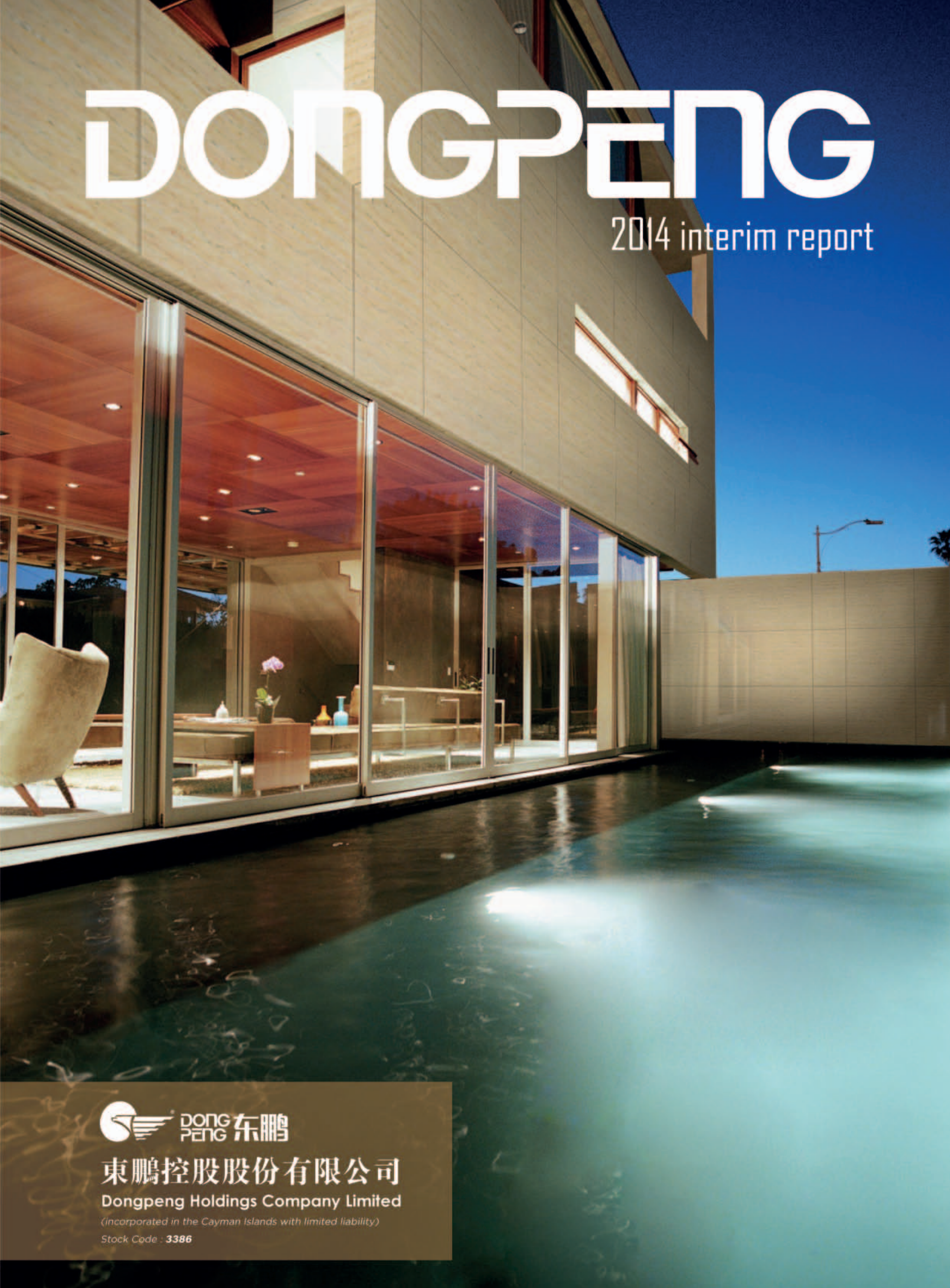


DONGPENG

2014 interim report

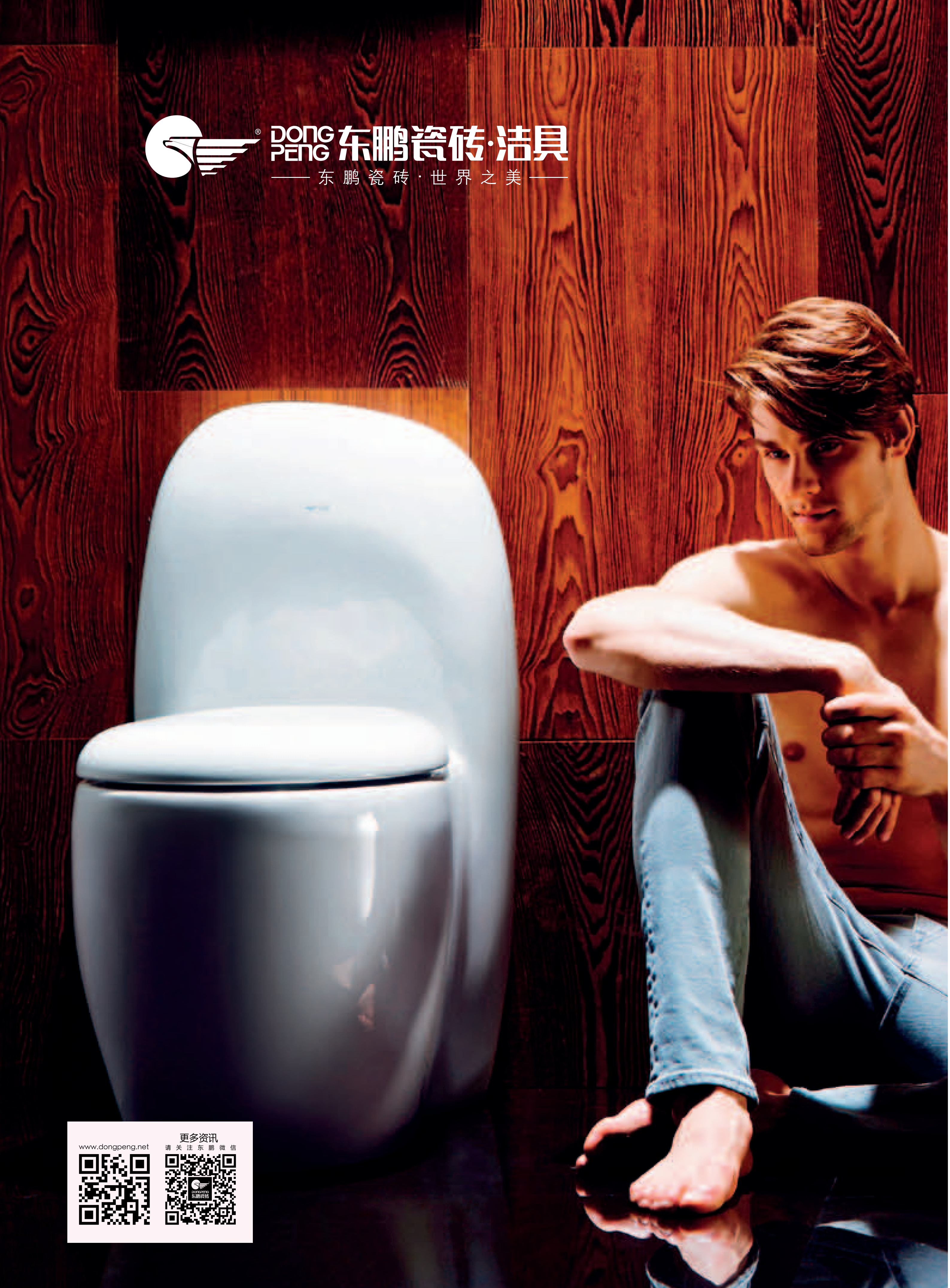
DONG PENG 东鹏

東鵬控股股份有限公司

Dongpeng Holdings Company Limited

(incorporated in the Cayman Islands with limited liability)

*Stock Code : **3386***



DONG PENG 东鹏瓷砖·洁具
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Contents

Financial Highlights

	For the six months ended June 30,		
	2014	2013	Change %
	Unaudited	Audited	
Income Statement items			
(Expressed in RMB'000 unless otherwise stated)			
Sales	**1,623,945**	1,274,749	27.4%
Gross Profit	**579,473**	473,354	22.4%
Profit attributable to owners of the Company	**179,095**	121,226	47.7%
EBITDA	**335,209**	250,120	34.0%
Earnings per share (RMB)			
Basic	**0.14**	0.13	7.7%
Diluted	**0.14**	0.14	0.0%

Selected financial ratios			Year-on-year change (pts)
Gross profit margin (%)	**35.7%**	37.1%	-1.4%
Margin of profit attributable to owners of the Company (%)	**11.0%**	9.5%	1.5%
EBITDA margin (%)	**20.6%**	19.6%	1.0%
Annualized return on average equity attributable to owners of the Company (%) (Note 1)	**18.7%**	116.1%	N/A(Note 2)
Gearing ratio (net debt to total equity) (%)	**24.7%**	266.4%	N/A(Note 2)

Note 1: The annualized return on average equity attributable to owners of the Company is based on the annualized profit attributable to owners of the Company divided by average equity attributable to owners of the Company (computed as the sum of the equity attributable to owners of the Company at the beginning and end of the period, divided by two).

Note 2: Due to the equity structures were different at these two period ends, the change figures are not appropriate.

Corporate Information

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. He Xinming *(Chairman of the Board)*
Mr. Chen Kunlie
Mr. Bao Jianyong

Non-executive Directors

Mr. Su Sen
Mr. Sun Qian
Ms. Sun Limei

Independent Non-executive Directors

Mr. Yin Hong
Ms. Hsieh H., Lily
Mr. Wu Haibing

JOINT COMPANY SECRETARIES

Mr. Bao Jianyong
Ms. Yuen Wing Yan, Winnie

AUTHORISED REPRESENTATIVES

Mr. Bao Jianyong
Ms. Yuen Wing Yan, Winnie

AUDIT COMMITTEE

Mr. Wu Haibing *(Chairman)*
Ms. Hsieh H., Lily
Mr. Su Sen

REMUNERATION COMMITTEE

Ms. Hsieh H., Lily *(Chairman)*
Mr. Yin Hong
Mr. He Xinming

NOMINATION COMMITTEE

Mr. He Xinming *(Chairman)*
Mr. Yin Hong
Mr. Wu Haibing

COMPLIANCE COMMITTEE

Mr. Bao Jianyong *(Chairman)*
Mr. Wu Haibing
Mr. Su Sen

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F, One Pacific Place
88 Queensway
Hong Kong

REGISTERED OFFICE

Floor 4, Willow House
Cricket Square
P.O.Box 2804
Grand Cayman KY1-1112
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 8 Jiangwan Third Road
Chancheng district
Foshan, Guangdong
PRC

PLACE OF BUSINESS IN HONG KONG

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Corporate Information

PRINCIPAL BANKS

Industrial and Commercial Bank of China Ltd
Shiwan Branch
13 Jiangwan Third Road
Chancheng district
Foshan, Guangdong
PRC

Bank of China Limited
Shiwan Branch
7 Central Second Road
Shiwan, Chancheng District
Foshan, Guangdong
PRC

LEGAL ADVISORS

As to Hong Kong Law
Chen & Associates
(in association with Wilson Sonsini Goodrich & Rosati, P.C.)
Unit 1001, 10/F Henley Building
5 Queen's Road Central
Hong Kong

As to Cayman Islands Law
Appleby
2206-19, 22nd Floor
Jardine House
1 Connaught Place
Central
Hong Kong

COMPLIANCE ADVISOR

Quam Capital Limited
18/F China Building
29 Queen's Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

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

STOCK CODE

Stock code: 3386
Board Lot: 1,000

WEBSITE

www.dongpeng.net

Chairman Statement

Chairman's Statement

Dear Shareholders,

On behalf of our board of directors (the "**Board**"), I am pleased to report that solid financial results were recorded for the six months ended 30 June 2014 by Dongpeng Holdings Company Limited (the "**Company**" or "**Dongpeng**") and its subsidiaries (collectively, the "**Group**").

As a result of sustained growth of the Group's ceramic tile products and bathroom products businesses during the first half of 2014, the Group continues to achieve significant growth during the six months ended 30 June 2014. The Group's revenue, profit before tax and profit attributable to owners of the Company for the six months ended 30 June 2014 were RMB1,623.9 million, RMB237.7 million and RMB179.1 million, representing an increase of 27.4%, 38.8% and 47.7% over the corresponding period in 2013, respectively.

The Group continues to achieve significant growth during the first half of 2014 mainly due to (i) effective sales and marketing strategies, which includes an expanded sales network coverage in the People's Republic of China (the "**PRC**" or "**China**"), improving store level productivity and penetration into third and fourth tier cities; (ii) the Group's successful usage of on-line sales platform; (iii) continuing development of innovative products favoured by the Group's customers; (iv) effective production management and cost control, through optimizing product mix and production planning, and further improved economies of scale with new plants in operation in Qinyuan, Shandong and Jiangxi; (v) the optimization of operations management which sees an enhanced inventory, trade and bill receivable management and improved working capital turnover; and (vi) an accelerated expansion of our bathroom products with the new production line in Jiangxi and our acquisition of 62% equity interest in Guangzhou Yinai Sanitary Products Co., Ltd.

For the six months ended 30 June 2014, China recorded a GDP growth of 7.4%, which continues to be one of the highest GDP growth rate globally. Even though the property sector experienced a moderate slowdown as a result of tightening measures from the government in China aimed at curbing speculations of properties in China, we expect that urbanization, increase in per capital disposable income, expansion in the Group's high-end market, upgrade demand, home renovation activities and a trend of industry consolidation towards high-end brands like Dongpeng's will continue to be the main drivers for the home decoration and improvement market in China for the rest of 2014.

Looking forward, we expect the Group to continue to excel for the rest of 2014. The Group is expected to continue promoting its brand influence through cooperation with well-known marketing consulting firms and its presence in Cersaie exhibition in Italy; enhance store level productivity by utilizing on-line sales platform and innovative marketing tools, and enhance customer experience through strengthening our "Total Customer Service" system; continue in its pursue of operational excellence by improving the Group's production management and purchasing process, and; achieve synergy with our bathroom product business with cross selling events across China and expansion of the high-end market sector.

The Group has continued to embrace new challenges and deliver commendable financial results. The Company would like to take this chance to thank the Stock Exchange and all investors for their continuous support. On behalf of the Board, I would like to express my sincere appreciation to all Shareholders, our highly conscientious and dedicated management team and staff for their continuous devotion and support to the Group.

He Xinming
Chairman of the Board
15 September 2014

Management Discussion and Analysis

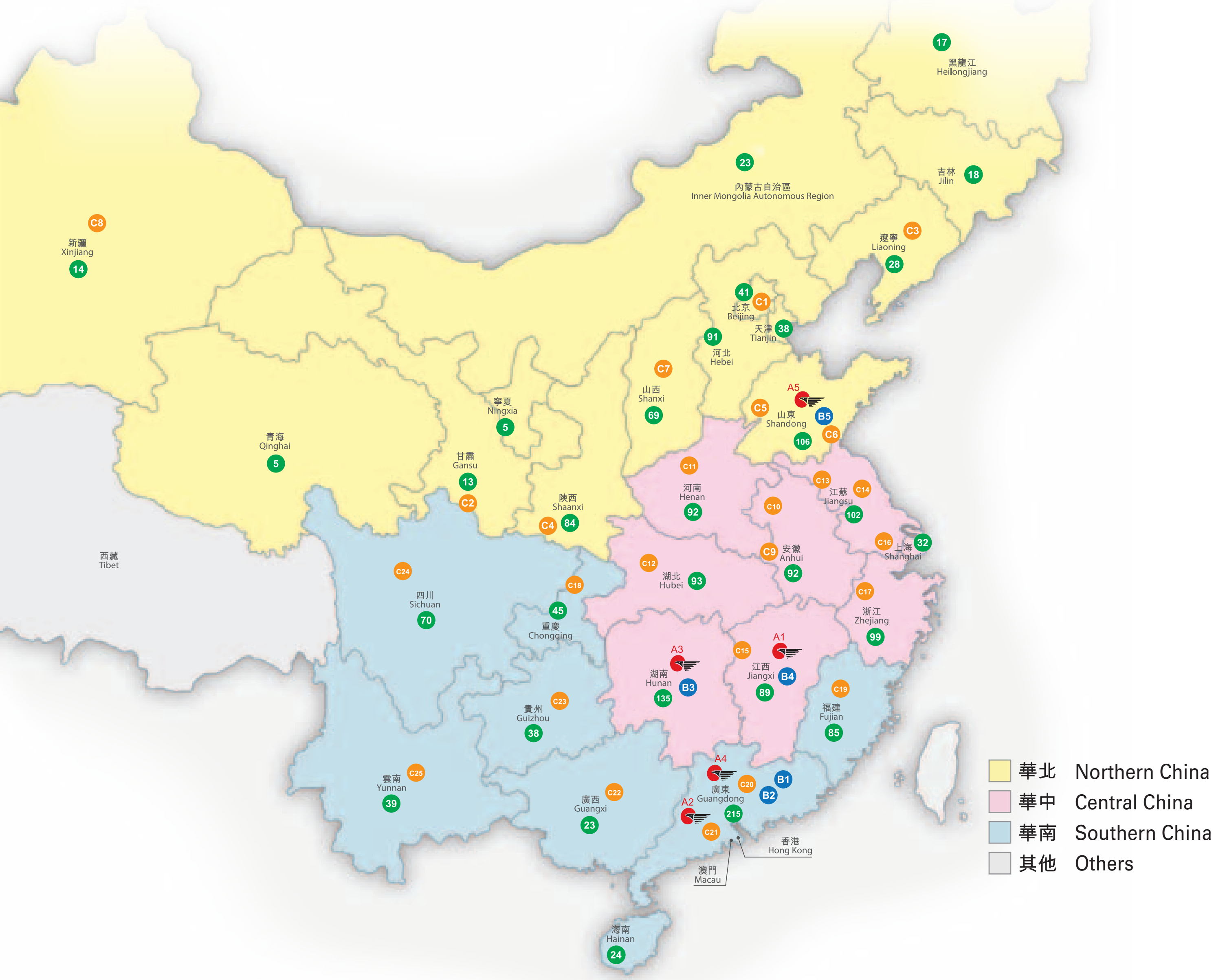
Management Discussion and Analysis

MARKET REVIEW

For the six months ended 30 June 2014, China recorded a GDP growth of 7.4%, even though represented a slight decrease as compared to the corresponding period in 2013, it continues to be amongst the highest GDP growth rate in the world. Additionally, as a result of a series of tightening measures from the Chinese government which aimed at curbing speculations of properties in China, the property market experienced a moderate slowdown. However, China's leadership has signaled a clear tolerance for lower overall growth, focused on improving the quality and efficiency of economic growth while ensuring stability.

For the Group, the home decoration and improvement market has always been less volatile in comparison to the property market. The Group's target customers who purchase high-end home decoration materials for self-use property units are less affected by the volatility present in investment-related property units. Given that a significant portion of investment-related units are usually left unfurnished, self-use property units are the key drivers of high-end home decoration materials demand; suggesting that the demand for ceramic tiles weakens at a much milder magnitude compared to the sharp decline in property sales. Further, the Group believes that urbanization, increase in per capita disposable income, upgrade demand and home renovation activities will continue to fuel the home decoration and improvement market in China for the rest of 2014.

In this context, companies such as ours with superior brand names are generally expected to outperform their peers and gain market share on the back of consumers trading up. The Group as the market leader in the ceramic tiles and bathroom products markets is poised to capitalize on this, and with its strong competitive advantages on marketing, logistic and operational efficiencies, will continue to further consolidate its leading market position in the ceramic tile and bathroom product markets.



生產基地 Production Plant

A1. 江西豐城 Fengcheng, Jiangxi
A2. 廣東佛山 Foshan, Guangdong
A3. 湖南澧縣 Lixian, Hunan
A4. 廣東清遠 Qingyuan, Guangdong
A5. 山東淄博 Zibo, Shandong

基地倉庫 Central Warehouse

B1. 廣東 Guangdong
B2. 廣東 Guangdong
B3. 湖南 Hunan
B4. 江西 Jiangxi
B5. 山東 Shandong

區域倉庫 Regional Warehouse

華北	C1.	北京市 Beijing
	C2.	甘肅蘭州 Gansu Lanzhou
	C3.	遼寧瀋陽 Liaoning Shenyang
	C4.	陝西西安 Shaanxi Xi'an
	C5.	山東青島 Shandong Qingdao
	C6.	山東淄博 Shandong Zibo
	C7.	山西晉中 Shanxi Jinzhong
	C8.	新疆烏魯木齊 Xinjiang Urumqi
華中	C9.	安徽亳州 Anhui Bozhou
	C10.	安徽合肥 Anhui Hefei
	C11.	河南鄭州 Henan Zhengzhou
	C12.	湖北武漢 Hubei Wuhan
	C13.	江蘇南京 Jiangsu Nanjing
	C14.	江蘇無錫 Jiangsu Wuxi
	C15.	江西豐城 Jiangxi Fengcheng
	C16.	上海市 Shanghai
	C17.	浙江寧波 Zhejiang Ningbo
華南	C18.	重慶市 Chongqing
	C19.	福建晉江 Fujian Jinjiang
	C20.	廣東廣州 Guangdong Guangzhou
	C21.	廣東深圳 Guangdong Shenzhen
	C22.	廣西南寧 Guangxi Nanning
	C23.	貴州貴陽 Guizhou Guiyang
	C24.	四川成都 Sichuan Chengdu
	C25.	雲南昆明 Yunan Kunming

零售點 Retail Outlets

華北	北京 Beijing	(41家)
	甘肅 Gansu	(13家)
	河北 Hebei	(91家)
	黑龍江 Heilongjiang	(17家)
	內蒙古自治區 Inner Mongolia AutonomousRegion	(23家)
	吉林 Jilin	(18家)
	遼寧 Liaoning	(28家)
	寧夏 Ningxia	(5家)
	青海 Qinghai	(5家)
	陝西 Shaanxi	(84家)
	山東 Shandong	(106家)
	山西 Shanxi	(69家)
	天津 Tianjin	(38家)
	新疆 Xinjiang	(14家)
華中	安徽 Anhui	(92家)
	河南 Henan	(92家)
	湖北 Hubei	(93家)
	湖南 Hunan	(135家)
	江蘇 Jiangsu	(102家)
	江西 Jiangxi	(89家)
	上海 Shanghai	(32家)
	浙江 Zhejiang	(99家)
華南	重慶 Chongqing	(45家)
	福建 Fujian	(85家)
	廣東 Guangdong	(215家)
	廣西 Guangxi	(23家)
	貴州 Guizhou	(38家)
	海南 Hainan	(24家)
	四川 Sichuan	(70家)
	雲南 Yunnan	(39家)

註：於2014年6月30日之分佈圖，僅作參考。
Note: This map as at 30 June 2014 is for illustrative purpose only.

Management Discussion and Analysis

BUSINESS REVIEW

The Group has been the largest ceramic tile company in the PRC in terms of retail sales value for two consecutive years in 2012 and 2013*.

As a result of sustained growth of the Group's ceramic tile products and bathroom products businesses during the first half of 2014, the Group continues to achieve significant growth during the six months ended 30 June 2014. The Group's revenue, profit before tax and profit attributable to owners of the Company for the six months ended 30 June 2014 were RMB1,623.9 million, RMB237.7 million and RMB179.1 million, representing an increase of 27.4%, 38.8% and 47.7% over the corresponding period in 2013, respectively. Further, the gross profit of the Company for the six months ended 30 June 2014 was RMB579.5 million, representing an increase of over 22.4% over the corresponding period in 2013, while the overall gross margin decreased slightly by 1.4 percentage point to 35.7% for the six months ended 30 June 2014 (2013: 37.1%). This decrease in gross margin was primarily attributable to the acquisition of the Group's bathroom business in May 2013.

Implementation of Effective Marketing Strategies

As a result of stepping up its sales and marketing strategies, which includes enhancing productivity at the store-level, expanding sales network coverage and further penetration into third-and fourth-tier cities of China, for the six months ended 30 June 2014, the Group continued to achieve significant growth.

As of 30 June 2014, the Group had 1,825 retail outlets selling the Dongpeng brand ceramic tiles (including self-owned and third party operated), covering over 600 cities across all provinces in China. It represents an increase of 216 retail outlets from the end of 2013, with 158 of the new retail outlets located in third and forth-tier cities of China. Besides, the Group has launched a total customer service project in all the self-owned retail outlets to further provide customized and comprehensive shopping experiences to customers. This has received highly positive responses from the Group's target market. The Group's dual sales model of direct sales and third party distributors have facilitated an effective and efficient expansion strategy, enabling the Group to improve its brand awareness, penetrate into larger customer base, and deliver first class customer service to its customers.

Utilization of On-line Sales Platform

Due to changing consumers' shopping habits, the Group has increased its online sales effort. During the first half of 2014, the Group has conducted online marketing sales events across China with many well known internet portals, including Jia.com, CityTogo.com, Meilele.com, 17house.com, to8to.com, etc. These online sales events allow the Group to reach out to customers, and capture new market shares rapidly. For illustration, regarding our strategic collaboration with Jia.com, we planned to set up 11 provincial experience centers across China, of which 5 are already opened and the remaining 6 centers are under renovation. Further, there were a total of 14 marketing sales events with Jia.com during the six months ended 2014, each highly successful with an attendance of over 1,200 people.

* These figures are based on an independent market research report commissioned by the Company and prepared by Frost & Sullivan, an independent research firm, in October 2013, and statistics issued by the China Industrial Information Issuing Center for the year 2013.

Management Discussion and Analysis

Research and Development

The Group continues to devote significant resources in technological innovation and, new product design and development. As of 30 June 2014, the Group's research and development team consisted of 364 professional staff (as of 31 December 2013: 296).

With the cooperation of international product designer, the Group has continuously developed and brought to market popular new products, which continuously influence industry trends in China and enhance its pricing capability. Also, the Group's research and development team maintains close contact with the Group's marketing department to ensure quick responses to changes in consumer demand. For the six months ended 30 June 2014, the Group has introduced 18 new products and obtained 19 patents; including the Iran White Jade series (伊朗白玉系列), the Cappuccino series (卡布奇系列) and the Landscape Stone Series (山水石系列).

Operational Excellence

The Group's overall cost control management has been an important driver of its operational excellence. By centralizing the Group's purchasing functions, the Group has been able to establish strategic relationship with selected suppliers and better manage the quality and prices of raw material required for the production process. Further, with the application of automated production systems and streamlined production processes, the Group experienced a significant increase in its productivity and energy usage efficiency; this resulted in a reduction in the cost of production and better product quality. Additionally, through effective inventory management and account receivable collection, the Group has ensured a stronger cash flow for future development and expansion.

Acquisition of Guangzhou Yinai

On 25 July 2014, Foshan Dongpeng Sanitary Ware Co., Ltd. (佛山東鵬潔具股份有限公司) ("**Dongpeng Sanitary Ware**", an indirect wholly-owned subsidiary of our Company) and Innoci International L.L.C. ("**Innoci**") entered into a cooperation agreement ("**Cooperation Agreement**") in relation to the acquisition (the "**Acquisition**") of 62% equity interest in Guangzhou Yinai Sanitary Products Co., Ltd. (廣州藝耐衛浴用品有限公司) ("**Guangzhou Yinai**"). Guangzhou Yinai is primarily engaged in the design, customization and sale of mid to high-end bathroom products, and was a wholly owned subsidiary of Innoci, a company incorporated in Delaware, the United States.

Pursuant to the Cooperation Agreement, Dongpeng Sanitary Ware proposes to acquire 62% equity interests in Guangzhou Yinai by making capital contribution of RMB15,000,000.

The Group is of the view that the entering of the Cooperation Agreement will (i) provide the Group with a new entry point in the contemporary and design-driven market section and (ii) allow the Group to tap into the product design capabilities and brand positioning of Guangzhou Yinai's talented and experienced product design team. Together with the production capacity, distribution channels and logistic advantages of the Company, this will allow the Group to be more effective in the continuing development and expansion of its market share in the mid to high-end bathroom products.

Management Discussion and Analysis

FINANCIAL REVIEW

Overview

The key financial indicators of the Group are as follows:

	For the six months ended June 30, 2014 Unaudited	2013 Audited	Change %
Income Statement items			
(Expressed in RMB'000 unless otherwise stated)			
Sales	**1,623,945**	1,274,749	27.4%
Gross Profit	**579,473**	473,354	22.4%
Profit attributable to owners of the Company	**179,095**	121,226	47.7%
EBITDA	**335,209**	250,120	34.0%
Earnings per share (RMB)			
Basic	**0.14**	0.13	7.7%
Diluted	**0.14**	0.14	0.0%
			Year-on-year change (pts)
Selected financial ratios			
Gross profit margin (%)	**35.7%**	37.1%	-1.4%
Margin of profit attributable to owners of the Company (%)	**11.0%**	9.5%	1.5%
EBITDA margin (%)	**20.6%**	19.6%	1.0%
Annualized return on average equity attributable to owners of the Company (%) (Note 1)	**18.7%**	116.1%	N/A(Note 2)
Gearing ratio (net debt to total equity) (%)	**24.7%**	266.4%	N/A(Note 2)

Note 1: The annualized return on average equity attributable to owners of the Company is based on the annualized profit attributable to owners of the Company divided by average equity attributable to owners of the Company (computed as the sum of the equity attributable to owners of the Company at the beginning and end of the period, divided by two).

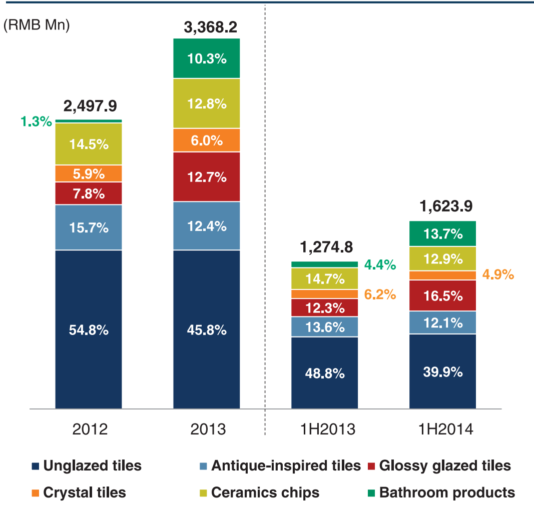
Note 2: Due to the equity structures were different at these two period ends, the change figures are not appropriate.

Management Discussion and Analysis

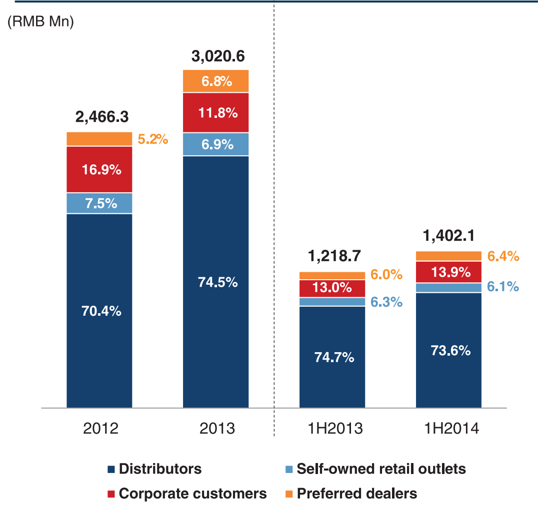
Revenue

The revenue of the Group increased by 27.4% from RMB1,274.7 million for the six months ended 30 June 2013 to RMB1,623.9 million for the corresponding period in 2014, primarily reflecting an increase in the sales of our glazed tile products and bathroom products.

Revenue Breakdown by Product



Ceramic Tile Revenue Breakdown by Distribution Channel



Revenue from glazed tile products increased by 26.4% from RMB596.9 million for the six months ended 30 June 2013 to RMB754.5 million for the corresponding period in 2014. The increase primarily reflected increases in sales of the Group's (i) new product series from glossy glazed tile category, such as Iran White Jade series (伊朗白玉系列), Cappuccino series (卡布奇系列) and Landscape Stone series (山水石系列), as sales of these products ramp up in the first half of 2014; (ii) antique-inspired tiles and their application in real estate projects; and (iii) ceramic chips, primarily attributable to the expansion and diversification into mass-market products.

Revenue from unglazed tile products increased by 4.1% from RMB621.8 million for the six months ended 30 June 2013 to RMB647.6 million for the corresponding period in 2014, mainly due to a combination of (i) business growth from our continuing sales and marketing efforts; (ii) introduction of new product series such as Matt Supreme Travertine series (亞光面至尊洞石系列) and World Travertine series (世界洞石系列); and (iii) the expansion of our sales channels.

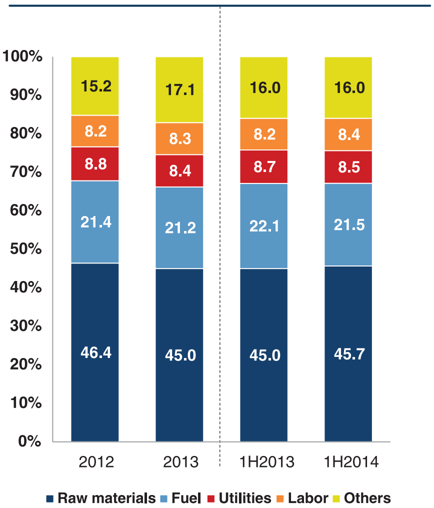
The Group's ceramic tile revenue from direct sales channel and distributor channel increased by 20.2% and 13.3% from RMB308.4 million and RMB910.3 million for the six months ended 30 June 2013 to RMB370.6 million and RMB1,031.5 million for the corresponding period in 2014, respectively. These increments in figures are primarily attributable to (i) our expansion in the Group's distributor network as we execute our development strategies, (ii) the new 216 retail outlets bringing our total retail outlets to 1,825 and (iii) the Group's success in its direct sales channels, especially for the corporate customers and preferred dealers.

Historically, our bathroom products business consisted of the resale of finished products purchased from related parties. In view of consolidating the Group's business, the Group acquired the bathroom business in May 2013, resulting in an increase of revenue from the bathroom product by 295.8% from RMB56.0 million for the six months ended 30 June 2013 to RMB221.8 million for the corresponding period in 2014.

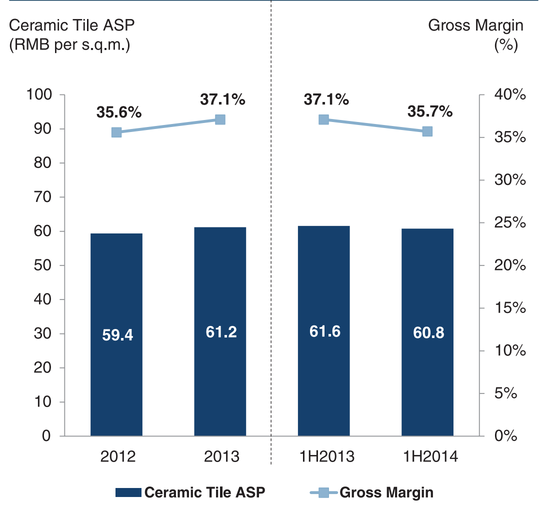
Cost of Sales

The Group's cost of sales increased by 30.3% from RMB801.4 million for the six months ended 30 June 2013 to RMB1,044.5 million for the corresponding period in 2014. The increase primarily reflected increased sales volume of ceramic tile products.

Cost of Goods Sold of Ceramic Tile



Gross Margin and Ceramic Tile Average Selling Price ("ASP")



Gross Profit and Gross Margin

As a result of the foregoing, the Group's gross profit increased by 22.4% from RMB473.4 million for the six months ended 30 June 2013 to RMB579.5 million for the corresponding period in 2014. The gross margin decreased by 1.4 percentage points from 37.1% in the six months ended 30 June 2013 to 35.7% for the corresponding period in 2014. The decrease in gross margin was primarily attributable to the combination of the Group's bathroom business, which has lower gross margin than ceramic tile business, since May 2013.

The decline of ceramic tile ASP in the first half of 2014 was mainly attributable to (i) the increase in direct sales to corporate customers, and (ii) the price adjustments on certain products to increase competitiveness in the market. Through continued pursuit of operational excellence, we further lowered the unit cost of goods sold of ceramic tiles, which offset the impact of ASP decrease and maintained ceramic tile's gross margin relatively steady at 37.3%.

Other Income

Other income increased significantly by 252.6% from RMB22.2 million for the six months ended 30 June 2013 to RMB78.2 million for the corresponding period in 2014. The increase was primarily due to (i) an increase in government grants of RMB40.2 million, which mainly represent incentives subsidies received from the PRC government for business development with no specific conditions attached; and (ii) an increase in bank interest income of RMB9.0 million.

Management Discussion and Analysis

Distribution and Selling Expenses

Distribution and selling expenses primarily consist of transportation expenses, advertising expenses, marketing expenses, travelling expenses, and salaries and wages for our sales employees.

The Group's selling and distribution expenses increased by 23.1% from RMB176.6 million for the six months ended 30 June 2013 to RMB217.5 million for the corresponding period in 2014. This increase was mainly due to the acquisition of the Group's bathroom business in May 2013. During the six months ended 30 June 2013, only a month's expenses was attributed by the bathroom business as it was acquired on 31 May 2013. In comparison, six months of expenses was attributed by the bathroom business for the corresponding period in 2014. Whereas, the Group's selling and distribution expenses as a percentage of the Group's revenue decreased from 13.9% for the six months ended 30 June 2013 to 13.4% for the corresponding period in 2014, primarily due to the improved operational efficiency of the Group.

Administrative Expenses

The administrative expenses increased by 22.1%, from RMB95.8 million for the six months ended 30 June 2013 to RMB117.0 million for the corresponding period in 2014. This increase was mainly due to the acquisition of the Group's bathroom business in May 2013. During the six months ending 30 June 2013, only a month's expenses was attributed by the bathroom business as it was acquired on 31 May 2013. In comparison, six months of expenses was attributed by the bathroom business for the corresponding period in 2014. Administrative expenses as a percentage of Group's revenue remained relatively steady at 7.5% and 7.2% for the six months ended 30 June 2013 and for the corresponding period in 2014 respectively, largely due to the effective cost control by the Group.

Other Expenses

Other expenses decreased by 24.1%, from RMB21.6 million for the six months ended 30 June 2013 to RMB16.4 million for the corresponding period in 2014. The decrease is primarily due to the Group's effective cost management.

Finance Cost

Finance cost increased by 23.7% from RMB20.3 million for the six months ended 30 June 2013 to RMB25.1 million for the corresponding period in 2014. This increase was mainly due to the acquisition of the Group's bathroom business in May 2013; there was only a month of finance cost included in the comparative period.

Income Tax Expense

Income tax expenses increased by 17.9% from RMB50.1 million for the six months ended 30 June 2013 to RMB59.0 million for the corresponding period in 2014, mainly due to the increased PRC enterprise income tax current tax and deferred tax. Our effective tax rate decreased from 29.2% for the six months ended 30 June 2013 to 24.8% for the corresponding period in 2014 due to the Groups effective tax planning.

Profit for the Period

As a result of the foregoing factors, profit for the period increased significantly by 47.4% from RMB121.2 million for the six months ended 30 June 2013 to RMB178.7 million for the corresponding period in 2014. The Group's net profit margin was 9.5% and 11.0% for the six months ended 30 June 2013 and for the corresponding period in 2014, respectively. The increase of the Group's net profit margin was primarily due to the increase of its gross profit and the decrease of distribution and selling expenses as a percentage of the Group's revenue.

Profit before Taxation

As a result of the foregoing, the profit before tax increased by 38.8% from RMB171.3 million to RMB237.7 million, mainly due to increase in revenue.

Research and Development Expenses

Research and development expenses increased by 107.0% from RMB5.7 million for the six months ended 30 June 2013 to RMB11.8 million for the corresponding period in 2014, mainly represented costs associated with trial production of new products.

Profit for the year attributable to the owners of the Company

Due to the foregoing reasons, profit attributable to owners of the Company increased from RMB121.2 million for the six months ended 30 June 2013 to RMB179.1 million for the corresponding period in 2014.

Net Profit Margin

Net profit margin increased by 1.5 percentage points from 9.5% for the six months ended 30 June 2013 to 11.0% for the corresponding period in 2014. The increase in net profit margin was mainly attributable to an increase in net profits, primarily due to increases in revenue, gross profit and lower expense as a percentage of the revenue.

FINANCIAL AND LIQUIDITY POSITION

Trade and Other Receivables

Trade receivables decreased from RMB326.0 million as of 31 December 2013 to RMB315.8 million as of 30 June 2014 primarily due to more proactive collection effort. More details about trade and other receivable and the ageing analysis of trade receivable are set out in note 15 of the financial statements.

Inventories

Inventories decreased by 6.7%, from RMB870.0 million as of 31 December 2013 to RMB812.0 million as of 30 June 2014, primarily due to the Group's improvement in the production planning and supply chain management. As a result, the inventory turnover days decreased from 234 days for the six months ended 30 June 2013 to 148 days for the corresponding period in 2014.

Borrowings

As of 30 June 2014, our Group's total bank borrowings were RMB1,016.4 million.

The Group's average cost of bank borrowings (calculated by dividing total interest expenses by average bank borrowings during the relevant year) was 6.9% for the six months ended 30 June 2014, versus 5.8% for the corresponding period in 2013.

Our Group's principal sources for liquidity have been cash generated from operations, bank borrowings and the net proceeds from the IPO. The Company generally used cash from such sources for working capital and capital expenditures.

Gearing Ratio

The gearing ratio is measured by net debt (aggregate of current and non-current borrowings and, current and non-current obligations under a finance lease less cash and cash equivalents) divided by total equity attributable to owners of the Company. For the six months ended 30 June 2014, the gearing ratio of the Group was 24.7% (the gearing ratio is not applicable to the Group for the corresponding period in 2013 as the Group's equity reorganization was not completed at the time).

Capital and Other Commitments

Capital commitment as of 30 June 2014 amounted to approximately RMB199.8 million (as of 31 December 2013: RMB147.0 million), which were mainly related to acquisitions of property, plant and equipment.

Significant Investments

For the six months ended 30 June 2014, the Group's short-term investment of RMB122.4 million represented the financial products issued by the bank in the PRC, with an expected but not guaranteed return from 2.1% to 4.8% per annum, depending on the market price of its underlying financial instruments, mainly comprising of bonds debentures. The short-term investment was redeemed in July 2014 at the principal amount together with approximately the expected return. Except as disclosed in this report, the Group does not held any other significant investment.

Contigent Liabilites

For the six months ended 30 June 2014, the Group did not have any material contingent liability.

Pledge of Assets/Off Balance Sheet Transactions

The following assets were pledged to secure bank borrowings and banking facilities granted to the Group and related parties as at 30 June 2014:

	30 June 2014 RMB'000	31 December 2013 RMB'000
Buildings	**147,538**	130,414
Equipment and machinery	**47,066**	50,998
Prepaid lease payments	**205,957**	136,109
Pledged bank deposits	**417,010**	12,328
Total	**817,571**	329,849

Except as disclosed in this report, the Group has not entered into any off-balance sheet guarantees or other commitments to guarantee the payment obligations of any third parties. It does not have any interest in any unconsolidated entities that provides financing, liquidity, market risk or credit support to it or engages in leasing or hedging or research and development or other services with it.

Working Capital and Financial Resources

As of 30 June 2014, the carrying amount of the Group's cash and cash equivalents was RMB556.2 million (as of 31 December 2013: RMB803.4 million).

As of 30 June 2014, the Group has a variable-rate borrowings amounting to RMB152.0 million (as of 31 December 2013: RMB117.0 million), and a fixed-rate borrowing amounting to RMB864.4 million (as of 31 December 2013: RMB321.0 million).

Material Acquisitions

The Group has no material investment, acquisition or disposal during the six months ended 30 June 2014. The Acquisition of Guangzhou Yinai started in July 2014 as detailed in the section "Business Review" above.

Management Discussion and Analysis

CURRENCY RISK

The Group conducted its business primarily in China with the majority of its revenue and expenditures denominated in Renminbi. The Group undertakes certain sale and purchase transactions denominated in foreign currencies, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency explosure should the need arise.

FUTURE PROSPECTS

Looking ahead, the Group intends to continue to strengthen its brand recognition and solidify its leading market position in the PRC ceramic tile market. The Group strives to achieve greater synergies between the ceramic tile business and bathroom products business. Further, with the Acquisition, the Group plans to utilize the new entry point in the contemporary and design-driven market section with Innoci's brand name and further expand its sales network in the PRC. In addition, the Group will continue to increase its effort on cross-selling, enhancing distributor management and enhancing its product mix and operational efficiency.

The Group is looking to allocate more resources into the development of online sales channels to capture the business opportunities in the online consumer market and create positive ties between physical and online stores. In the next half of 2014, the Group plans to have approximate 600 online sales events across the PRC; aiming to capture more customers at the beginning of the sales chain.

The Group plans to increase its annual production capacity from 41.3 million SQM (square meter – a measurement of area) in 2013 to 49.2 million SQM for 2014. As of the first half of 2014, the Company has reached a production capacity of 20.5 million SQM.

The Group believes that its long-established and solid operational mechanism and direct access to the capital market after its IPO, will fuel the Group's business expansion, preparing the Group for future market consolidation and generating higher returns for its shareholders.

EVENTS AFTER THE REPORTING PERIOD

Besides the Group and Guangzhou Yinai entered the Cooperation Agreement in relation to the Acquisition on 25 July 2014, as detailed in the above section headed "Acquisition of Guangzhou Yinai", the Group has no significant events after the reporting period up to the date of this report.

EMPLOYEES

As at 30 June 2014, the Group had a total of approximately 8,744 employees (31 December 2013: 7,922 employees) (30 June 2013: 7,434). The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits, and liabilities for breaches and grounds for termination. Remuneration of the Group's employees includes basic salaries, allowances, bonus and other employee benefits, that are determined with reference to their experience, qualifications and general market conditions.

Corporate Governance and Other Information

Corporate Governance and Other Information

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2014, neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

RESULTS AND DIVIDEND

The Directors proposed not to declare any interim dividend for the six month period ended 30 June 2014.

USE OF NET PROCEEDS FROM IPO

The net proceeds from the Company's IPO amounted to HK$659.9 million (equivalent to approximately RMB520.3 million). Such net proceeds are intended to be applied in accordance with the proposed applications as set out in the section headed "Amendments to the Prospectus – Offering Statistics" in the supplemental prospectus issued by the Company on 28 November 2013.

	Net Proceeds from the Company's IPO			
Purpose	**Percentage to total amount**	**Net Proceeds**	**Utilised amount (as at 30 June 2014)**	**Unutilised amount (as at 30 June 2014)**
		RMB'000	RMB'000	RMB'000
For the expansion and upgrade of production facilities	40%	208,120.0	77,200.0	130,920.0
For the distribution network (including opening of additional self-owned retail outlets and product showrooms), the setting up of additional local sales management offices, and the hiring of additional sales and marketing personnel	10%	52,030.0	—	52,030.0
For research and development, including the opening of a new research and development center (primarily consisting of proceeds used for the construction of the center and the purchase of production and testing equipment for prototypes)	10%	52,030.0	88.0	51,942.0
For the repayment of loans	10%	52,030.0	—	52,030.0
For mergers and acquisitions to complement our existing product lines and sales channels	25%	130,075.0	—	130,075.0
Additional working capital and other general corporate purposes	5%	26,015.0	8,900.0	17,115.0
Total	100%	520,300.0	86,188.0	434,112.0

Corporate Governance and Other Information

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date of this interim report, the Company has maintained the public float as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

CORPORATE GOVERNANCE PRACTICES

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the shareholders as a whole.

The Company has adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "**Code**") as contained in Appendix 14 of the Listing Rules since its listing on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in December 2013 as its own code to govern its corporate governance practices. The Board also reviews and monitors the practices of the Company from time to time to maintain a high standard of corporate governance practices.

In the opinion of the Directors, the Company has complied with the relevant code provisions contained in the Code for the six months ended 30 June 2014.

The Board will continue to review and monitor the practices of the Company with an aim to maintaining and implementing a high standard of corporate governance practices.

Corporate Governance and Other Information

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding dealings in the securities of the Company by the Directors and the Group's senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Group or the Company's securities.

Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during the six months ended 30 June 2014. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during the six months ended 30 June 2014.

REVIEW OF FINANCIAL INFORMATION

Audit Committee

The audit committee of the Company (the "**Audit Committee**") (being Mr. Wu Haibing, Ms. Hsieh H., Lily, and Mr. Su Sen) has discussed with management and reviewed the unaudited interim financial information of the Group for the six months ended 30 June 2014 and recommended its adoption by the Board.

In addition, the Company's external auditor, Deloitte Touche Tohmatsu, has reviewed but not audited the Group's interim condensed consolidated financial statements for the six months ended 30 June 2014 in accordance with Hong Kong Standards on Review Engagements 2410 "Review of Interim Financial Information performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

INTERNAL CONTROL

The Board is responsible for maintaining effective internal controls and conducting regular review on the effectiveness of the internal control system of the Company. Procedures have been designed for safeguarding assets against unauthorized use or disposition, maintaining of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensuring compliance of applicable laws, rules and regulations. However, the system can only provide reasonable but not absolute assurance against misstatements or losses.

The Board is also responsible for presenting a balanced and clear assessment of the Group's performance and prospects. Management of the Company provides all relevant information to the Board, giving its members sufficient explanation and information and explanation that it needs to discharge its responsibilities.

The Audit Committee and the Board will conduct a review of the effectiveness of the internal control system of the Company, respectively including the adequacy of resources, staff qualifications and experiences, training programs and budget of the Company's accounting and financial reporting function. The Board considers that there are no significant defects in the Company's internal control systems in terms of completeness, reasonableness and effectiveness.

Corporate Governance and Other Information

CHANGE OF EMOLUMENTS OF DIRECTORS

The emoluments of the Directors are decided by the Board with reference to the recommendation given by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistic. The Board has decided to change the annual director's fee payable to the Company's Directors as set out below:

	Directors' fee HK$'000
Executive directors:	
He Xinming	200
Chen Kunlie	150
Bao Jianyong	150
Non-executive directors:	
Sun Qian	150
Su Sen	150
Sun Limei	150
Independent non-executive directors:	
Yin Hong	180
Hsieh H. Lily	180
Wu Haibing	180

INTEREST OF DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

As of 30 June 2014, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**"), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, are as follows:

Corporate Governance and Other Information

Long Position in Shares of the Company

Name of Director/ Chief Executive	Capacity/Nature of Interest	Number of Shares	Approximate percentage of the Company's existing issued share capital
Mr. He Xinming[(1), (2)]	Beneficial owner; interests held jointly with another person; interest of a controlled corporation	856,849,732	68.07%
Mr. Chen Kunlie[(1), (3)]	Beneficial owner; interests held jointly with another person; interest of a controlled corporation	855,724,732	67.98%
Mr. Su Sen[(1), (4)]	Interests held jointly with another person; interest of a controlled corporation	854,974,732	67.92%
Mr. Bao Jianyong[(5)]	Beneficial owner; Interests of a controlled corporation	45,775,268	3.64%
Mr. Cai Chuyang	Beneficial owner; Interests of a controlled corporation	1,562,500	0.12%

Long Position in the Underlying Shares

Name of Director/ Chief Executive	Capacity	Nature of Interest	Number of underlying Shares	Approximate percentage of the Company's existing issued share capital
Mr. He Xinming(6)	Beneficial owner	Long position	5,625,000	0.45%
Mr. Chen Kunlie(6)	Beneficial owner	Long position	2,250,000	0.18%
Mr. Bao Jianyong(6)	Beneficial owner	Long position	2,250,000	0.18%
Mr. Cai Chuyang(6)	Beneficial owner	Long position	4,687,500	0.37%

Notes:

(1) On 6 June 2013, the ultimate controlling Shareholders, including, Mr. He Xinming, Mr. Chen Kunlie and Mr. Su Sen, entered into an acting-in-concert confirmation and undertaking to, among other things, confirm their oral agreement to manage the member companies comprising our Group as a group of persons acting-in-concert on 7 April 2006. As such, the ultimate controlling Shareholders together control the 67.92% interest in the share capital of the Company through Profit Strong Investment Limited ("**Profit Strong**"), Superb Idea Investments Limited ("**Superb Idea**"), Cosmo Ray Investments Limited ("**Cosmo Ray**") and High Ride Investments Limited ("**High Ride**"). As a result of the acting-in-concert arrangement, each of Mr. He Xinming, Mr. Chen Kunlie and Mr. Su Sen is deemed to be interested in such 67.92% interest in the share capital of the Company.

(2) Shares owned by Mr. He Xinming consist of (i) 392,518,463 Shares held by Profit Strong, a company wholly owned by Mr. He Xinming, (ii) 462,456,269 Shares in which Mr. He Xinming is deemed to be interested as a result of the acting-in-concert agreement, and (iii) 1,875,000 Shares beneficiary owned by Mr. He Xinming.

(3) Shares owned by Mr. Chen Kunlie consist of (i) 160,763,325 Shares held by Superb Idea, a company wholly owned by Mr. Chen Kunlie, (ii) 694,211,407 Shares in which Mr. Chen Kunlie is deemed to be interested as a result of the acting-in-concert agreement, and (iii) 750,000 Shares beneficiary owned by Mr. Chen Kunlie.

(4) Shares owned by Mr. Su Sen consist of (i) 83,074,966 Shares held by Cosmo Ray, a company wholly owned by Mr. Su Sen, and (ii) 771,899,766 Shares in which Mr. Su Sen is deemed to be interested as a result of the acting-in-concert agreement.

(5) Shares owned by Mr. Bao Jianyong consist of (i) 45,025,268 Shares held by Rich Blossom Investments Limited ("**Rich Blossom**") in which Mr. Bao Jianyong is deemed to be interested since he holds approximately 31.82% of the equity interest of Rich Blossom) and (ii) 750,000 Shares beneficiary owned by Mr. Bao Jianyong.

(6) Mr. He Xinming, Mr. Chen Kunlie, Mr. Bao Jianyong and Mr. Cai Chuyang are interested in the underlying shares of the Company by virtue of the options granted to them under the Pre-IPO Share Option Scheme of the Company.

Long position in the shares of associated corporations

Name of Director	Name of associated corporations	Nature of Interest	Number of Shares	Approximate percentage of Interest
Mr. He Xinming(1), (2)	Qingyuan Nafuna Ceramics Co., Ltd ("**Qingyuan Nafuna**")	Interests in controlled corporation	N/A	9.65%
	Foshan Dongpeng Development Co., Ltd ("**Foshan Dongpeng Development**")	Interests in controlled corporation	N/A	7.69%
Mr. Chen Kunlie(1), (2)	Qingyuan Nafuna	Interests in controlled corporation	N/A	9.65%
	Foshan Dongpeng Development	Interests in controlled corporation	N/A	7.69%
Mr. Bao Jianyong(1), (2)	Qingyuan Nafuna	Interests in controlled corporation	N/A	9.65%
	Foshan Dongpeng Development	Interests in controlled corporation	N/A	7.69%
Mr. Su Sen(1), (2)	Qingyuan Nafuna	Interests in controlled corporation	N/A	9.65%
	Foshan Dongpeng Development	Interests in controlled corporation	N/A	7.69%
Ms. Sun Limei	High Ride Investments Limited	Interests in controlled corporation	1,271,787	5.51%

Notes:

(1) Mr. He Xinming, Mr. Chen Kunlie, Mr. Su Sen and Mr. Bao Jianyong own an aggregate of 77.81% equity interests in Foshan Yuanheng, which in turn owns 9.65% equity interest in Qingyuan Nafuna, a majority-owned subsidiary of our Company, and are therefore deemed to be indirectly interested in 9.65% equity interest in Qingyuan Nafuna.

(2) Mr. He Xinming, Mr. Chen Kunlie, Mr. Su Sen and Mr. Bao Jianyong own an aggregate of 77.81% equity interests in Foshan Yuanheng, which in turn owns 7.69% equity interest in Foshan Dongpeng Development, a majority-owned subsidiary of our Company, and are therefore deemed to be indirectly interested in 7.69% equity interest in Foshan Dongpeng Development.

Save as disclosed above and to the best knowledge of the Directors, as of the date hereof, none of the Directors and the chief executive has any interests and/or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of the SFO) which will have to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or pursuant to the Model Code.

Corporate Governance and Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

The register of substantial Shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, as of the date hereof, the following Shareholders had notified the Company of its interests and/or short positions in the Shares and underlying Shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Long positions in the Shares and underlying Shares

		Shares held as at 30 June 2014	
Name	**Nature of interests**	**Number of Shares held**	**Approximate percentage of the Company's existing issued share capital**
Mr. He Xinming[(1), (2)]	Beneficial owner; Interest held jointly with another person; interest of a controlled corporation	856,849,732	68.07%
Profit Strong[(2)]	Beneficial owner	854,974,732	67.92%
Ms. Zhong Qinhua[(3)]	Interest of spouse	856,849,732	68.07%
Mr. Chen Kunlie[(1), (4)]	Beneficial owner; Interest held jointly with another person; interest of a controlled corporation	855,724,732	67.98%
Superb Idea[(4)]	Beneficial owner	854,974,732	67.92%
Ms. Chen Haihong[(5)]	Interest of spouse	855,724,732	67.98%

Corporate Governance and Other Information

Name	Nature of interests	Shares held as at 30 June 2014 Number of Shares held	Approximate percentage of the Company's existing issued share capital
Mr. Su Sen[(1), (6)]	Interest held jointly with another person; interest of a controlled corporation	854,974,732	67.92%
Cosmo Ray[(6)]	Beneficial owner	854,974,732	67.92%
Ms. Lin Shiying[(7)]	Interest of spouse	854,974,732	67.92%
Mr. He Xinzhong[(1), (8)]	Interest held jointly with another person; interest of a controlled corporation	854,974,732	67.92%
High Rider[(9)]	Beneficial owner	854,974,732	67.92%
Ms. Chen Shaokun[(10)]	Interest of spouse	854,974,732	67.92%
Mr. Chen Yezhi[(1), (11)]	Interest held jointly with another person; interest of a controlled corporation	854,974,732	67.92%
Ms. Zhuang Kefang[(12)]	Interest of spouse	854,974,732	67.92%
Mr. Ou Haoquan[(1), (13)]	Interest held jointly with another person; interest of a controlled corporation	854,974,732	67.92%
Ms. Lin Jinzhi[(14)]	Interest of spouse	854,974,732	67.92%
Mr. Luo Siwei[(1), (15)]	Interest held jointly with another person; interest of a controlled corporation	854,974,732	67.92%
Ms. Huang Xiaoyuan[(16)]	Interest of spouse	854,974,732	67.92%
Mr. Zhong Baomin[(1), (17)]	Interest held jointly with another person; interest of a controlled corporation	854,974,732	67.92%
Ms. Xu Jufang[(18)]	Interest of spouse	854,974,732	67.92%
Sequoia[(19)]	Beneficial owner	97,552,800	7.75%

Notes:

(1) On 6 June 2013, the Company's ultimate controlling Shareholders, namely, Mr. He Xinming, Mr. Chen Kunlie, Mr. Su Sen, Mr. He Xinzhong, Mr. Chen Yezhi, Mr. Ou Haoquan, Mr. Luo Siwei and Mr. Zhong Baomin, entered into an acting-in-concert confirmation and undertaking to, among other things, confirm their oral agreement to manage the member companies comprising our Group as a group of persons acting-in-concert on 7 April 2006. For more details, please refer to the section on "Relationship with our controlling Shareholders — Our Controlling Shareholders Acting in Concert" of the Prospectus. As such, the Company's ultimate controlling Shareholders together control the 67.92% interest in the share capital of the Company through Profit Strong, Superb Idea, Cosmo Ray and High Ride. As a result of the acting-in-concert agreement, each of the Company's ultimate controlling Shareholders is deemed to be interested in such 67.92% interest in the share capital of the Company.

(2) Shares in which Mr. He Xinming is interested consist of (i) 392,518,463 Shares held by Profit Strong, a company wholly owned by Mr. He Xinming, (ii) 462,456,269 Shares in which Mr. He Xinming is deemed to be interested as a result of the acting-in-concert agreement, and (iii) 1,875,000 Shares beneficially owned by Mr. He Xinming. Mr. He Xinming is also the sole director of Profit Strong.

(3) Ms. Zhong Qinhua is the spouse of Mr. He Xinming. Under the SFO, Ms. Zhong Qinhua is deemed to be interested in the same number of Shares in which Mr. He is interested.

(4) Shares in which Mr. Chen Kunlie is interested consist of (i) 160,763,325 Shares held by Superb Idea, a company wholly owned by Mr. Chen Kunlie, (ii) 694,211,407 Shares in which Mr. Chen Kunlie is deemed to be interested as a result of the acting-in-concert agreement, and (iii) 750,000 Shares beneficially owned by Mr. Chen Kunlie. Mr. Chen Kunlie is also the sole director of Superb Idea.

(5) Ms. Chen Haihong is the spouse of Mr. Chen Kunlie. Under the SFO, Ms. Chen Haihong is deemed to be interested in the same number of Shares in which Mr. Chen Kunlie is interested.

(6) Shares in which Mr. Su Sen are interested consist of (i) 83,074,966 Shares held by Cosmo Ray, a company wholly owned by Mr. Su Sen, and (ii) 771,899,766 Shares in which Mr. Su Sen is deemed to be interested as a result of the acting-in-concert agreement. Mr. Su Sen is also the sole director of Cosmo Ray.

(7) Ms. Lin Shiyi is the spouse of Mr. Su Sen. Under the SFO, Ms. Lin Shiyin is deemed to be interested in the same number of Shares in which Mr. Su Sen is interested.

(8) Shares in which Mr. He Xinzhong are interested consist of (i) 218,617,978 Shares held by High Ride, and (ii) 636,356,754 Shares in which Mr. He Xinzhong is deemed to be interested as a result of the acting-in-concert agreement.

(9) High Ride is collectively controlled by Mr. He Xinzhong, Mr. Chen Yezhi, Mr. Ou Haoquan, Mr. Luo Siwei and Mr. Zhong Baomin. High Ride is owned by Mr. He Xinzhong, Mr. Chen Yezhi, Mr. Ou Haoquan, Mr. Luo Siwei and Mr. Zhong Baomin as to 19.98%, 19.53%, 17.64%, 13.19% and 8.05%, respectively.

(10) Ms. Chen Shaokun is the spouse of Mr. He Xinzhong. Under the SFO, Ms. Chen Shaokun is deemed to be interested in the same number of Shares in which Mr. He Xinzhong is interested.

(11) Shares in which Mr. Chen Yezhi are interested consist of (i) 218,617,978 Shares held by High Ride, and (ii) 636,356,754 Shares in which Mr. Chen Yezhi is deemed to be interested as a result of the acting-in-concert agreement.

(12) Ms. Zhuang Kefang is the spouse of Mr. Chen Yezhi. Under the SFO, Ms. Zhuang Kefang is deemed to be interested in the same number of Shares in which Mr. Chen Yezhi is interested.

(13) Shares in which Mr. Ou Haoquan are interested consist of (i) 218,617,978 Shares held by High Ride, and (ii) 636,356,754 Shares in which Mr. Ou Haoquan is deemed to be interested as a result of the acting-in-concert agreement.

(14) Ms. Lin Jinzhi is the spouse of Mr. Ou Haoquan. Under the SFO, Ms. Lin Jinzhi is deemed to be interested in the same number of Shares in which Mr. Ou Haoquan is interested.

(15) Shares in which Mr. Luo Siwei are interested consist of (i) 218,617,978 Shares held by High Ride, and (ii) 636,356,754 Shares in which Mr. Luo Siwei is deemed to be interested as a result of the acting-in-concert agreement.

(16) Ms. Huang Xiaoyuan is the spouse of Mr. Luo Siwei. Under the SFO, Ms. Huang Xiaoyuan is deemed to be interested in the same number of Shares in which Mr. Luo Siwei is interested.

(17) Shares in which Mr. Zhong Baomin are interested consist of (i) 218,617,978 Shares held by High Ride, and (ii) 636,356,754 Shares in which Mr. Zhong Baomin is deemed to be interested as a result of the acting-in-concert agreement.

(18) Ms. Xu Jufang is the spouse of Mr. Zhong Baomin. Under the SFO, Ms. Xu Jufang is deemed to be interested in the same number of Shares in which Mr. Zhong Baomin is interested.

(19) Sequoia refers to Sequoia Capital China Growth Fund I, L.P., Sequoia Capital China Growth Partners Fund I, L.P., and Sequoia Capital China GF Principals Fund I, L,P, which will hold approximately 6.83%, 0.16% and 0.83%, respectively, of the outstanding shares immediately following the completion of the IPO.

Substantial Shareholders of Other Member of the Group

Name	**Name of other member of our Group**	**Percentage of interest**
Mr. Jiang Yuehua	Foshan Gaoming Wenchang Furniture Co., Ltd.	20%
Mr. Tang Bo	Foshan Gaoming Wenchang Furniture Co., Ltd.	10%

Save as disclosed above, as at the latest practicable date, and to the best knowledge of the Directors, the Company had not been notified by any person (other than Directors or CEO of the Company) who had interests or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of the Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

Corporate Governance and Other Information

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the Pre-IPO Share Option Scheme and the Share Option Scheme, at no time during the six months ended 30 June 2014 under review was the Company, its holding company, or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities including debentures of the Company or any other body corporate.

PRE-IPO SHARE OPTION SCHEME AND SHARE OPTION SCHEME

Pre-IPO Share Option Scheme

The Company conditionally approved and adopted the pre-IPO share option scheme (the "**Pre-IPO Share Option Scheme**") pursuant to the resolutions of the Shareholders passed on 31 October 2013. The options have been conditionally granted based on the performance of the grantees who have made important contributions or are important to the long term growth and profitability of the Group. The purpose of the Pre-IPO Share Option Scheme is to attract, retain and motivate employees and Directors, and to provide a means of compensating them through the grant of options for their contribution to the growth and profits of the Group, and to allow such employees and Directors to participate in the growth and profitability of the Group.

A total of 14 grantees, including three executive Directors, and five members of the senior management (excluding Directors) of the Group have been conditionally granted options under the Pre-IPO Share Option Scheme.

As at the date of this interim report, options to subscribe to an aggregate of 47,500,000 shares representing approximately 3.67% of the enlarged issued share capital of the Company immediately upon completion of the IPO (assuming that all options granted under the Pre-IPO Share Option Scheme are exercised) have been conditionally granted by the Company under the Pre-IPO Share Option Scheme. No further options will be granted under the Pre-IPO Share Option Scheme on or after 9 December 2013 when the Company's securities started to be listed on The Stock Exchange of Hong Kong Limited. The options granted have a 10-year exercise period.

The subscription price per Share of the options granted under the Pre-IPO Share Option Scheme shall be HK$0.01, and it is exercisable subject to a vesting schedule and vesting conditions, details are set out in the section headed "D. Pre-IPO Share Option Scheme" in Appendix IV of the Company's prospectus dated 18 November 2013 (the "**Prospectus**").

Movements of the share options granted under the Pre-IPO Share Option Scheme for the six months ended 30 June 2014 are as follows:

		Number of shares subject to share options					
Name of Grantee	Date of grant and exercisable period	Outstanding as at 1 January 2014	Granted during the period	Lapsed or cancelled during the period	Exercised during the period	Outstanding as at 30 June 2014	Exercise price per share (HK$)
Directors of our Company							
He Xinming	31 October 2013 for 10 years subject to vesting schedule as set out in the grant letter	7,500,000	—	—	1,875,000	5,625,000	0.01
Chen Kunlie	same as above	3,000,000	—	—	750,000	2,250,000	0.01
Bao Jianyong	same as above	3,000,000	—	—	750,000	2,250,000	0.01
Senior Management of our Group Note							
Cai Chuyang	31 October 2013 for 10 years subject to vesting schedule as set out in the grant letter	6,250,000	—	—	1,562,500	4,687,500	0.01
Shao Yu	same as above	5,250,000	—	—	1,312,500	3,937,500	0.01
Liang Huicai	same as above	3,000,000	—	—	750,000	2,250,000	0.01
Lin Hong	same as above	3,000,000	—	—	750,000	2,250,000	0.01
Shi Yufeng	same as above	3,000,000	—	—	750,000	2,250,000	0.01
Jin Guoting	same as above	3,000,000	—	—	750,000	2,250,000	0.01
Other Employees of our Group Note							
Wan Zhengyu	31 October 2013 for 10 years subject to vesting schedule as set out in the grant letter	3,000,000	—	—	750,000	2,250,000	0.01
Yang Lixin	same as above	3,000,000	—	—	750,000	2,250,000	0.01
Chen Junfeng	same as above	1,500,000	—	—	375,000	1,125,000	0.01
Lin Chifeng	same as above	1,500,000	—	—	375,000	1,125,000	0.01
Feng Chu	same as above	1,500,000	—	—	375,000	1,125,000	0.01
Total		**47,500,000**	**—**	**—**	**11,875,000**	**35,625,000**	

Note: Among such persons, Cai Chuyang, Wan Zhengyu and Feng Chu are also directors of the Company's subsidiaries.

Corporate Governance and Other Information

As at 30 June 2014, a total of 35,625,000 shares (representing approximately 2.8% of the Company's existing issued shares) may be issued by the Company if all share options which had been granted under the Pre-IPO Share Option Scheme have been exercised.

Save and except as set out above, no other options have been granted or agreed to be granted by our Company under the Pre-IPO Share Option Scheme. The Directors and directors of the Company's subsidiaries who have been granted options under the Pre-IPO Share Option Scheme, have undertaken to the Company that they will not exercise the options granted to them under the Pre-IPO Share Option Scheme if as a result of which the Company would not be able to comply with the public float requirements of the Listing Rules.

A detailed summary of the terms of the Pre-IPO Share Option Scheme (including the calculation method of the exercise price) has been set out in the section headed "D. Pre-IPO Share Option Scheme" in Appendix IV of the Prospectus.

The Pre-IPO Share Option Scheme does not fall within the ambit of, and are not subject to, the regulations under Chapter 17 of the Listing Rules. Details of the impact of options granted under the Pre-IPO Share Options Scheme on the financial statements since the date of grant and the subsequent financial periods are set out under Note 23 to the financial statements of this interim report.

Share Option Scheme

On 5 November 2013, the Company adopted a share option scheme, which falls within the ambit of, and are subject to, the regulations under chapter 17 of the Listing Rules (the "**Share Option Scheme**"). The purpose of the Share Option Scheme is to attract, retain and motivate employees, Directors and such as participants, and to provide a means of compensating them through the grant of options for their contribution to the growth and profits of the Group, and to allow such employees, Directors and other persons to participate in the growth and profitability of the Group.

The total number of shares issued and to be issued upon the exercise of the options granted to or to be granted to each eligible person under the Share Option Scheme (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the shares of the Company in issue.

The Share Option Scheme will remain in force for a period of 10 years from 5 November 2013 and the options granted thereat shall have a 10-year exercise period. Options may be vested over such period(s) as determined by the Board in its absolute discretion subject to compliance with the requirements under any applicable laws, regulations or rules.

No share options have been granted by the Company under the Share Option Scheme since its adoption and up to the date of this interim report.

A summary of the terms of the Share Option Scheme, including the information as required to be disclosed in this interim report pursuant to Rule 17.09 of the Listing Rules, has been set out in the section headed "E. Share Option Scheme" in Appendix IV of the Prospectus.

Consolidated Financial Statements

Report on Review of Condensed Consolidated Financial Statements

To the Board of Directors of Dongpeng Holdings Company Limited
(incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Dongpeng Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 39 to 80, which comprise the condensed consolidated statement of financial position as of 30 June 2014 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, 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 Engagements 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 these condensed consolidated financial statements 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 an audit opinion.

Report on Review of Condensed Consolidated Financial Statements

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
26 August 2014

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2014

	NOTES	Six months ended 30 June **2014** **RMB'000** **(unaudited)**	 2013 RMB'000 (audited)
Revenue	4	**1,623,945**	1,274,749
Cost of sales		**(1,044,472)**	(801,395)
Gross profit		**579,473**	473,354
Other income	5	**78,170**	22,172
Other gains and losses	6	**(9,094)**	(6,561)
Distribution and selling expenses		**(217,502)**	(176,644)
Administrative expenses		**(117,046)**	(95,849)
Share-based payment expenses		**(34,889)**	—
Other expenses		**(16,361)**	(21,568)
Change in fair value of redeemable convertible preferred shares		**—**	(3,363)
Finance costs	7	**(25,063)**	(20,255)
Profit before tax		**237,688**	171,286
Income tax expense	8	**(59,027)**	(50,053)
Profit and total comprehensive income for the period	9	**178,661**	121,233
Attributable to:			
Owners of the Company		**179,095**	121,226
Non-controlling interests		**(434)**	7
		178,661	121,233
Earnings per share (RMB)			
– Basic	11	**0.14**	0.13
– Diluted	11	**0.14**	0.14

Condensed Consolidated Statement of Financial Position

At 30 June 2014

	NOTES	**30 June 2014 RMB'000 (unaudited)**	31 December 2013 RMB'000 (audited)
Non-current Assets			
Property, plant and equipment	12	**1,162,444**	1,094,949
Prepaid lease payments	13	**380,352**	380,870
Deferred tax assets	21	**69,933**	63,051
Deposits for leasehold land		**—**	3,848
Deposits for acquisition of property, plant and equipment		**34,950**	4,227
		1,647,679	1,546,945
Current Assets			
Inventories	14	**811,960**	870,007
Trade and other receivables	15	**567,196**	558,779
Tax recoverable		**—**	964
Amounts due from related parties	19	**227**	86
Amounts due from shareholders	19	**11**	11
Prepaid lease payments	13	**8,676**	8,481
Short-term investment	16	**122,400**	13,000
Pledged bank deposits	17	**417,010**	12,328
Restricted bank deposits	17	**381,900**	—
Bank balances and cash	17	**556,165**	803,394
		2,865,545	2,267,050
Current Liabilities			
Trade and other payables	18	**1,190,516**	1,238,533
Amounts due to related parties	19	**13,938**	18,920
Amounts due to shareholders	19	**69,288**	8,801
Amounts due to non-controlling shareholders of a subsidiary	19	**1,650**	10,503
Obligation under a finance lease		**4,746**	4,595
Bank borrowings	20	**904,430**	350,967
Tax liabilities		**51,350**	79,809
		2,235,918	1,712,128
Net Current Assets		**629,627**	554,922
Total Assets Less Current Liabilities		**2,277,306**	2,101,867

Condensed Consolidated Statement of Financial Position

At 30 June 2014

	NOTES	**30 June 2014 RMB'000 (unaudited)**	31 December 2013 RMB'000 (audited)
Non-current Liabilities			
Obligation under a finance lease		**27,718**	30,166
Bank borrowings	20	**112,000**	86,992
Deferred taxation liabilities	21	**45,849**	37,327
		185,567	154,485
Net Assets		**2,091,739**	1,947,382
Capital and Reserves			
Share capital	22	**15**	15
Reserves		**1,991,280**	1,846,489
Equity attributable to owners of the Company		**1,991,295**	1,846,504
Non-controlling interests		**100,444**	100,878
Total Equity		**2,091,739**	1,947,382

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

	Attributable to owners of the Company								
	Share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Statutory surplus reserve RMB'000 (note i)	Other reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2014 (audited)	**15**	**682,803**	**16,971**	**125,927**	**715,043**	**305,745**	**1,846,504**	**100,878**	**1,947,382**
Profit and total comprehensive income for the period	**—**	**—**	**—**	**—**	**—**	**179,095**	**179,095**	**(434)**	**178,661**
Recognition of equity-settled share-based payments	**—**	**—**	**34,889**	**—**	**—**	**—**	**34,889**	**—**	**34,889**
Dividend	**—**	**—**	**—**	**—**	**—**	**(69,288)**	**(69,288)**	**—**	**(69,288)**
Issue of ordinary shares under share option scheme	**—**	**26,804**	**(26,709)**	**—**	**—**	**—**	**95**	**—**	**95**
At 30 June 2014 (unadited)	**15**	**709,607**	**25,151**	**125,927**	**715,043**	**415,552**	**1,991,295**	**100,444**	**2,091,739**
At 1 January 2013 (audited)	191,019	—	—	36,243	(37,149)	55,931	246,044	15,882	261,926
Profit and total comprehensive income for the period	—	—	—	—	—	121,226	121,226	7	121,233
Acquisition of subsidiaries	—	—	—	—	—	—	—	(29)	(29)
Deemed distribution to owners under Corporate Reorganisation (ii)	(191,008)	—	—	—	(11,955)	—	(202,963)	(15,882)	(218,845)
Deemed contribution from owners under group reorganization (iii)	—	—	—	—	7,365	—	7,365	—	7,365
At 30 June 2013 (audited)	11	—	—	36,243	(41,739)	177,157	171,672	(22)	171,650

Notes:

(i) In accordance with the relevant PRC laws and regulations and the Articles of Association of the relevant companies, the People's Republic of China ("PRC") subsidiaries are required to appropriate 10% of their profit after taxation as reported in their statutory financial statements prepared under the PRC generally accepted accounting principles to the statutory surplus reserve. The appropriation to the statutory surplus reserve may cease if the balance of the statutory surplus reserve has reached 50% of the registered capital of the relevant companies.

The statutory surplus reserve can be used to make up prior year losses, if any, and can be applied in conversion into capital by means of a capitalisation issue. However, when converting the statutory surplus reserve of PRC subsidiaries into capital, the remaining balance of such reserve must not be less than 25% of the registered capital of the relevant companies.

(ii) In January 2013, as part of the Corporate Reorganisation, several non-wholly owned subsidiaries were transferred to the then holding company of the Group at a cash consideration of RMB218,845,000.

(iii) On 1 January 2013, the Group disposed of a wholly-owned subsidiary at a consideration of RMB1,000,000 to a company controlled by certain members of the Controlling Shareholders. The gain on disposal of this subsidiary was treated as deemed contribution from owners under Corporate Reorganisation.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(audited)
OPERATING ACTIVITIES		
Profit before tax	**237,688**	171,286
Adjustments for:		
Interest income	**(16,091)**	(5,360)
Finance costs	**25,063**	20,255
Depreciation of property, plant and equipment	**68,287**	56,055
Allowance for doubtful receivables	**4,899**	6,384
Allowance for obsolete inventories	**7,034**	13,901
Share-based payment expense	**34,889**	—
Change in fair value of redeemable convertible preferred shares	**—**	3,363
Amortisation of prepaid lease payments	**4,171**	2,524
Net loss (gain) on disposal of property, plant and equipment	**129**	(182)
Effect of foreign exchange rate changes	**(2,761)**	—
Operating cash flows before movements in working capital	**363,308**	268,226
Decrease in inventories	**51,013**	126,595
Increase in trade and other receivables	**(61,283)**	(66,916)
(Increase) decrease in amounts due from related parties	**(12,815)**	6,241
Decrease in trade and other payables	**(77,490)**	(11,910)
Increase in amounts due to related parties	**—**	23,684
Net cash generated from operations	**262,733**	345,920
Income tax paid	**(84,882)**	(58,946)
Interest paid	**(25,063)**	(20,255)
NET CASH FROM OPERATING ACTIVITIES	**152,788**	266,719

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(audited)
INVESTING ACTIVITIES		
Interest received	**16,091**	5,360
Proceeds from short-term investments	**14,200**	—
Payments for short-term investments	**(123,600)**	—
Proceeds from disposal of property, plant and equipment	**250**	3,252
Payments for property, plant and equipment	**(137,411)**	(63,347)
Payments for prepaid lease payments	**—**	(8,366)
Advances to related parties	**(242)**	(110,359)
Repayments from related parties	**—**	123,113
Withdrawal of pledged bank deposits	**45,338**	69,678
Placement of pledged bank deposits	**(450,020)**	(409,914)
Placement of restricted bank deposits	**(381,900)**	—
Net cash inflow on acquisition of subsidiaries	**—**	18,504
Net cash inflow on disposal of a subsidiary	**—**	970
NET CASH USED IN INVESTING ACTIVITIES	**(1,017,294)**	(371,109)
FINANCING ACTIVITIES		
New bank borrowings raised	**721,438**	786,159
Repayments of bank borrowings	**(95,000)**	(427,240)
Repayments of obligations under a finance lease	**(2,297)**	(2,003)
Proceeds from issue of redeemable convertible preferred shares	**—**	185,031
Repayments to related parties	**—**	(178,622)
Advances from related parties	**7,934**	203,493
Deemed distribution to owners under Corporate Reorganisation	**—**	(218,845)
Dividend paid	**(17,654)**	—
Proceeds from issue of shares	**95**	—
NET CASH FROM FINANCING ACTIVITIES	**614,516**	347,973

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(audited)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(249,990)**	243,583
Effect of foreign exchange rate changes on the balance of cash held in foreign currencies	**2,761**	—
CASH AND CASH EQUIVALENTS AT 1 January 2014	**803,394**	239,991
CASH AND CASH EQUIVALENTS AT 30 June 2014, represented by bank balances and cash	**556,165**	483,574

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

1. GENERAL AND GROUP REORGANISATION AND BASIS OF PRESENTATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 12 March 2012 under the Companies Law, CAP 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 9 December 2013. Its parent and ultimate holding company is Profit Strong Investments Limited, a company incorporated in the British Virgin Islands ("BVI"), and its ultimate controlling parties are Mr. He Xinming, who is also the chairman of the Company, Mr. Chen Kunlie, Mr. Su Sen, Mr. He Xinzhong, Mr. Chen Yezhi, Mr. Ou Haoquan, Mr. Luo Siwei and Mr. Zhong Baomin ("Controlling Shareholders"). The addresses of the registered office of the Company is Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Cayman Islands and the principal place of business and head office is located in No. 8 Jiangwan Third Road, Chancheng district, Foshan, Guangdong, the People's Republic of China ("PRC").

The principal activity of the Company is investment holding company.

In preparation for the initial listing of the shares of the Company on the Main Board of the Stock Exchange, the companies now comprising the Group underwent a corporate reorganisation (the "Corporate Reorganisation") to rationalise the group structure. As a result of the Corporate Reorganisation, the Company became the holding company of the Group on 29 January 2013. Details of the Corporate Reorganisation are more fully explained in the section headed "History and Corporate Development" to the prospectus of the Company dated 18 November 2013.

The Group resulting from the Corporate Reorganisation, which involved a series of acquisitions involving entities under common control of the Controlling shareholders, is regarded as a continuing entity. The condensed consolidated financial statements have been prepared using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting For Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as if the group structure under the Corporate Reorganisation had been in existence throughout the year or since their respective dates of incorporation/establishment of the entities now comprising the Group, whichever is the shorter period.

The condensed consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company and its subsidiaries.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (HKAS 34) Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[6]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[4]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[5]

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

[1] Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised

[2] Effective for first annual HKFRS financial statements beginning on or after 1 January 2016

[3] Effective for annual periods beginning on or after 1 January 2017

[4] Effective for annual periods beginning on or after 1 July 2014

[5] Effective for annual periods beginning on or after 1 January 2016

[6] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

Except as describe below, the application of the above new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 Presentation of Items of Other Comprehensive Income introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income". The amendments to HKAS 1 also require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

4. REVENUE AND SEGMENT INFORMATION

(a) Segment results

The following is an analysis of the Group's revenue and results by operating and reportable segments.

For the six months ended 30 June 2014 (unaudited)

	Ceramic tile products RMB'000	Bathroom products RMB'000	Total RMB'000
SEGMENT REVENUE			
External sales	**1,402,149**	**221,796**	**1,623,945**
Inter-segment sales	**—**	**33,293**	**33,293**
Segment revenue	**1,402,149**	**255,089**	**1,657,238**
Eliminations			**(33,293)**
Group revenue			**1,623,945**
SEGMENT RESULT	**522,818**	**56,655**	**579,473**
Eliminations			**—**
			579,473
Unallocated income			**78,170**
Unallocated expenses			
Other gains and losses			**(9,094)**
Distribution and selling expenses			**(217,502)**
Administrative expenses			**(117,046)**
Share-based payment expenses			**(34,889)**
Other expenses			**(16,361)**
Finance costs			**(25,063)**
Profit before tax			**237,688**

Other segment information included in the measurement of segment results:

	Ceramic tile products RMB'000	Bathroom products RMB'000	Total RMB'000
Depreciation	**46,488**	**2,877**	**49,365**
Allowance for obsolete inventories	**7,034**	**—**	**7,034**

4. REVENUE AND SEGMENT INFORMATION *(continued)*

(a) Segment results *(continued)*

For the six months ended 30 June 2013 (audited)

	Ceramic tile products RMB'000	Bathroom products RMB'000	Total RMB'000
SEGMENT REVENUE			
External sales	1,218,710	56,039	1,274,749
SEGMENT RESULT	457,992	15,362	473,354
Unallocated income			22,172
Unallocated expenses			
Other gains and losses			(6,561)
Distribution and selling expenses			(176,644)
Administrative expenses			(95,849)
Other expenses			(21,568)
Change in fair value of redeemable convertible preferred shares			(3,363)
Finance costs			(20,255)
Profit before tax			171,286

Other segment information included in the measurement of segment result:

	Ceramic tile products RMB'000	Bathroom products RMB'000	Total RMB'000
Depreciation	40,077	800	40,877
Allowance for obsolete inventories	8,909	4,992	13,901

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment result represents the gross profit earned by each reportable segment. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

4. REVENUE AND SEGMENT INFORMATION *(continued)*

(b) Revenue from major products and services

The following is an analysis of the Group's revenue from its major products:

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(audited)
Unglazed tiles	**647,609**	621,810
Glazed tiles	**754,540**	596,900
Bathroom products	**221,796**	56,039
	1,623,945	1,274,749

(c) Geographic information

The Group's operations and non-current assets are all derived and located in the PRC.

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(audited)
Revenue from external customers based on the location of customers:		
PRC	**1,493,023**	1,217,700
The United States of America	**58,370**	8,163
Mexico	**18,966**	11,591
Other countries	**53,586**	37,295
	1,623,945	1,274,749

4. REVENUE AND SEGMENT INFORMATION *(continued)*

(d) Information about major customers

No major customer contributed over 10% of the total revenue of the Group for six months ended 30 June 2013 and 2014.

(e) Segment assets and liabilities

Information of the operating and reportable segments of the Group reported to the chief operating decision maker for the purposes of resource allocation and performance assessment does not include any assets and liabilities. Accordingly, no segment assets and liabilities are presented.

5. OTHER INCOME

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(audited)
Bank interest income	**12,645**	3,618
Interest income on credit sales (note i)	**3,446**	1,742
Processing income	**5,139**	3,183
Sales of advertising brochures	**4,280**	1,663
Conference charge	**293**	161
Government grants (note ii)	**49,861**	9,642
Sundry income	**2,506**	2,163
Total	**78,170**	22,712

Notes:

(i) The Group normally requires advance or immediate payment when goods are delivered. Credit sales were granted to distributors on request basis and interests ranging from 8% to 10% per annum were charged in both periods.

(ii) The government grants mainly represent incentive subsidies received from PRC government for business development. There are no specific conditions attached to the grants.

6. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(audited)
Net (loss) gain on disposal of property, plant and equipment	**(129)**	182
Allowance for doubtful receivables	**(4,899)**	(6,384)
Net foreign exchange loss	**(4,066)**	(359)
Total	**(9,094)**	(6,561)

7. FINANCE COSTS

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(audited)
Interest on:		
Bank borrowings wholly repayable within five years	**23,925**	18,985
Finance lease	**1,138**	1,270
	25,063	20,255

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(audited)
Current tax		
PRC Enterprise Income Tax ("EIT")	**57,902**	45,473
(Over) Under provision in respect of prior years	**(515)**	868
	57,387	46,341
Deferred tax (note 21)	**1,640**	3,712
	59,027	50,053

The PRC EIT is calculated at the applicable rates in accordance with the relevant laws and regulations in the PRC.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

In accordance with PRC tax (Guoshuihan [2008] 112) effective from 1 January 2008, PRC withholding income tax rate of 10% is applicable to dividends to "non-resident" investors who do not have an establishment or place of business in the PRC.

Five subsidiaries of the Group, Linzhi Yuhe Commerce and Trading Co., Ltd. ("Linzhi Yuhe"), Duilong Deqing Heying Commerce and Trading Co., Ltd. ("Deqing Heying"), Duilong Deqing Yuwei Commerce and Trading Co., Ltd. ("Deqing Yuwei"), Foshan Dongpeng Sanitary Ware Co., Ltd. ("Dongpeng Sanitary Ware"), and Fengcheng Dongpeng Ceramics Co., Ltd. ("Fengcheng Dongpeng") enjoyed preferential enterprise income tax rates which are lower than the standard tax rate as approved by the relevant tax authorities in the PRC as set out below.

Pursuant to Zang Zheng Fa No. 14 (2011) Notice in relation to Taxation Policies in support of enterprises located in Tibet (《西藏自治區人民政府關於我區企業所得稅稅率問題的通知》) promulgated by the People's Government of Tibet autonomous region, Linzhi Yuhe, Deqing Heying and Deqing Yuwei, which are registered and located in Tibet, can enjoy a preferential enterprise income tax rate of 15% from 2013 to 2020.

8. INCOME TAX EXPENSE *(continued)*

Dongpeng Sanitary Ware was accredited as a "High and New Technology Enterprise" by relevant authorities in 2012 for a term of three years, and was registered with the local tax authority to be eligible to the reduced 15% preferential enterprise income tax rate from 2012 to 2014.

Fengcheng Dongpeng was accredited as a "High and New Technology Enterprise" by relevant authorities in 2014 for a term of three years, and was registered with the local tax authority to be eligible to the reduced 15% preferential enterprise income tax rate from 2013 to 2015.

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

The income tax expense for the period can be reconciled to the profit before tax per the condensed consolidated statement of profit and loss and other comprehensive income as follows:

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(audited)
Profit before tax	**237,688**	171,286
Tax at the applicable income tax rate of 25%	**59,422**	42,822
Effect of preferential tax rates granted to certain subsidiaries	**(21,830)**	(4,626)
Tax effect of expenses not deductible for tax purpose (Note 1)	**9,282**	816
Under provision in respect of prior years	**(515)**	868
Tax effect of tax losses not recognised	**3,521**	697
Tax effect of deductible temporary differences not recognised	**1,803**	1,061
Deferred withholding tax on undistributed profits of PRC subsidiaries	**8,881**	10,000
Utilisation of deductible temporary differences previously not recognised	**(877)**	(1,585)
Tax effect of income tax credit granted to subsidiaries for research and development costs	**(660)**	—
Income tax expense for the period	**59,027**	50,053

Note:

1. The tax effect of expenses not deductible for the period is mainly attributable to the non-deductible staff welfare expenses, share-base payment expenses and non-deductible cost of damaged products.

9. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(audited)
Profit for the period has been arrived at after charging:		
Depreciation for property, plant and equipment	**68,287**	56,055
Amortisation for prepaid lease payments	**4,171**	2,524
Auditors' remuneration	**1,000**	710
Listing expenses (included in other expenses)	**—**	7,176
Research and development costs (included in other expenses)	**11,810**	5,706
Cost of inventories recognised as expenses	**1,044,472**	801,395
Allowance for obsolete inventories (included in cost of inventories)	**7,034**	13,901
Staff costs:		
Directors' remuneration	**11,021**	973
Employees' salaries	**175,850**	114,837
Employees' welfare benefits	**14,008**	8,564
Share-based payments to employees	**24,973**	—
Employees' retirement benefit schemes contributions	**17,539**	10,112
	243,391	134,486
Operating lease payments in respect of		
– land and buildings	**29,819**	36,128
– plant and machinery	**14,754**	16,582

10. DIVIDENDS

During the current interim period, a final dividend of HK$0.07 per share in respect of the year ended 31 December 2013 was declared to the shareholders of the Company. The aggregate amount of the final dividend declared in the interim period amounted to HK$87,287,000, equivalent to RMB69,288,000.

No dividends were paid, declared or proposed in respect of current 2014 interim period. The directors have determined that no dividend will be paid in respect of the interim period.

11. EARNINGS PER SHARE

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(audited)
Earnings		
Earnings for the purpose of basic earnings per share		
Profit attributable to owners of the Company	**179,095**	121,226
Effect of dilutive potential ordinary shares		
Fair value loss of redeemable convertible preferred shares	**—**	3,363
Earnings for the purpose of dilutive potential ordinary shares	**179,095**	124,589
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousands)	**1,247,279**	900,000
Dilutive potential ordinary shares relating to share options	**22,665**	—
Redeemable convertible preferred shares (in thousands)	**—**	4,798
Weighted average number of ordinary shares for the purpose of diluted earnings per share(in thousands)	**1,269,944**	904,798

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Furniture and fixtures	Motor vehicles	Equipment and machinery	Leasehold improvement	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At 1 January 2013 (audited)	300,702	13,945	12,269	843,928	47,334	56,751	1,274,929
Additions	4,919	3,446	1,259	15,166	3,597	13,794	42,181
Disposals	—	(38)	—	(13,849)	—	—	(13,887)
Transfer from construction in progress	16,287	42	—	11,603	—	(27,932)	—
Acquisition of subsidiaries (note 28)	20,717	2,630	995	11,629	2,259	16,971	55,201
Disposal of a subsidiary (note 29)	—	(209)	—	—	(1,889)	—	(2,098)
At 30 June 2013 (audited)	342,625	19,816	14,523	868,477	51,301	59,584	1,356,326
At 1 January 2014 (audited)	**426,941**	**23,605**	**18,789**	**894,971**	**56,351**	**174,998**	**1,595,655**
Additions	**7,733**	**3,860**	**2,629**	**27,423**	**3,830**	**90,686**	**136,161**
Disposals	**(6)**	**(226)**	**(125)**	**(977)**	**—**	**—**	**(1,334)**
Transfer from construction in progress	**81,229**	**14,016**	**—**	**93,565**	**—**	**(188,810)**	**—**
At 30 June 2014 (unaudited)	**515,897**	**41,255**	**21,293**	**1,014,982**	**60,181**	**76,874**	**1,730,482**
DEPRECIATION							
At 1 January 2013 (audited)	(38,542)	(5,108)	(6,044)	(317,239)	(29,657)	—	(396,590)
Provided for the period	(7,739)	(2,167)	(1,143)	(36,494)	(8,512)	—	(56,055)
Eliminated on disposals	—	23	—	10,794	—	—	10,817
Disposal of a subsidiary (note 29)	—	77	—	—	1,849	—	1,926
At 30 June 2013 (audited)	(46,281)	(7,175)	(7,187)	(342,939)	(36,320)	—	(439,902)
At 1 January 2014 (audited)	**(55,639)**	**(9,917)**	**(8,616)**	**(383,182)**	**(43,352)**	**—**	**(500,706)**
Provided for the period	**(12,015)**	**(3,295)**	**(1,396)**	**(44,819)**	**(6,762)**	**—**	**(68,287)**
Eliminated on disposals	**—**	**39**	**121**	**795**	**—**	**—**	**955**
At 30 June 2014 (unaudited)	**(67,654)**	**(13,173)**	**(9,891)**	**(427,206)**	**(50,114)**	**—**	**(568,038)**
CARRYING AMOUNTS							
At 30 June 2013 (audited)	296,344	12,641	7,336	525,538	14,981	59,584	916,424
At 30 June 2014 (unaudited)	**448,243**	**28,082**	**11,402**	**587,776**	**10,067**	**76,874**	**1,162,444**

12. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The buildings are situated on land held under medium term leases in the PRC.

The Group has pledged certain buildings, equipment and machinery with a carrying value of RMB194,604,000 (31 December 2013: RMB181,412,000) to secure general banking facilities granted to the Group.

Details of property, plant and equipment being pledged are set out in note 24.

Buildings with carrying amount of RMB183,044,000 as at 30 June 2014 (31 December 2013: RMB137,470,000), are without property certificates. The Group is in the process of obtaining the property certificates.

The carrying amount of plant and machinery included amounts of RMB25,397,000 (31 December 2013: RMB27,854,000) in respect of assets held under a finance lease.

13. PREPAID LEASE PAYMENTS

	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Leasehold land in the PRC under medium-term lease	**389,028**	389,351
Analysed for reporting purposes as:		
Non-current asset	**380,352**	380,870
Current asset	**8,676**	8,481
	389,028	389,351

The Group has pledged certain prepaid lease payments with a carrying amount of RMB205,957,000 (31 December 2013: RMB136,109,000), to secure general banking facilities granted to the Group.

Details of prepaid lease payments being pledged are set out in note 24.

As at 30 June 2014, a parcel of land with carrying amount of RMB36,754,000 (31 December 2013: RMB37,117,000) is still in the process of obtaining the land use right certificate.

14. INVENTORIES

	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Raw materials	**194,465**	182,715
Work in progress	**39,981**	28,900
Finished goods	**577,514**	658,392
	811,960	870,007

As at 30 June 2014, the allowance for obsolete inventories is RMB100,416,000 (31 December 2013: RMB93,382,000).

15. TRADE AND OTHER RECEIVABLES

	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Trade receivables	**315,761**	326,031
Less: allowance for doubtful debts	**(35,659)**	(30,760)
	280,102	295,271
Advances to suppliers	**38,244**	22,623
Deposits to suppliers	**12,612**	15,537
Bills receivables	**150,684**	149,707
Other receivables	**12,134**	13,213
Other tax recoverable	**6,695**	4,357
Prepaid rentals	**12,135**	9,948
Other receivables from property developers	**6,478**	4,886
Value-added tax recoverable	**48,112**	43,237
Total trade and other receivables	**567,196**	558,779

15. TRADE AND OTHER RECEIVABLES *(continued)*

The Group normally requires advance or immediate payment when goods are delivered except for (i) sales to certain property developers which are allowed a credit period of 90 days to 180 days or some may be allowed to repay in full upon completion of construction projects or some may have 5% to 10% retention money due at the end of warranty period of one to two years and (ii) sale to certain distributors with a maximum credit period of 90 days and interest bearing. As at 30 June 2014, the retention money held by the property developers amounted to RMB20,355,000 (31 December 2013: RMB14,749,400). The following is an ageing analysis of trade receivables presented based on the invoice date, which approximated the respective revenue recognition date:

	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
0 - 30 days	**128,766**	152,032
31 - 90 days	**64,862**	56,416
91 - 180 days	**20,728**	34,770
181 - 365 days	**34,704**	23,256
Over 1 year	**31,042**	28,797
	280,102	295,271

The bills receivables are aged within 180 days and have not yet been matured at 30 June 2014 and 31 December 2013 respectively.

The other receivables are unsecured, non-interest bearing and repayable on demand or within one year.

16. SHORT-TERM INVESTMENT

As at 30 June 2014, the Group's short-term investment mainly represents financial products issued by banks in the PRC, with expected but not guaranteed return ranging from 2.1% to 4.8% (31 December 2013: 2.3%) per annum, depending on the market prices of its underlying financial instruments, mainly comprised of bonds and debentures. The financial product is measured at fair value at the end of the reporting periods. The directors of the Company consider the fair value of the financial product approximate to its principal amount as at 30 June 2014 and 31 December 2013. No fair value change is recognised during the period ended 30 June 2014. The short-term investment was redeemed in July 2014 (31 December 2013: in January 2014) at the principal amount together with return which approximated the expected return.

17. PLEDGED BANK DEPOSITS/RESTRICTED BANK DEPOSITS/BANK BALANCES AND CASH

Bank balances carry interest at market rates ranging from 0.35% to 0.38% (31 December 2013: 0.35% to 0.38%) per annum. The pledged bank deposits carry interest rates ranging from 0.35% to 3.30% (31 December 2013: 0.35% to 3.05%) per annum.

Pledged bank deposits amounting to RMB400,000,000 (31 December 2013: RMB33,000) have been pledged to secure bills payable repayable within six months. Pledged bank deposits amounting to RMB17,010,000 (31 December 2013: RMB12,295,000) as at 31 December 2013 have been pledged to secure deposits for purchase of goods and services.

Restricted bank deposits amounting to RMB381,900,000 represent a financial product issued by a bank in the PRC, with a fixed return of 4% per annum. The bank deposits are irredeemable in the fixed three-month period from 16 April 2014 to 16 July 2014.

18. TRADE AND OTHER PAYABLES

	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Trade payables	**536,546**	686,745
Bills payable	**23,695**	8,070
Other payables	**50,231**	34,974
Other tax payables	**65,998**	63,233
Payroll and welfare payables	**42,759**	43,314
Advances from distributors	**183,821**	131,010
Deposits from distributors	**80,279**	68,139
Deferred income	**12,708**	25,158
Payables for acquisition for property, plant and equipment	**123,461**	93,988
Accrued expenses	**71,018**	83,902
	1,190,516	1,238,533

18. TRADE AND OTHER PAYABLES *(continued)*

The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period:

	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
0 - 30 days	**350,363**	337,429
31 - 90 days	**149,570**	218,390
91 - 180 days	**22,093**	109,982
181 - 365 days	**6,051**	10,579
Over 1 year	**8,469**	10,365
	536,546	686,745

The normal credit period on purchases of materials is 90 days to 180 days. The Group has financial risk management policies in place to monitor the settlement of payables.

Bills payable at 30 June 2014 and 31 December 2013 were aged within 180 days.

19. AMOUNTS DUE FROM/TO RELATED PARTIES AND SHAREHOLDERS

As at 30 June 2014, the trade portion of amounts due from related parties amounting to RMB227,000 (31 December 2013: RMB86,000). The non-trade balance is unsecured, interest-free and repayable on demand.

The normal credit period on trade with related parties is 180 days. The following is an aged analysis of the trade portion of amounts due from related parties presented based on the invoice date, which approximated the respective revenue recognition date at the end of the reporting period:

	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
0 - 30 days	**227**	86

19. AMOUNTS DUE FROM/TO RELATED PARTIES AND SHAREHOLDERS *(continued)*

All of trade portion of amounts due from related parties are within credit term.

The Group has not provided for impairment loss on the amounts due from related parties which are past due after considering the financial strength of these related entities.

As at 30 June 2014, the trade portion of amounts due to related parties amounting to RMB6,004,000 (31 December 2013: RMB18,678,000). There is no specific credit term granted by the related parties. The non-trade balances are unsecured, interest-free and repayable on demand.

The following is an aged analysis of trade portion of amounts due to related parties presented based on the invoice date at the end of the reporting period:

	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
0 - 30 days	**1,004**	8,593
31 - 90 days	**2,000**	2,276
91 - 180 days	**3,000**	3,130
181 - 365 days	**—**	4,679
	6,004	18,678

	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Amounts due from shareholders	**11**	11
Amounts due to shareholders	**69,288**	8,801
Amounts due to non-controlling shareholders of a subsidiary	**1,650**	10,503

The amounts due to shareholders represent dividend payable to shareholders.

These balances are non-trade, unsecured, interest-free and repayable on demand.

20. BANK BORROWINGS

	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Bank borrowings, secured	**1,016,430**	437,959
Carrying amount repayable:		
Within one year	**904,430**	350,967
More than one year, but not exceeding two years	**46,000**	60,992
More than two years but not more than five years	**66,000**	26,000
	1,016,430	437,959
Less: Amount due within one year shown under current liabilities	**(904,430)**	(350,967)
	112,000	86,992

The range of the effective interest rates on the Group's borrowings is as follows:

	30 June 2014 RMB'000	31 December 2013 RMB'000
Fixed-rate borrowings	**6.00% - 6.90%**	5.88% - 6.00%
Variable-rate borrowings	**6.88% - 7.21%**	6.88% - 7.40%

At 30 June 2014, variable-rate borrowings amounted to RMB152,000,000 (31 December 2013: RMB116,992,000). The borrowings bear interest rates based on benchmark interest rate from the People's Bank of China ("Benchmark Rate") plus, if applicable, a premium and expose the Group to cash flow interest rate risk. At 30 June 2014, fixed-rate borrowings amounted to RMB864,430,000 (31 December 2013: RMB320,967,000).

At 30 June 2014, secured bank borrowings include the discounting of (i) bills receivables from external trade customers amounted to RMB23,930,000 (31 December 2013: RMB47,967,000), and (ii) intra-group bills receivables amounted to RMB400,000,000 (31 December 2013: Nil), to banks with recourse.

All bank borrowings are denominated in RMB.

Bank borrowings at the end of each reporting period were secured by the pledge of assets and guarantees as set out in notes 24.

21. DEFERRED TAXATION

The following are the major deferred tax liabilities and assets recognised and movements thereon during the year:

Deferred tax assets	Impairment on inventories and receivables	Tax losses	Deferred income	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013 (audited)	15,507	11,297	8,090	34,894
Acquisition of subsidiaries (note 28)	1,753	—	—	1,753
Credit (charge) to profit or loss	5,153	5,954	(5,137)	5,970
At 30 June 2013 (audited)	22,413	17,251	2,953	42,617
At 1 January 2014 (audited)	**31,524**	**26,436**	**5,091**	**63,051**
Credit (charge) to profit or loss	**478**	**8,761**	**(2,357)**	**6,882**
At 30 June 2014 (unaudited)	**32,002**	**35,197**	**2,734**	**69,933**

Deferred tax liabilities	Fair value adjustment on acquisition of subsidiaries	Accelerated tax depreciation	Undistributed profits of subsidiaries	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013 (audited)	—	(2,777)	—	(2,777)
Addition on acquisition of subsidiaries (note 28)	(5,813)	—	—	(5,813)
Credit (charge) to profit or loss	—	318	(10,000)	(9,682)
At 30 June 2013 (audited)	(5,813)	(2,459)	(10,000)	(18,272)
At 1 January 2014 (audited)	**(5,046)**	**(2,141)**	**(30,140)**	**(37,327)**
Credit (charge) to profit or loss	**74**	**285**	**(8,881)**	**(8,522)**
At 30 June 2014 (unaudited)	**(4,972)**	**(1,856)**	**(39,021)**	**(45,849)**

21. DEFERRED TAXATION *(continued)*

The Group is not subject to PRC dividend withholding tax on the dividends paid prior to the completion of the Corporate Reorganization. Upon the completion of the Corporate Reorganisation, Dongpeng International (Hong Kong) Holdings Co.,Ltd. became a group entity and the immediate holding company of Foshan Hua Sheng Chang Ceramics Co.,Ltd.. Under the EIT Law of PRC, withholding tax of 10% is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. As at the end of the current interim period, the aggregate amount of taxable temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised amounted to RMB133,219,000 (31 December 2012: Nil).

No deferred tax liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

At the end of each reporting period, the Group has the following unrecognised unused tax losses:

	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Unused tax losses	**37,491**	23,409

No deferred tax asset has been recognised on these tax losses due to the unpredictability of future profit streams. The expiry dates of the above unrecognised tax losses are as follows:

	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Expiry date		
31 December 2016	**2,171**	2,171
31 December 2017	**5,504**	5,504
31 December 2018	**15,734**	15,734
31 December 2019	**14,082**	—
Total	**37,491**	23,409

Other than the above amounts, other unrecognised deductible temporary differences amounting to approximately RMB29,227,000 (31 December 2013: RMB25,523,000) as at 30 June 2014 mainly represent certain accrued rental expenses, accrued employees' and directors' emoluments. Due to the uncertainty on the availability of future profits, deferred tax assets are not recognised on these temporary differences. The Group had no other significant unrecognised deferred taxation.

22. SHARE CAPITAL

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

	Notes	Number of shares	Amount in US$
Ordinary shares			
Authorised:			
At 31 December 2012 and 30 June 2013		49,700,000,000	49,700
Share consolidated on 5 November 2013	(iii)	(24,850,000,000)	—
At 31 December 2013 and 30 June 2014 at US$0.000002 each		24,850,000,000	49,700
Issued:			
Issue of new shares on 12 March 2012 and at 31 December 2012 and at 30 June 2013 at US$0.000001 each	(i)	1,800,000,000	1,800
Shares consolidated on 5 November 2013	(iii)	(900,000,000)	—
Conversion of Series A Shares	(iv)	97,552,800	195
Issuance of new shares upon initial public offering	(v)	249,400,000	499
31 December 2013 at US$0.000002 each		1,246,952,800	2,494
Issue of new shares on 25 June 2014 pursuant to the exercise of share options under Pre-IPO Share Option Scheme adopted on 31 October 2013 by directors		3,375,000	7
Issue of new shares on 25 June 2014 pursuant to the exercise of share options under Pre-IPO Share Option Scheme adopted on 31 October 2013 by employees		8,500,000	17
30 June 2014 at US$0.000002 each		1,258,827,800	2,518
		Equivalent to	RMB 15,000

22. SHARE CAPITAL *(continued)*

(i) On 12 March 2012, 1,800,000,000 shares were allotted and issued to its shareholders at par. These amounts had not been received from its shareholders at 31 December 2013 and 30 June 2014.

(ii) Pursuant to the resolutions in writing passed by the then shareholders of the Company on 31 October 2012, the authorised share capital of the Company was altered to US$50,000 divided into 49,700,000,000 ordinary shares of a par value of US$0.000001 each and 300,000,000 Series A Shares of a par value of US$0.000001 each. 195,105,600 Series A shares were issued on 21 June 2013.

(iii) Pursuant to the resolutions in writing passed by all the holders of ordinary shares and Series A Shares on 5 November 2013, every 2 existing issued and unissued ordinary shares of a par value of US$0.000001 each were consolidated into 1 ordinary share of a par value of US$0.000002, and every 2 existing issued and unissued Series A Shares of a par value of US$0.000001 each were consolidated into 1 Series A Share of par value of US$0.000002, such that after the consolidation, the authorised share capital of the Company became US$50,000 divided into 24,850,000,000 ordinary shares of a par value of US$0.000002 each and 150,000,000 Series A Shares of a par value of US$0.000002 each.

(iv) Pursuant to Series A Shares Agreement, the Series A Shares were automatically converted into ordinary shares upon a qualified initial public offering of ordinary shares.

(v) On 9 December 2013, the Company issued 249,400,000 shares of a par value of US$0.000002 each, at HK$2.94 each per share by way of public offering for a total gross proceeds of RMB 578,038,000 and the Company's shares became listed on the Main Board of the Stock Exchange.

23. SHARE-BASED PAYMENTS

(a) Pre-IPO share option scheme

Pursuant to a resolution passed on 31 October 2013, the Company offered to grant the Options which entitle the holders thereof to subscribe for a total of 47,500,000 Shares of the Company to the Directors and Employees of the Group subject to acceptance of the grantees (the "Grantees"), under the Scheme, which the Options would expire on 30 October 2023.

The table below discloses movement of the Company's share options held by the Group's employees:

	Number of share options
Outstanding as at 1 January 2014	47,500,000
Exercised during the period	11,875,000
Outstanding as at 30 June 2014	35,625,000

During the period, the Group recognised the expense of RMB34,889,000 in relation to the grant of the options by the Company.

23. SHARE-BASED PAYMENTS *(continued)*

(a) Pre-IPO share option scheme *(continued)*

The fair value was calculated using the Binomial model. The inputs into the model were as follows:

Share price at grant date (before share consolidation)	HK$1.4358
Exercise price	HK$0.005
Expected volatility	52.1%
Expected life	10 years
Risk-free rate	2.54%
Expected dividend yield	0%
Sub-optimal exercise factor	2.8

Expected volatility was determined by using the annualised standard deviation of historical share price daily movements of selected comparable companies in same industry. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised the share-based payments of RMB34,889,000 for the period ended 30 June 2014 and nil for the period ended 30 June 2013 respectively, in relation to share options granted by the Company.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in the computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

(b) Share option scheme

The principal terms of the share option scheme, approved by the shareholders' resolution passed on 5 November 2013, are substantially the same as the terms of the Pre-IPO Share Option Scheme and key items are set out below:

(i) The exercise price of the share options shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant option (and shall be stated in the letter containing the offer of the grant of the option), but in any case the exercise price shall not be less than the higher of (a) the closing price of the Shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a Business Day ("Offer Date"), (b) the average closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the five (5) Business Days immediately preceding the date of grant, and (c) the nominal value of a Share; and

(ii) the maximum number of shares in respect of which options may be granted shall not exceed 10% of the total number of shares in issue at the date of listing of the shares of the Company on the Main Board of the Stock Exchange; and

23. SHARE-BASED PAYMENTS *(continued)*

(b) Share option scheme *(continued)*

(iii) the maximum entitlement of each eligible participant in any 12-month period up to the date of offer to grant shall not exceed 1% of the shares in issue as at the date of offer to grant.

As at 30 June 2014, no options have been granted or agreed to be granted pursuant to the share option scheme. The share option scheme will expire on 5 November 2023.

24. PLEDGE OF ASSETS

The following assets were pledged to secure bank borrowings and banking facilities granted to the Group and related parties at the end of the reporting period:

	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Buildings	**147,538**	130,414
Equipment and machinery	**47,066**	50,998
Prepaid lease payments	**205,957**	136,109
Pledged bank deposits	**417,010**	12,328
	817,571	329,849

At 30 June 2014, secured bank borrowings include the discounting of (i) bills receivables from external trade customers amounted to RMB23,930,000 (31 December 2013: RMB47,967,000), and (ii) intra-group bills receivables amounted to RMB400,000,000 (31 December 2013: Nil), to banks with recourse.

25. OPERATING LEASES

At 30 June 2014, the Group had future minimum lease payments under non-cancellable operating leases in respect of leased properties and plant and equipment as follows:

	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Within one year	**74,536**	70,656
In the second to fifth years inclusive	**158,365**	118,992
After five years	**77,322**	124,136
	310,223	313,784

Operating lease payments represent rentals payable by the Group for certain of its office and warehouse premises and plant and equipment. Leases are negotiated for terms ranging from one to eighteen years. Rentals are fixed at the date of signing of lease agreements.

26. CAPITAL COMMITMENTS

	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided	**199,821**	147,045

27. RELATED PARTY TRANSACTIONS

During the period, other than those disclosed in other notes to the condensed consolidated financial statements, the Group entered into the following transactions with related parties:

		Six months ended 30 June	
		2014	2013
		RMB'000	RMB'000
Name of related party	**Relationship**	**(unaudited)**	(audited)
Purchases			
廣東東鵬陶瓷股份有限公司 Guangdong Dongpeng Ceramics	Controlled by Controlling Shareholders	**—**	3
清遠東鵬衛浴有限公司 Qingyuan Dongpeng Bathroom Products Co., Ltd.	Controlled by certain members of Controlling Shareholders	**—**	8,789
佛山東鵬潔具股份有限公司 Dongpeng Sanitary Ware*	Controlled by certain members of Controlling Shareholders	**—**	4,479
佛山華盛昌陶藝文化傳播有限公司 Foshan Huashengchang Cultural Transmission Co., Ltd.	Controlled by certain members of Controlling Shareholders	**195**	—
Sales			
佛山市大唐合盛陶瓷有限公司 Foshan Datanghesheng Ceramics Co., Ltd.	Controlled by certain members of Controlling Shareholders	**—**	4,303
清遠東鵬衛浴有限公司 Qingyuan Dongpeng Bathroom Products Co., Ltd.	Controlled by certain members of Controlling Shareholders	**—**	1,396
佛山華盛昌陶藝文化傳播有限公司 Foshan Huashengchang Cultural Transmission Co., Ltd.	Controlled by certain members of Controlling Shareholders	**220**	—

27. RELATED PARTY TRANSACTIONS *(continued)*

		Six months ended 30 June	
		2014	2013
		RMB'000	RMB'000
Name of related party	**Relationship**	**(unaudited)**	(audited)
Rental expenses			
廣東東鵬陶瓷股份有限公司 Guangdong Dongpeng Ceramics	Controlled by Controlling Shareholders	**2,320**	2,332
山東嘉麗雅陶瓷股份有限公司 Shandong Jialiya Ceramics Co.,Ltd.	Controlled by certain members of Controlling Shareholders	**5,220**	6,000
湖南金鵬新型建材有限公司 Hunan Jinpeng New Building Materials Co., Ltd.	Controlled by certain members of Controlling Shareholders	**5,789**	5,513
東鵬陶瓷(清遠)有限公司 Qingyuan Dongpeng	Controlled by certain members of Controlling Shareholders	**—**	6,828

* Dongpeng Sanitary Ware Group was acquired by the Group on 31 May 2013.

(a) Guangdong Dongpeng Ceramics had provided guarantees to banks in respect of borrowings of the Group amounting to Nil and RMB70,000,000 as at 30 June 2014 and 31 December 2013 respectively.

Qingyuan Dongpeng had provided guarantees to banks in respect of borrowings of the Group amounting to Nil and RMB50,000,000 as at 30 June 2014 and 31 December 2013 respectively.

Jiang Yuehua and Tang Bo, the non-controlling shareholders of a subsidiary, had provided guarantees to banks in respect of borrowings of the Group amounting to RMB7,000,000 and Nil as at 30 June 2014 and 31 December 2013 respectively.

(b) Details of the balances with related parties at the end of the reporting periods are disclosed in the condensed consolidated statement of financial position and respective notes.

27. RELATED PARTY TRANSACTIONS *(continued)*

(c) The remuneration paid and payable to key management of the Company who include the directors of the Company and other members of other key management was as follows:

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(audited)
Directors' fee	**198**	—
Salaries and other benefits	**2,457**	1,930
Bonus	**—**	—
Retirement benefits scheme contribution	**108**	71
Share-based payments	**34,889**	—
	37,652	2,001

(d) The Group had used some relevant trademarks owned by Guangdong Dongpeng Ceramics for free during the six months ended 30 June 2014 and 2013.

(e) At 30 June 2014, future maximum lease payments to related parties whereby the Group acts as a lessee is as follows:

	30 June	31 December
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(audited)
Shandong Jialiya Ceramics Co., Ltd.		
Within one year	**10,440**	10,440
In the second to fifth years inclusive	**5,220**	10,440
	15,660	20,880

27. RELATED PARTY TRANSACTIONS *(continued)*

(e) *(continued)*

	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Hunan Jinpeng New Building Materials Co., Ltd.		
Within one year	**11,576**	11,576
In the second to fifth years inclusive	**49,242**	48,649
After five years	**6,382**	12,764
	67,200	72,989

	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Guangdong Dongpeng Ceramics		
Within one year	**4,650**	4,665
In the second to fifth years inclusive	**7,026**	9,331
	11,676	13,996

28. ACQUISITION OF SUBSIDIARIES

On 31 May 2013, the Group acquired Dongpeng Sanitary Ware Group from certain members of Controlling Shareholders for a cash consideration of RMB59,197,000. This acquisition has been accounted for using the acquisition method. Dongpeng Sanitary Ware Group is engaged in producing and sales of bathroom products. Dongpeng Sanitary Ware Group was acquired so as to continue the expansion of the Group's bathroom products operation.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	Fair value RMB'000
Property, plant and equipment	55,201
Prepaid lease payments	89,740
Deferred tax assets	1,753
Deposits for acquisition of property, plant and equipment	769
Inventories	99,925
Trade and other receivables	50,085
Tax recoverable	760
Amounts due from related parties-trade	6,207
Bank balances and cash	77,701
Trade and other payables	(143,522)
Amounts due to related parties-trade	(1,222)
Amounts due to related parties-non-trade	(110,766)
Amounts due to non-controlling interests	(1,650)
Bank borrowings	(60,000)
Deferred taxation liabilities	(5,813)
	59,168

28. ACQUISITION OF SUBSIDIARIES *(continued)*

The fair value of trade and other receivables at the date of acquisition amounted to RMB50,085,000. The gross contractual amounts of those trade and other receivables acquired amounted to RMB58,093,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to RMB8,008,000. Non-controlling interest are measured at their proportionate share of net assets acquired.

	RMB'000
Goodwill arising on acquisition:	
Consideration transferred	59,197
Add: non-controlling interest (30% in Foshan Gaoming Wenchang Furniture Co. Ltd.)	(29)
Less: net assets acquired	(59,168)
	—

	RMB'000
Cash inflow arising on the acquisition:	
Cash consideration	(59,197)
Add: bank balances and cash acquired	77,701
	18,504

Acquisition-related costs amounting to RMB50,000 have been excluded from the consideration transferred and have been recognised as an expense for the year ended 31 December 2013.

Included in the profit for the year is profit of RMB38,711,000,attributable to the additional business generated by Dongpeng Sanitary Ware Group. Revenue for the year includes RMB347,588,000, generated from Dongpeng Sanitary Ware Group.

Had the acquisition of Dongpeng Sanitary Ware Group been completed on 1 January 2013, total group revenue for the year would have been RMB3,505,525,000 and profit for the year would have been RMB341,531,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2013, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Dongpeng Sanitary Ware Group been acquired at 1 January 2013, the directors have calculated depreciation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

29. DISPOSAL OF A SUBSIDIARY

On 1 January 2013, the Group disposed of its 100% equity interest in Beijing Dongpeng Ceramics Technology Co. Ltd. to a group controlled by certain members of the Controlling Shareholders with a cash consideration of RMB1,000,000.

Analysis of asset and liabilities over which control was lost

	RMB'000
Property, plant and equipment	172
Inventories	1,555
Trade and other receivables	1,414
Bank balances and cash	30
Trade and other payables	(58)
Amounts due to related parties – trade	(9,478)
Net liabilities disposed of	(6,365)

Disposal of a subsidiary

	RMB'000
Consideration received	1,000
Net liabilities disposed of	6,365
Deemed contribution from owners	7,365

Net cash inflow on disposal of a subsidiary

	RMB'000
Consideration received in cash and cash equivalents	1,000
Less: cash and cash equivalent balances disposed of	(30)
	970

30. MAJOR NON-CASH TRANSACTIONS

During the six months ended 30 June 2013, consideration for acquisition of land use right of RMB22,500,000 was paid by two related parties on behalf of the Group and have been included in amounts due to related parties.

At 31 December 2012, bills receivables of RMB8,000,000 had been discounted with recourse to banks. During the six months ended 30 June 2013, the banks directly received the contractually entitled cash flows of RMB8,000,000 upon maturity of the discounted bills receivable from the Group's debtors as settlement of the related bank borrowings granted to the Group.

At 31 December 2013, bills receivables of RMB47,967,000 had been discounted with recourse to banks. During the six months ended 30 June 2014, the banks directly received the contractually entitled cash flows of RMB47,967,000 upon maturity of the discounted bills receivable from the Group's debtors as settlement of the related bank borrowings granted to the Group.

31. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 25 July 2014, Foshan Dongpeng Sanitary Ware Co., Ltd. (佛山東鵬潔具股份有限公司) ("Dongpeng Sanitary Ware", an indirect wholly-owned subsidiary of the Company) and Innoci International L.L.C. ("Innoci") entered into a cooperation agreement ("Cooperation Agreement") in relation to the acquisition of 62% equity interest in Guangzhou Yinai Sanitary Products Co., Ltd. (廣州藝耐衛浴用品有限公 司) ("Guangzhou Yinai"). Pursuant to the Cooperation Agreement, Dongpeng Sanitary Ware proposes to acquire 62% equity interests in Guangzhou Yinai by making capital contribution of RMB15,000,000.