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 2013

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, *FCPA*

AUDITORS

Ernst & Young, Certified Public Accountants

LEGAL ADVISOR

Herbert Smith Freehills

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

Management Discussion and Analysis

BUSINESS REVIEW

For the six months ended 30 June 2013, the Group's steady business growth have been favourably contributed by the continued urbanization in China, as well as the strong recovery of housing market in the United States during the period. The Group recorded sales revenue of approximately RMB412.1 million, increased by 3.2% over the RMB399.3 million for the corresponding period in 2012.

Sales and Production

The Group is one of the largest manufacturers of ceramic sanitary ware products in China with annual designed capacity of 4.9 million units from 5 production lines. For the six months ended 30 June 2013, the Group's sales volume was 2.2 million units, 58.1% and 41.9% of which were for ODM/OEM products and OBM products respectively. The demand for our sanitary products had significantly increased during the period as a result of the strong recovery of housing market in the United States as well as stronger recognition of "Bolina" brand in China. The longer than expected ramp-up period for our fifth production line however had resulted in certain instances that the Group not able to meet all the order demands from our customers during the period.

Distribution Network

The Group's branded business in China was carried out through third party distributor model and the Group was dedicated to continuously improving the operation capacity and quality of the distribution network. As at 30 June 2013, the Group's distribution network included 453 points of sales operated by 187 distributors and 50 sub-distributors. As a medium term target, the Group has a plan to set up more than 1000 points of sales. To cope with the anticipated expansion of the sales network, the Group has taken initiative to set up regional hubs in the form of subsidiaries to ensure more timely and efficient services and supports to the distributors in nearby regions. Up to the current date, we have set up 4 regional hubs, namely in Tianjin, Wuhan, Foshan and Xi'an.

Future Prospect

In the second half of 2013, the Group will remain positively cautious about the industry and business condition. As one of the strongest players in the industry, the Group had differentiated from other ceramic sanitary ware manufacturers in China by having solid experience of exporting large scale of ODM and OEM products to a number of well-known international brands, which had contributed to the Group's stable revenue growth every year. The Group's ability to retain these well-known international brands heavily relied on the remarkable technologies in innovation, superior product quality and very competitive price positioning, which allowed the Group to continuously achieve excellent market performance. Looking ahead, with the strong export business and the higher recognition of "Bolina" brand attributable to the strategies of acquiring the listing status, the appointment of spokesperson, and the enhancement of distribution network model, the Group is confident to achieve sustainable business development and accomplish the operation goals for 2013.

Management Discussion and Analysis

FINANCIAL REVIEW

For the six months ended 30 June 2013, sales volume of the Group was approximately 2.2 million units and revenue was RMB412.1 million, up by 9.6% and 3.2% respectively, as compared with the corresponding period last year.

For the six months ended 30 June 2013, gross profit of the Group was RMB196.7 million, up by 3.0% as compared with the corresponding period last year; profit before tax of the Group was RMB151.8 million, up by 4.4% as compared to the corresponding period last year; profit attributable to the ordinary equity holder of the Company amounted to RMB116.8 million, down by 12.3% from RMB133.2 million for the corresponding period last year.

Revenue

The following table sets out the Group's revenue derived from its different product categories during the six months ended 30 June 2013 and 2012:

	Six months ended 30 June			
	2013		2012	
	RMB'000	**%**	RMB'000	%
Ceramic sanitary ware products				
One-piece toilets	**186,420**	**45.2**	182,134	45.6
Two-piece toilets (with water tanks)	**140,894**	**34.2**	134,842	33.8
Washbasins and stands	**20,176**	**4.9**	20,606	5.2
Other ceramic products including urinals and bidets	**16,779**	**4.1**	14,999	3.7
Sub-total	**364,269**	**88.4**	352,581	88.3
Non-ceramic sanitary products	**47,813**	**11.6**	46,669	11.7
Total	**412,082**	**100.0**	399,250	100.0

FINANCIAL REVIEW *(continued)*

Revenue *(continued)*

The following tables set out the breakdown of the Group's revenue by sale channels during the six months ended 30 June 2013 and 2012:

	Six months ended 30 June			
	2013		2012	
	RMB'000	**%**	RMB'000	%
Branded products				
Distributors	**253,548**	**61.5**	253,554	63.5
Direct sales in the PRC	**2,424**	**0.6**	3,169	0.8
Direct sales to overseas customers	**198**	**0.1**	507	0.1
Sub-total	**256,170**	**62.2**	257,230	64.4
Non-branded products				
ODM	**89,902**	**21.8**	85,227	21.4
OEM	**66,010**	**16.0**	56,793	14.2
Sub-total	**155,912**	**37.8**	142,020	35.6
Total	**412,082**	**100.0**	399,250	100.0

The following tables set out the breakdown of the Group's revenue by product category during the six months ended 30 June 2013 and 2012:

OEM products

	Six months ended 30 June 2013			Six months ended 30 June 2012		
Products	**Units**	**Average price RMB**	**Revenue RMB'000**	Units	Average price RMB	Revenue RMB'000
Two-piece toilets (with water tanks)	**520,954**	**112.4**	**58,557**	460,579	110.0	50,663
Washbasins and stands	**66,251**	**59.7**	**3,953**	61,825	58.1	3,589
Other ceramic products including urinals and bidets	**31,288**	**104.0**	**3,253**	22,342	98.1	2,192
Non-ceramic sanitary products	**10,274**	**24.0**	**247**	10,049	34.7	349
Total	**628,767**	**105.0**	**66,010**	554,795	102.4	56,793

FINANCIAL REVIEW *(continued)*

Revenue *(continued)*

ODM products

Products	Six months ended 30 June 2013 Units	Average price RMB	Revenue RMB'000	Six months ended 30 June 2012 Units	Average price RMB	Revenue RMB'000
Two-piece toilets (with water tanks)	**608,184**	**134.4**	**81,738**	626,892	130.7	81,922
One-piece toilets	**19,526**	**341.6**	**6,671**	5,976	334.7	2,000
Washbasins and stands	**21,147**	**68.4**	**1,446**	16,408	64.2	1,054
Other ceramic products including urinals and bidets	**509**	**92.3**	**47**	3,469	72.4	251
Total	**649,366**	**138.4**	**89,902**	652,745	130.6	85,227

Own branded products

Products	Six months ended 30 June 2013 Units	Average price RMB	Revenue RMB'000	Six months ended 30 June 2012 Units	Average price RMB	Revenue RMB'000
Two-piece toilets (with water tanks)	**5,983**	**100.1**	**599**	23,467	96.2	2,257
One-piece toilets	**283,570**	**633.9**	**179,749**	294,608	611.4	180,134
Washbasins and stands	**148,306**	**99.6**	**14,777**	154,921	103.0	15,963
Other ceramic products including urinals and bidets	**109,861**	**122.7**	**13,479**	127,001	98.9	12,556
Non-ceramic sanitary products	**374,048**	**127.2**	**47,566**	199,950	231.7	46,320
Total	**921,768**	**277.9**	**256,170**	799,947	321.6	257,230

FINANCIAL REVIEW *(continued)*

Gross Profit and Gross Profit Margin

For the six months ended 30 June 2013 and 2012, the Group's gross profit and gross profit margin by business segment was as follows:

	Six months ended 30 June			
	2013		2012	
	Gross profit RMB'000	**Gross profit margin %**	Gross profit RMB'000	Gross profit margin %
Branded products	**145,317**	**56.7**	141,216	54.9
ODM	**31,822**	**35.4**	32,385	38.0
OEM	**19,598**	**29.7**	17,447	30.7
Total	**196,737**	**47.7**	191,048	47.9

Selling and Distribution Costs

Selling and distribution costs increased by RMB1.8 million, or 11.7%, from RMB14.9 million for the six months ended 30 June 2012 to RMB16.7 million for the six months ended 30 June 2013. The increase was mainly attributable to the increase in related sales and distribution costs resulting from the increased revenue during the period.

Administrative Expenses

Administrative expenses increased by RMB0.7 million, or 2.6%, from RMB25.0 million for the six months ended 30 June 2012 to RMB25.7 million for the six months ended 30 June 2013. This was mainly attributable to the increased average employee salaries.

Finance Costs

Finance costs represent interest expense on bank and other borrowings of the Group. For the six months ended 30 June 2013, finance costs decreased by RMB1.2 million, or 18.0%, from RMB6.9 million for the six months ended 30 June 2012 to RMB5.7 million for the six months ended 30 June 2013.

Income Tax Expense

Income tax expense increased by RMB22.8 million, or 187.2% from RMB12.2 million for the six months ended 30 June 2012 to RMB35.0 million for the six months ended 30 June 2013. The increase was mainly attributable to the cessation of 50% tax concession previously enjoyed by a subsidiary, Zhangzhou Wanhui Sanitary Ware Co., Ltd..

Net Profit and Net Profit Margin

For the six months ended 30 June 2013, profit attributable to equity holders of the Company amounted to RMB116.8 million, representing a decrease of 12.3% as compared to the corresponding period last year. Net profit margin for the six months ended 30 June 2013 was 28.3%.

FINANCIAL REVIEW *(continued)*

Gearing Ratio

Gearing ratio is calculated by dividing total interest-bearing debts by total equity. The Group's gearing ratio as at 30 June 2013 was 33.0% (31 December 2012: 19.9%). The increase in gearing ratio was mainly due to the increased bank loan for dividend payment.

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 RMB14.6 million for the six months ended 30 June 2013, mainly in connection with the construction of production facilities.

Operating Lease Arrangements

The Group leases certain property, plant, equipment and land under operating lease arrangement for terms ranging from 1 to 18 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 2013 RMB'000	As at 31 December 2012 RMB'000
Within 1 year	**11,707**	8,169
After 1 year but within 5 years	**39,671**	31,833
After 5 years	**16,333**	20,333
	67,711	60,335

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 2013 RMB'000	As at 31 December 2012 RMB'000
Contracted, but not provided for property, plant and equipment	**23,086**	24,072
Authorised, but not contracted for property, plant and equipment	**270,077**	273,626
	293,163	297,698

FINANCIAL REVIEW *(continued)*

Financial Resources and Liquidity

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 2013, cash and cash equivalents of the Group amounted to RMB885.9 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	
	2013	2012
	RMB'000	RMB'000
Net cash flows from operating activities	**81,190**	167,126
Net cash flows used in investing activities	**(12,742)**	(8,247)
Net cash flows from/(used in) financing activities	**28,106**	(18,154)
Net increase in cash and cash equivalents	**96,554**	140,725
Cash and cash equivalents at beginning of period	**789,822**	261,458
Effect of foreign exchange rate changes, net	**(496)**	(13)
Cash and cash equivalents at end of period	**885,880**	402,170

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

	As at 30 June 2013	As at 31 December 2012
	RMB'000	RMB'000
Secured	**199,435**	83,649
Guaranteed	**64,900**	56,900
Unsecured	**30,000**	30,000
Total	**294,335**	170,549
Fixed interest rate	**66,476**	68,649
Floating interest rate	**227,859**	101,900
Total	**294,335**	170,549

FINANCIAL REVIEW *(continued)*

Trade Receivables Turnover Days

Trade receivables primarily comprise amounts to be received from the sale of sanitary ware products to customers. The Group's trade receivables amounted to RMB64.1 million and RMB58.4 million as at 30 June 2013 and 31 December 2012, respectively.

The Group's average trade receivable turnover days were 27 days and 26 days for the six months ended 30 June 2013 and the year ended 31 December 2012 respectively.

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 six 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.

As at 30 June 2013 and 31 December 2012, there was no material provision for doubtful debts.

Trade Payables Turnover Days

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 RMB73.5 million and RMB31.8 million as at 30 June 2013 and 31 December 2012, respectively.

The Group's average payables turnover days were 44 days and 24 days for the six months ended 30 June 2013 and the year ended 31 December 2012, respectively. The increase in trade payable turnover days was mainly due to the longer credit period offered by certain suppliers.

Inventory Turnover Days

The Group's inventories increased from RMB73.0 million as at 31 December 2012 to RMB92.6 million as at 30 June 2013.

The Group's average inventory turnover days were 69 days and 63 days for the six months ended 30 June 2013 and the year ended 31 December 2012, respectively.

Bank Borrowings and Other Borrowings

As at 30 June 2013, the balance of the Group's bank loans and other borrowings, which would all mature within one year, was RMB294.3 million, up by RMB123.8 million or 72.6% from that of RMB170.5 million as at 31 December 2012.

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 RMB12.3 million and RMB12.4 million as at 30 June 2013 and 31 December 2012, respectively; (ii) mortgages over the Group's buildings, which had aggregate carrying values of approximately RMB82.1 million and RMB84.8 million as at 30 June 2013 and 31 December 2012, respectively; (iii) mortgages over the Group's forward letters of credit which amounted to RMB27.0 million and RMB29.2 million as at 30 June 2013 and 31 December 2012, respectively; and (iv) mortgages over the Group's pledged bank balances which amounted to RMB90.0 million as at 30 June 2013 (31 December 2012: Nil).

FINANCIAL REVIEW *(continued)*

Risks of Foreign Exchange

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 did not entered into any foreign currency forward contracts during the six months ended 30 June 2013 to hedge against fluctuations in the foreign currency.

Major Investments and Disposal

For the six months period ended 30 June 2013, the Group had no material investment expenditure or disposal.

Contingent Liabilities

As at 30 June 2013, neither the Group nor the Company had any significant contingent liabilities.

Subsequent Events

There has been no material or important events affecting the Group's operation since 30 June 2013.

EMPLOYEES AND REMUNERATION

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 more important the duties are, the higher the ratio of incentive bonus of total remuneration will be. This ensures that the Group can recruit, retain and motivate high-caliber employees required for the development of the Group and to avoid offering excess reward.

As at 30 June 2013, the Group employed 2,315 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.

INTERIM DIVIDEND

The Directors recommended the payment of an interim dividend of HK$4.5 cents (approximately RMB3.6 cents) per ordinary share for the six months ended 30 June 2013 (30 June 2012: Nil) amounting to approximately HK$45.7 million (approximately RMB36.6 million) to the shareholders of the Company whose names appear on the Company's register of members on 25 September 2013. The interim dividend is expected to be paid on or around 10 October 2013.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 23 September 2013 to 25 September 2013 (both days inclusive) for the purpose of determining the entitlement to the proposed interim dividend in respect of the six months period ended 30 June 2013. In order to be qualified for the interim dividend, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the corresponding share certificates are lodged with the Company's branch share registrar and transfer office Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 19 September 2013.

Other Information

DIRECTORS' INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES

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 2013, 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.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

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 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 Corporate Governance Code ("CG Code") as contained in Appendix 14 to the Listing Rules during the six months period ended 30 June 2013, 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

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 2013.

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 2013.

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.

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. The Audit Committee has reviewed and approved the Company's unaudited consolidated interim financial results for the six months ended 30 June 2013.

REVIEWED RESULTS

The consolidated interim financial results for the six months ended 30 June 2013 have been reviewed by Ernst & Young, Certified Public Accountants.

For and on behalf of the Board
BOLINA HOLDING CO., LTD.
Xiao Zhiyong
Chairman

Hong Kong, 29 August 2013

Report on Review of Interim Condensed Consolidated Financial Statements

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 16 to 36, which comprise the condensed consolidated statement of financial position of Bolina Holding Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2013 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month then ended, and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standards 34 "Interim Financial Reporting" ("HKAS 34"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagements, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagement 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express such opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong

29 August 2013

Interim Condensed Consolidated Income Statement

For the six months ended 30 June 2013

	Notes	Six months ended 30 June 2013 RMB'000 (Unaudited)	 2012 RMB'000 (Audited)
REVENUE	4(a)	**412,082**	399,250
Cost of sales	5(b)	**(215,345)**	(208,202)
Gross profit		**196,737**	191,048
Other income and gains, net	4(b)	**3,091**	1,214
Selling and distribution costs		**(16,680)**	(14,939)
Administrative expenses		**(25,699)**	(25,036)
Profit from operations		**157,449**	152,287
Finance costs	6	**(5,680)**	(6,926)
Profit before tax	5	**151,769**	145,361
Income tax expense	7	**(34,966)**	(12,176)
Profit for the period attributable to the owners of the parent		**116,803**	133,185
Earnings per share attributable to ordinary equity holders of the parent (expressed in RMB per share)			
Basic – For profit for the period	9	**0.12**	0.17
Diluted – For profit for the period	9	**0.12**	0.17

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

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Audited)
PROFIT FOR THE PERIOD	**116,803**	133,185
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(496)**	(12)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	**(496)**	(12)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**(496)**	(12)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO THE OWNERS OF THE PARENT	**116,307**	133,173

Interim Condensed Consolidated Statement of Financial Position

30 June 2013

	Notes	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	**201,891**	194,449
Prepaid lease payments		**14,426**	14,608
Intangible assets		**404**	331
Deferred tax assets		**3,879**	5,675
Total non-current assets		**220,600**	215,063
CURRENT ASSETS			
Inventories		**92,580**	72,963
Trade receivables	11	**64,148**	58,395
Prepayments, deposits and other receivables		**13,900**	10,984
Pledged bank balances	12	**90,000**	–
Cash and cash equivalents	12	**885,880**	789,822
Total current assets		**1,146,508**	932,164
CURRENT LIABILITIES			
Trade payables	13	**73,475**	31,774
Other payables and accruals		**63,539**	59,207
Bank loans and other borrowings	14	**294,335**	170,549
Income tax payable		**32,886**	8,098
Total current liabilities		**464,235**	269,628
NET CURRENT ASSETS		**682,273**	662,536
TOTAL ASSETS LESS CURRENT LIABILITIES		**902,873**	877,599
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**10,083**	20,334
Total non-current liabilities		**10,083**	20,334
Net assets		**892,790**	857,265
EQUITY			
Equity attributable to owners of the parent			
Issued capital	15	**8,274**	8,274
Reserves		**884,516**	766,719
Proposed final dividend	8	**–**	82,272
Total equity		**892,790**	857,265

Mr. Xiao Zhiyong	**Mr. Yang Qingyun**
Director	*Director*

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

	Attributable to owners of the parent									
	Issued capital RMB'000	Share premium* RMB'000	Dis-cretionary reserve fund* RMB'000	Statutory reserve* RMB'000	Merger reserve* RMB'000	Capital reserve* RMB'000	Exchange fluctuation reserve* RMB'000	Retained profits* RMB'000	Proposed final dividend RMB'000	Total RMB'000
At 1 January 2013 (audited)	**8,274**	**360,808**	**21,894**	**17,072**	**–**	**101,081**	**2,312**	**263,552**	**82,272**	**857,265**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**116,803**	**–**	**116,803**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**(496)**	**–**	**–**	**(496)**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(496)**	**116,803**	**–**	**116,307**
2012 final dividend declared	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,490**	**(82,272)**	**(80,782)**
At 30 June 2013 (unaudited)	**8,274**	**360,808**	**21,894**	**17,072**	**–**	**101,081**	**1,816**	**381,845**	**–**	**892,790**
At 1 January 2012 (audited)	–	–	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 (audited)	–	–	21,894	7,500	101,081	–	3,670	242,335	–	376,480

* These reserve accounts comprise the consolidated reserves of RMB884,516,000 (30 June 2012: RMB376,480,000) in the condensed consolidated statement of financial position.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2013

	Notes	Six months ended 30 June 2013 RMB'000 (Unaudited)	2012 RMB'000 (Audited)
Net cash flows from/(used in):			
Operating activities		**81,190**	167,126
Investing activities		**(12,742)**	(8,247)
Financing activities		**28,106**	(18,154)
Net increase in cash and cash equivalents		**96,554**	140,725
Cash and cash equivalents at beginning of period		**789,822**	261,458
Effect of foreign exchange rate changes, net		**(496)**	(13)
Cash and cash equivalents at end of period		**885,880**	402,170
Analysis of balances of cash and cash equivalents			
Cash and bank balances	12	**785,880**	400,850
Time deposits	12	**190,000**	2,000
Less: Pledged bank balances	12	**(90,000)**	(680)
Cash and cash equivalents as stated in the statement of financial position		**885,880**	402,170

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, PO 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 and accessories. 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

The interim condensed consolidated financial statements for the six months ended 30 June 2013 have been prepared in accordance with Hong Kong Accounting Standards 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The interim condensed consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise stated.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2012.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") and interpretations as of 1 January 2013, noted below:

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

The adoption of these new and revised HKFRSs had no significant financial effect on these financial statements.

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 9	*Financial Instruments*[2]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) *– Investment Entities*[1]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[1]
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*[1]
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*[1]
HK(IFRIC)-Int 21	*Levies*[1]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

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 2013 and 2012.

(a) Revenue from external customers

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Americas	**141,555**	129,466
Mainland China	**255,972**	256,723
Europe	**6,052**	5,339
Asia (excluding Mainland China)	**8,503**	7,722
	412,082	399,250

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

(b) Non-current assets

	30 June	31 December
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Mainland China	**216,721**	209,388

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

Information about major customers

For the six months ended 30 June 2013 and 2012, revenue from one of the Group's customers, amounting to RMB79,178,000 and RMB79,150,000 respectively, had individually accounted for over 10% of the Group's total revenue.

4. REVENUE, OTHER INCOME AND GAINS, NET

(a) Revenue

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Revenue from the sale of sanitary ware and accessories	**412,082**	399,250

(b) Other income

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Government grants*	**896**	294
Interest income	**2,110**	763
Others	**85**	157
	3,091	1,214

* Various government grants have been received for conducting export sales within Fujian Province, Mainland China. There were no unfulfilled conditions or contingencies relating to these grants as at 30 June 2013.

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Audited)
(a) Employee benefit expense (including directors' and chief executive's remuneration)		
Wages and salaries	**37,003**	32,849
Pension scheme contributions, social welfare and other welfare	**4,807**	4,134
	41,810	36,983
(b) Cost of sales		
Cost of inventories sold	**162,599**	158,125
Others	**52,746**	50,077
	215,345	208,202

5. PROFIT BEFORE TAX *(continued)*

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

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Audited)
(c) Other items		
Depreciation of property, plant and equipment*	**8,127**	4,156
Recognition of prepaid lease payments	**182**	173
Amortisation of intangible assets	**59**	31
Operating lease expenses*	**8,661**	6,641
Advertisement expenses	**1,779**	5,123
Office expenses	**897**	1,280
Logistics expenses	**4,823**	4,323
Listing expenses	**–**	4,804
Research and development expenses*	**9,042**	2,831
Foreign exchange loss/(gain)	**318**	(346)
Auditors' remuneration	**800**	800

* The depreciation amounts of property, plant and equipment of RMB5,012,000 (six months ended 30 June 2012: RMB2,991,000), the operating lease expenses of RMB5,238,000 (six months ended 30 June 2012: RMB6,086,000) and the research and development expenses of RMB5,291,000 (six months ended 30 June 2012: Nil) are included in "Cost of sales" in the interim condensed consolidated income statement.

6. FINANCE COSTS

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Interest expense on bank borrowings wholly repayable within five years	**5,287**	7,301
Interest expense on other borrowings wholly repayable within five years	**393**	457
Total interest expenses	**5,680**	7,758
Less: Interest capitalised	**–**	(832)
	5,680	6,926

7. TAX

Tax in the interim condensed consolidated income statement represents:

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Current – Mainland China corporate income tax	**43,422**	8,655
Deferred tax	**(8,456)**	3,521
	34,966	12,176

Subsidiaries for incorporated in Hong Kong were subject to income tax at the rate of 16.5% for the six months ended 30 June 2013 (six months ended 30 June 2012: 16.5%). No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

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.

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 year, except for the following subsidiary:

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 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 retained earnings as at 31 December 2007 are exempted from the withholding tax.

8. DIVIDENDS

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Dividend declared and paid during the period		
Final in respect of the financial year ended 31 December 2012		
– HK$0.10 (approximately RMB0.08) per ordinary share	**80,782**	–

The directors of the Company proposed payment of an interim dividend of HK$4.5 cents (approximately RMB3.6 cents) per ordinary share for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to the ordinary equity holders of the parent of RMB116,803,000 (six months ended 30 June 2012: RMB133,185,000) and the number of ordinary shares of 1,014,700,000 (six months ended 30 June 2012: 790,000,000) during the six months ended 30 June 2013.

No adjustment has been made to the basic earnings per share amount presented for the six months ended 30 June 2013 and 30 June 2012 as the Group had no potentially dilutive ordinary shares in issue and therefore no diluting events existed throughout that period.

10. PROPERTY, PLANT AND EQUIPMENT

	30 June	31 December
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Audited)
At beginning of period/year, net of accumulated depreciation	**194,449**	159,005
Additions	**15,569**	44,581
Depreciation provided during the period/year	**(8,127)**	(9,137)
At end of period/year, net of accumulated depreciation	**201,891**	194,449

11. TRADE RECEIVABLES

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Trade receivables	**64,622**	58,869
Impairment	**(474)**	(474)
	64,148	58,395

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 six 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.

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 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Within 3 months	**49,150**	54,143
More than 3 months but less than 1 year	**14,627**	2,769
Over 1 year	**371**	1,483
	64,148	58,395

11. TRADE RECEIVABLES *(continued)*

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

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Neither past due nor impaired	**61,983**	54,143
Less than 3 months past due	**2**	2,734
3 to 12 months past due	**2,132**	35
Over 1 year past due	**31**	1,483
	64,148	58,395

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 view 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.

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

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
At the beginning and end of the period/year	**474**	474

Included in the above provision for impairment of trade receivables as at 30 June 2013 is a provision for individually impaired trade receivables of RMB474,000 (31 December 2012: RMB474,000).

12. CASH AND CASH EQUIVALENTS AND PLEDGED BANK BALANCES

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Cash and bank balances	**785,880**	689,822
Time deposits	**190,000**	100,000
Less: Pledged bank balances	**(90,000)**	–
Cash and cash equivalents	**885,880**	789,822

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for one year, and earn interest at the respective short-term deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

13. TRADE PAYABLES

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

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Within 3 months	**68,065**	28,030
3 to 6 months	**2,275**	2,053
6 to 12 months	**978**	308
Over 12 months	**2,157**	1,383
	73,475	31,774

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

14. BANK LOANS AND OTHER BORROWINGS

	30 June 2013 Effective interest rate (%)	30 June 2013 RMB'000 (Unaudited)	31 December 2012 Effective interest rate (%)	31 December 2012 RMB'000 (Audited)
Current bank borrowings	**2 – 7**	**267,859**	6 – 8	141,900
Other borrowings	**3**	**26,476**	3 – 5	28,649
		294,335		170,549

Current bank borrowings and other borrowings represent:

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
– Secured (note (a))	**199,435**	83,649
– Guaranteed (note (b))	**64,900**	56,900
– Unsecured	**30,000**	30,000
	294,335	170,549

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 an aggregate carrying value of approximately RMB12,267,000 as at 30 June 2013 (31 December 2012: RMB12,415,000);

(ii) mortgages over the Group's buildings, which had an aggregate carrying value of approximately RMB82,132,000 as at 30 June 2013 (31 December 2012: RMB84,768,000);

(iii) mortgages over the Group's forward letters of credit which amounted to RMB27,009,000 as at 30 June 2013 (31 December 2012: RMB29,179,000); and

(iv) mortgages over the Group's pledged bank balances which amounted to RMB90,000,000 as at 30 June 2013 (31 December 2012: Nil).

(b) Certain of the Group's bank borrowings which amounted to RMB47,900,000 as at 30 June 2013 (31 December 2012: RMB49,900,000) were guaranteed by the Controlling Shareholder. Certain of the Group's bank borrowings which amounted to RMB17,000,000 as at 30 June 2013 (31 December 2012: RMB7,000,000) were guaranteed by certain third parties.

15. SHARE CAPITAL

	Number of ordinary shares of HK$0.01	Nominal value of ordinary shares HK$'000	Nominal value of ordinary shares RMB'000
Authorised:			
As at 31 December 2012 and 30 June 2013	2,000,000,000	20,000	16,612

	Number of ordinary shares of HK$0.01	Nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Issued:				
As at 31 December 2012 and 30 June 2013	1,014,700,000	8,274	360,808	369,082

As at 30 June 2013, all issued shares are registered, fully paid and divided into 1,014,700,000 shares (31 December 2012: 1,014,700,000 shares) of HK$0.01 each.

16. 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

	Loans and receivables	
	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Trade receivables	**64,148**	58,395
Financial assets included in prepayments, deposits and other receivables	**4,539**	2,138
Pledged bank balances	**90,000**	–
Cash and cash equivalents	**885,880**	789,822
	1,044,567	850,355

16. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Financial liabilities

	Financial liabilities at amortised cost	
	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Trade payables	**73,475**	31,774
Financial liabilities included in other payables and accruals	**41,396**	36,515
Bank loans and other borrowings	**294,335**	170,549
	409,206	238,838

Fair value measurement

	30 June 2013	
	Carrying amounts RMB'000 (Unaudited)	**Fair values RMB'000 (Unaudited)**
Financial assets		
Trade receivables	**64,148**	**64,148**
Financial assets included in prepayments, deposits and other receivables	**4,539**	**4,539**
Pledged bank balances	**90,000**	**90,000**
Cash and cash equivalents	**885,880**	**885,880**
	1,044,567	**1,044,567**

	30 June 2013	
	Carrying amounts RMB'000 (Unaudited)	**Fair values RMB'000 (Unaudited)**
Financial liabilities		
Trade payables	**73,475**	**73,475**
Financial liabilities included in other payables and accruals	**41,396**	**41,396**
Bank loans and other borrowings	**294,335**	**294,335**
	409,206	**409,206**

17. CONTINGENT LIABILITIES

As at 30 June 2013, neither the Group nor the Company had any significant contingent liabilities (31 December 2012: Nil).

18. COMMITMENTS

(a) Capital commitments

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

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Contracted, but not provided for:		
Property, plant and equipment	**23,086**	24,072
Authorised, but not contracted for:		
Property, plant and equipment	**270,077**	273,626
	293,163	297,698

(b) Operating lease commitments

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

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Within 1 year	**11,707**	8,169
After 1 year but within 5 years	**39,671**	31,833
After 5 years	**16,333**	20,333
	67,711	60,335

19. 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 14 to the financial statements.

20. 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.

Fujian 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 period:

		Six months ended 30 June	
		2013	2012
		RMB'000	RMB'000
		(Unaudited)	(Audited)
(i)	**Advances to a related party:**		
	– Wanhui Investment	**–**	33,000
(ii)	**Collection of advances to a related party:**		
	– Wanhui Investment	**–**	33,000
(iii)	**Advances from the Controlling Shareholder:**	**–**	2,919
(iv)	**Repayment of advances from the Controlling Shareholder:**	**–**	3,726

(v) The Group's bank borrowings which amounted to RMB47,900,000 (2012: RMB49,900,000) were guaranteed by the Controlling Shareholder.

20. 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 Limited ("Lead Rise") dated 28 March 2011, Jinny (HK) charged the entire issued share capital of Nelson Marketing International Limited ("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 in July 2012.

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

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Short-term employee benefits	**872**	536
Pension scheme contributions and social welfare	**13**	10
Total compensation paid to key management personnel	**885**	546

21. APPROVAL OF THE FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 29 August 2013.