	299	8,934	9,233
Transferred to tax payable during the year	–	(202)	(202)
At 31 December 2011 and at 1 January 2012	1,041	8,773	9,814
Deferred tax charged to the consolidated income statement during the period (note 7)	146	4,294	4,440
At 30 June 2012	1,187	13,067	14,254

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26. SHARE CAPITAL

The following changes in the Company's authorised and issued share capital took place during the period from 19 April 2011 (date of incorporation) to 30 June 2012, and subsequent to the reporting period up to 8 August 2012.

	Notes	Number of ordinary shares of HK$0.01	Nominal value of ordinary shares HK$'000	RMB'000
Authorised:				
On incorporation	(a)	38,000,000	380	319
Increase in authorised share capital on 25 June 2012	(b)	1,962,000,000	19,620	16,293
As at 30 June 2012 and 8 August 2012		2,000,000,000	20,000	16,612
Issued:				
On incorporation	(c)	1	–	–
Increase in issued share capital on 22 June 2011	(d)	99	–	–
Capitalisation issue credited as fully-paid conditional on the share premium account of the Company, being credited as a result of the issuance of new shares to the public	(e)	789,999,900	7,900	6,347
Issuance of new shares on 13 July 2012	(f)	210,000,000	2,100	1,712
Issuance of new shares on 8 August 2012	(g)	14,700,000	147	120
		1,014,700,000	10,147	8,179

Notes to Financial Statements

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26. SHARE CAPITAL *(continued)*

(a) On incorporation of the Company on 19 April 2011, the authorised share capital of the Company was HK$380,000 divided into 38,000,000 shares of HK$0.01 each.

(b) Pursuant to the resolutions in writing of the shareholders of the Company passed on 25 June 2012, the authorised share capital of the Company was increased from HK$380,000 to HK$20,000,000 by the creation of an additional of 1,962,000,000 shares.

(c) On the date of incorporation, one ordinary share of HK$0.01 was allotted, issued and credited as fully paid to the Company's then shareholder.

(d) On 22 June 2011, an application for the allotment and subscription of 99 shares was made by Max Lucky and 99 shares of HK$0.01 each were issued and allotted to Max Lucky credited as fully paid.

(e) Pursuant to a resolution passed on 25 June 2012, 789,999,900 shares of HK$0.01 each were allotted and issued, credited as fully paid at par, by way of capitalisation from the share premium account to the holders of shares whose names appear on the register of members of the Company at the close of business on 25 June 2012 in proportion to their respective shareholdings. This allotment and capitalisation were conditional on the share premium account being credited as a result of the issue of new shares to the public in connection with the Company's initial public offering as detailed in note (f) below.

(f) In connection with the Company's initial public offering, 210,000,000 shares of HK$0.01 each were issued at a price of HK$2.15 per share for a total cash consideration, before expenses, of approximately HK$451,500,000. Dealings in these shares on the Hong Kong Stock Exchange commenced on 13 July 2012.

(g) Pursuant to the international underwriting agreement dated 29 June 2012, the Company granted an option (the "Over-allotment Option") to the international underwriters, exercisable by CCB International Capital Limited and BOCI Asia Limited on behalf of the international underwriters. On 3 August 2012, the Over-allotment Option was partially exercised, whereby 14,700,000 shares were issued to cover over-allocations in the international offering. The exercise price per share under the Over-allotment Option is HK$2.15. Dealings in these shares on the Hong Kong Stock Exchange commenced on 8 August 2012.

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27. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein for the six months ended 30 June 2012 and the year ended 31 December 2011 are presented in the consolidated statement of changes in equity.

(i) Discretionary reserve fund

Pursuant to the articles of association of certain subsidiaries of the Group established in the PRC, these subsidiaries are required to transfer part of their profits after taxation to the discretionary reserve. The amounts allocated to this reserve are determined by the respective boards of directors.

For the PRC subsidiaries, in accordance with the Company Law of the People's Republic of China (revised), the discretionary reserve fund can be used to offset previous years' losses, if any, and may be converted into capital in proportion to the equity shareholders' existing equity holdings, provided that the balance after such conversion is not less than 25% of the registered capital.

(ii) Statutory reserve

Pursuant to the relevant PRC rules and regulations, those PRC subsidiaries which are domestic enterprises in the PRC as mentioned in note 34 to the financial statements are required to transfer no less than 10% of their profits after taxation, as determined under PRC accounting regulations, to the statutory reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before the distribution of dividend to shareholders.

(iii) Merger reserve

The merger reserve of the Group represents the capital contributions from the equity holders of the Company. The additions during the year ended 31 December 2011 represent the injection of additional paid-in capital by the equity holders of the subsidiaries to the respective companies. The deductions during the 31 December 2011 represent acquisition of paid-in capital of the subsidiaries by the Group from the Controlling Shareholder which is accounted for as distribution to the Controlling Shareholder.

(iv) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of companies outside Mainland China.

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27. RESERVES *(continued)*

(b) Company

	Contributed surplus* RMB'000	Exchange fluctuation reserve RMB'000	Retained profits/ (accumulated losses) RMB'000	Total RMB'000
On incorporation	–	–	–	–
Effect of reorganisation	170,886	–	–	170,886
At 30 June 2011 and 1 July 2011 (unaudited)	170,886	–	–	170,886
Profit for the period	–	–	17,563	17,563
Exchange differences between functional currency and presentation currency	–	(22)	–	(22)
Total comprehensive income for the period	–	(22)	17,563	17,541
Dividends declared to the shareholders of the Company	–	–	(17,563)	(17,563)
At 31 December 2011 and 1 January 2012	170,886	(22)	–	170,864
Loss for the period	**–**	**–**	**(360)**	**(360)**
Exchange differences between functional currency and presentation currency	**–**	**(42)**	**–**	**(42)**
Total comprehensive loss for the period	**–**	**(42)**	**(360)**	**(402)**
At 30 June 2012	**170,886**	**(64)**	**(360)**	**170,462**

* The contributed surplus arose when the Company acquired the entire issued share capital of Bolina (China) Holding Co., Ltd. at a consideration of RMB1 in connection with the Reorganisation. This surplus represents the difference between the nominal value of the consideration and the value of net assets of the subsidiaries acquired.

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28. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

Group

	Loans and receivables	
	30 June 2012 RMB'000	31 December 2011 RMB'000
Trade receivables	**68,960**	58,296
Financial assets included in prepayments, deposits and other receivables	**2,402**	4,381
Pledged deposits	**680**	–
Cash and cash equivalents	**402,170**	261,458
	474,212	324,135

Financial liabilities

Group

	Financial liabilities at amortised cost	
	30 June 2012 RMB'000	31 December 2011 RMB'000
Trade and bills payables	**38,265**	25,426
Financial liabilities included in other payables and accruals	**54,901**	30,335
Dividends payable	**–**	17,563
Amounts due to the Controlling Shareholder	**–**	807
Bank loans and other borrowings	**236,313**	225,037
	329,479	299,168

29. CONTINGENT LIABILITIES

As at 30 June 2012, neither the Group nor the Company had any significant contingent liabilities (31 December 2011: Nil).

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30. COMMITMENTS

(a) Capital commitments

Capital commitments of the Group in respect of property, plant and equipment outstanding at the end of the each reporting period not provided for in the financial statements are as follows:

	30 June 2012 RMB'000	31 December 2011 RMB'000
Contracted, but not provided for:		
Property, plant and equipment	**3,947**	5,135
Authorised, but not contracted for:		
Property, plant and equipment	**177,946**	184,781
	181,893	189,916

(b) Operating lease commitments

At the end of each reporting period end, the Group and the Company had total future minimum lease payments under non-cancellable operating leases as follows:

Group

	30 June 2012 RMB'000	31 December 2011 RMB'000
Within 1 year	**8,352**	8,126
After 1 year but within 5 years	**25,037**	26,139
After 5 years	**19,000**	22,000
	52,389	56,265

Company

	30 June 2012 RMB'000	31 December 2011 RMB'000
Within 1 year	**719**	719
After 1 year but within 5 years	**205**	389
	924	1,108

Notes to Financial Statements

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31. PLEDGE OF ASSETS

Details of the Group's bank loans and other borrowings, which are secured by the assets of the Group, are included in note 23 to the financial statements.

32. RELATED PARTY TRANSACTIONS AND BALANCES

Parties are considered to be related if one party has the ability, directly or indirectly, to control or jointly 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.

Mr. Xiao Zhiyong and Ms. Ye Xiaohong are collectively the Controlling Shareholder of the Group. They are also considered to be related parties of the Group.

Zhangzhou Wanhui Investment Co., Ltd. ("Wanhui Investment") is a company controlled by the Controlling Shareholder and considered to be a related party of the Group.

(a) Transactions with related parties

The following transactions were carried out with related parties during the six months ended 30 June 2012 and 2011:

		Six months ended 30 June	
		2012	2011
		RMB'000	RMB'000
			(unaudited)
(i)	**Advances to a related party:**		
	– Wanhui Investment	**33,000**	304,710
	Advances to the Controlling Shareholder	**–**	825
(ii)	**Collection of advances to a related party:**		
	– Wanhui Investment	**33,000**	351,632
(iii)	**Advances from the Controlling Shareholder**	**2,919**	8,663
(iv)	**Repayment of advances from the Controlling Shareholder**	**3,726**	24,443

(v) The Group's bank borrowings which amounted to RMB53,500,000 and RMB30,000,000 were guaranteed by the Controlling Shareholder as at 30 June 2012 and 31 December 2011, respectively.

Notes to Financial Statements

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32. RELATED PARTY TRANSACTIONS AND BALANCES *(continued)*

(a) Transactions with related parties *(continued)*

(vi) Pursuant to a deed of share charge ("Deed of Share Charge") entered into between Jinny (HK) International Limited ("Jinny (HK)", a limited liability company wholly owned by Mr. Xiao) and Lead Rise dated 28 March 2011, Jinny (HK) charged the entire issued share capital of Nelson Marketing to Lead Rise as security to guarantee Mr. Xiao, Ms. Ye and Jinny (HK)'s obligations for an exchangeable bond in the aggregate principal amount of HK$60 million issued by Mr. Xiao to Lead Rise on 31 March 2011 ("Exchangeable Bond") and the fixed interest bond in the principal amount of HK$60 million issued by Mr. Xiao to Lead Rise on 11 August 2011 ("Fixed Interest Bond") pursuant to the Exchangeable Bond Subscription Agreement (collectively, the exchangeable bond subscription agreement dated 28 March 2011 entered into between Mr. Xiao, Ms. Ye, Jinny (HK) and Lead Rise; the supplemental agreement dated 11 August 2011 entered into between Mr. Xiao, Ms. Ye, Jinny (HK), Bolina (China) Holding Co., Ltd. ("Bolina China") and Lead Rise; and the supplemental agreement dated 28 June 2012 entered into between Mr. Xiao, Ms. Ye, Max Lucky, Bolina China and Lead Rise, pursuant to which Mr. Xiao issued the Exchangeable Bond and the Fixed Interest Bond to Lead Rise). Following the completion of the Reorganisation, Bolina China replaced Jinny (HK) as the shareholder of Nelson Marketing and a deed of novation dated 11 August 2011 was entered into between Mr. Xiao, Ms. Ye, Jinny (HK), Bolina China and Lead Rise to substitute Jinny (HK) by Bolina China as a party to the Deed of Share Charge and to assume Jinny (HK)'s obligations thereunder. Pursuant to the Exchangeable Bond Subscription Agreement, the share charges in relation to both the Exchangeable Bond and Fixed Interest Bond in favour of Lead Rise have been released subsequently in July 2012.

(b) Balances with related parties

The Group had the following significant balances with its related parties at each of the reporting period end:

	30 June 2012 RMB'000	31 December 2011 RMB'000
Due to the Controlling Shareholder:		
– non-trade related	**–**	807

32. RELATED PARTY TRANSACTIONS AND BALANCES *(continued)*

(c) Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
		(unaudited)
Short term employee benefits	**536**	211
Pension scheme contributions and social welfare	**10**	1
Total compensation paid to key management personnel	**546**	212

Further details of directors' emoluments are included in note 8 to the financial statements.

The above related party transactions do not constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans, other interest-bearing loans, and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, trade and bills payables and advances from third parties, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group has no significant interest-bearing assets other than the cash and bank balances (note 19).

The Group's interest rate risk arises from bank loans and other borrowings, which are predominantly denominated in RMB. The Group does not have any significant exposure to risk of changes in market interest rates as the Group's debt obligations were either with fixed interest rates or short-term floating interest rates.

The Group has not used any financial instrument to hedge its exposure to interest rate risk.

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33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales denominated in US$ by operating units whose the functional currency is RMB. Approximately 36% and 41% of the Group's sales for the six months ended 30 June 2012 and 2011 respectively, were denominated in US$ and undertaken by these operating units. The Group used forward currency contracts which did not meet the criteria for hedge accounting to eliminate the foreign currency exposures.

The following table demonstrates the sensitivity at the end of each reporting period to a reasonably possible change in US$ exchange rate, with all other variables held constant, of the Group's profit before tax (due to the change in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in basis points	**Increase/(decrease) in profit before tax**	
		30 June 2012 RMB'000	31 December 2011 RMB'000
If RMB weakens against the US$	**(100)**	**676**	540
If RMB strengthens against the US$	**100**	**(676)**	(540)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and bank balances and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

As at 30 June 2012 and 31 December 2011, all bank balances were deposited in creditworthy financial institutions without significant credit risk.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty. As at 30 June 2012, the Group had certain concentrations of credit risk as 68% (31 December 2011: 58%) and 70% (31 December 2011: 85%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively. As the major customers of the Group are all companies with world-famous brands, and long-term business relationship has been established by both parties and insurances were purchased to against the potential losses from unrecovered trade receivables, the concentrations of credit risk are well managed by the Group.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 17 to the financial statements.

Notes to Financial Statements

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33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

Group

	At 30 June 2012					
	On demand RMB'000	**Less than 3 months RMB'000**	**3 to 12 months RMB'000**	**1 to 5 years RMB'000**	**Over 5 years RMB'000**	**Total RMB'000**
Bank loans and other borrowings	**–**	**49,252**	**195,984**	**–**	**–**	**245,236**
Trade and bills payables	**1,185**	**33,800**	**3,280**	**–**	**–**	**38,265**
Other payables	**8,051**	**35,374**	**9,722**	**1,754**	**–**	**54,901**
	9,236	**118,426**	**208,986**	**1,754**	**–**	**338,402**

	At 31 December 2011					
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Bank loans and other borrowings	–	51,966	181,746	–	–	233,712
Trade and bills payables	1,681	22,482	1,263	–	–	25,426
Other payables	12,689	12,713	3,398	1,535	–	30,335
Dividends payable	–	17,563	–	–	–	17,563
Amounts due to the Controlling Shareholder	807	–	–	–	–	807
	15,177	104,724	186,407	1,535	–	307,843

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30 June 2012

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the period ended 30 June 2012.

The Group monitors capital using a gearing ratio, which is net debt divided by the equity attributable to owners of the parent plus net debt. Net debt includes bank loans and other borrowings, trade and bills payables, other payables and accruals, dividends payable and amounts due to the Controlling Shareholder, less cash and cash equivalents. Capital represents equity attributable to owners of the parent. The gearing ratios as at the reporting dates were as follows:

Group

	30 June 2012 RMB'000	31 December 2011 RMB'000
Bank loans and other borrowings	**236,313**	225,037
Trade and bills payables	**38,265**	25,426
Other payables and accruals	**80,380**	47,547
Dividends payable	**–**	17,563
Amounts due to the Controlling Shareholder	**–**	807
Less: Cash and cash equivalents	**(402,170)**	(261,458)
Net (cash)/debt	**(47,212)**	54,922
Equity attributable to owners of the parent	**376,480**	243,307
Capital and net debt	**329,268**	298,229
Gearing ratio	**N/A***	18.4%

* As at 30 June 2012, the Group was in a net cash position and the calculation of gearing ratio is not meaningful.

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34. INVESTMENTS IN SUBSIDIARIES

Company

	30 June 2012 RMB'000	31 December 2011 RMB'000
Unlisted shares, at cost	**170,886**	170,886

The amounts due to a subsidiary included in the Company's current liabilities of RMB909,000 (31 December 2011: RMB520,000) are unsecured, interest-free and are repayable on demand.

Particulars of the subsidiaries are as follows:

Name	Place and date of incorporation/ registration and operations and type of legal entity	Authorised/registered/ paid-in/issued capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
漳州萬佳陶瓷工業有限公司 (Zhangzhou Wanjia Ceramic Industry Co., Ltd.)	Zhangzhou, the PRC 2002, limited liability company	Registered and paid-in capital of RMB15,000,000	–	100%	Manufacture and sale of sanitary ware
漳州萬暉潔具有限公司 (Zhangzhou Wanhui Sanitary Ware Co., Ltd.)	Zhangzhou, the PRC 2005, foreign invested company	Registered and paid-in capital of RMB98,000,000	–	100%	Investment holding, manufacture and sale of sanitary ware
福建萬榮衛浴有限公司 (Fujian Wanrong Sanitary Ware Company Ltd.)	Zhangzhou, the PRC 2006, limited liability company	Registered and paid-in capital of RMB20,000,000	–	100%	Manufacture and sale of sanitary ware
東山縣萬興衛浴有限公司 (Dongshan Wanxing Sanitary Ware Company Ltd.)	Zhangzhou, the PRC 2010, limited liability company	Registered and paid-in capital of RMB2,000,000	–	100%	Manufacture and sale of sanitary ware
Nelson Marketing International Co., Ltd.	Hong Kong 2004, limited liability company	Registered and paid-in capital of HK$10,000	–	100%	Investment holding
Bolina (China) Holding Co., Ltd.	BVI 2011, limited liability company	Issued capital of US$10	100%	–	Investment holding

Notes to Financial Statements

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35. EVENTS AFTER THE REPORTING PERIOD

In addition to the subsequent events detailed elsewhere in the financial statements, 210,000,000 shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange on 13 July 2012, and 14,700,000 shares of the Company which represents 7% of the Offer Shares initially available under the Global Offering were over-allotted on 8 August 2012.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 August 2012.