Bolina

BOLINA HOLDING CO., LTD.
航標控股有限公司

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

Annual Report
2014



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Corporate Information

Board of Directors

Executive Directors

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

Independent Non-executive Directors

Mr. Tong Jifeng
Mr. Lin Shimao
Prof. So Wai-man, Raymond

Audit Committee

Mr. Lin Shimao *(Chairman)*
Prof. So Wai-man, Raymond
Mr. Tong Jifeng

Remuneration Committee

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

Nomination Committee

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

Chief Financial Officer and Company Secretary

Mr. Yuen Chi Wai, Stanley *FCPA*

Auditors

Ernst & Young, Certified Public Accountants

Legal Advisor

Herbert Smith Freehills

Head Office and Principal Place of Business in PRC

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

Place of Business in Hong Kong

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

Registered Office

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

Principal Share Registrar

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

Branch Share Registrar

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

Stock Code

The Stock Exchange of Hong Kong Limited: 1190

Company Website

www.bolina.cc

Financial Highlights

	2014 RMB'000	2013 RMB'000	% change
Revenue	**865,613**	913,286	(5.2)%
Gross profit	**376,837**	427,364	(11.8)%
Profit for the year attributable to owners of the parent	**165,880**	211,274	(21.5)%
Earnings per share attributable to ordinary equity holders of the parent	**RMB0.16**	RMB0.21	(23.8)%
Gross profit margin	**43.5%**	46.8%	
Net profit margin	**19.2%**	23.1%	

	31 December 2014 RMB'000	31 December 2013 RMB'000	
Total assets	**1,575,057**	1,449,592	8.7%
Net current assets	**788,168**	744,312	5.9%
Net assets	**1,000,766**	953,814	4.9%
Cash and cash equivalents	**969,208**	887,855	9.2%
Debt-to-Equity ratio	**35.8%**	33.1%	
Current ratio	**2.69**	2.60	

FACTORY PLANTS

Chairman's Statement

On behalf of the board of directors (the "Board") of Bolina Holding Co., Ltd. (the "Company" or "Bolina", and together with its subsidiaries, the "Group"), I am pleased to present the annual report of the Group for the year ended 31 December 2014.

Financial Results and Dividends

For the year ended 31 December 2014, the Group's revenue amounted to RMB865.6 million, down by 5.2% as compared with last year; net profit for the year amounted to RMB165.9 million, down by 21.5%; and the basic earnings per share was RMB0.16.

Despite the inferior than expected performance caused by slowdown of China's economic growth, the Group remained optimistic on its future business development. The Group has maintained very stable financial position and would like to continuously share the performance achievements with our shareholders, the Board proposed to declare a final dividend of HK$3.0 cents per share for the year ended 31 December 2014. Together with the 2014 interim dividend of HK$6.0 cents per share, total dividends for the year amounted to RMB71.9 million, representing 43.3% of the net profit for the year.

Development of Sanitary Ware Business

The Group's success in business development was based on accumulation of technology competence by providing high quality products through the ODM and OEM services to international brands. With first-hand access to the latest industry information on products, technology and market trend, thereby enabling us to maintain a competitive advantage over many of our competitors. The stable sales to international brands enabled us to maintain stable growth in business orders and revenue. Moreover, the strong recovery of the U.S. housing market has further increased customer demand for our products. For the year ended 31 December 2014, the revenue from America's market amounted to RMB322.8 million, representing 37.3% of the total revenue.

Leveraging on our successful experience in ODM and OEM businesses, we put in more effort to develop Bolina brand and retail strategy in 2008. Sanitary wares market in China is very fragmented, with low market share by each player, therefore the Group set up different distributors and points of sale throughout China, aiming at capturing more market share in different regions. As at 31 December 2014, the Group established 214 distributors and 550 points of sales. Meanwhile, the Group has set up four subsidiary companies as regional hubs including Tianjin, Wuhan, Foshan and Xi'an, in order to provide better support and supervision to the distributors nearby. The subsidiaries also have their warehouse to provide product source for the distributors and the points of sales nearby, which largely reduced their transportation costs and facilitated business operations.

Apart from relying on distributors to develop retail and local projects, the Group also established relationship with a number of national property developers. Although new buildings in China are still dominated by "unfurnished flats", we expect the proportion of furnished new flats will gradually increase especially in more developed regions.

During this year, the slowdown of China's economic growth was faster than expected. Even though there were not any further tightening policies, market sentiment had become more negative as a result of the tightening lending practices by the banks as well as the continued decrease in sales volume of residential properties in most of the cities, which had led to the contraction on consumer spending. Thus, the Group's own brand sales during the year was significantly impacted with sales of own branded products amounted to RMB514.2 million, down by 10.2% as compared to last year, and the average selling unit price of the own branded one-piece toilet fell by 12.1% to RMB521.3 as compared to last year. Sanitary ware industry in China has great potential, despite the domestic economic growth slowdown currently created huge impact to the industry, the Group believes that in the long run the continued economic growth as well as the increased level of urbanization will create housing demand which will bring sustainable development to the sanitary ware industry.

The Group also actively develops e-commerce platform, in addition to Tmall, Gome, JD.com, Suning, Amazon and other e-commerce platform to promote and sell Bolina's products, the Group also participated to build Zhangzhou's exclusive online platform named "Zhangzhou Made Online", which aimed to create the largest local online shopping mall for the promotion of local renowned and quality brands of "Made in Zhangzhou" nationally and globally. At the same time, this would also empower Bolina with new growth direction on e-commerce platforms.

On 25 August 2014, the Group and Western Pottery Group ("Western Pottery") entered into a strategic cooperation agreement to develop series of cooperation plans, including mutual business agents, where the Group is the exclusive agent for Western Pottery in China (including Hong Kong and Macau), while Western Pottery is exclusive agent for the Bolina brand in the U.S. market. By entering into the strategic cooperation agreement with Western Pottery, both parties will be able to make full use of the other party's advantages in technology, design and service in their respective home market, to further improve the quality of management, technology and sales, and to bring both brands into the high-end sanitary ware market in the PRC and the U.S..

Advantages in Zhangzhou

Zhangzhou is a coastal city with strategic location in the southernmost of Fujian province with rich port resources. Lean on Haixi Economic Zone, and followed by closer connection between Zhangzhou and Xiamen, more "Made in Zhangzhou" spring up, and become the economic engine of the city's sustained development. In recent years, Zhangzhou's annual GDP has surpassed RMB200 billion. Looking forward, Zhangzhou is planning to enhance the city's overall strength in different industries, to provide more support for listed enterprises, to promote sufficient market-based allocation of resources, and to deepen reform of land resource distribution. As one of the very few listed companies in Zhangzhou, good development trend of the city will certainly bring precious opportunities and rich soil for the Group to bloom.

Following the establishment of Zhangzhou's exclusive "Zhangzhou Made Online" platform in year 2014, the Group will acquire 70% interest in the Yudeyuan project through the acquisition of the equity interest in Fujian Yudeyuan Property Company Limited at a consideration of RMB172.2 million. The project relates to the only large plaza complex in Changtai County of Zhangzhou City. The local government of Zhangzhou has been attaching extra value to the people's livelihood and well-being and has been increasing the deployment of resources in various projects in relation thereto. Yudeyuan's plaza complex is designated as one of the "Top Ten Projects

for the People's Welfare" in Zhangzhou, therefore Yudeyuan's plaza complex project has been granted a string of preferential and favourable investment policies by the local government, whereby the investment return for this project is expected to be effectively promoted. The acquisition of Yudeyuan is undoubtly another important business initiative by leveraging on Bolina's distinct advantage in Zhangzhou. Participation in such economic development project supported by the local government also demonstrates Bolina's strength in the Zhangzhou area.

Outlook

The Group anticipates that domestic economic structural optimization will be continued in 2015, the government's adjustment policy will put more emphasis on long-term mechanism in the property sector to allow flexibility in applying tightening measures for the property market, with first-tier cities maintaining tight controls while second- and third-tier cities are able to adjust policies to local conditions in order to maintain growth for China property market. According to the release of "National New Urbanization Plan (2014-2020)" released in March 2014, China's development objective is to promote the urbanization of the farmer population, enhance the urbanization planning, improve urban sustainable development capacity, with a target to increase the population urbanization rate to approximately 60% by 2020. In addition, the government began to launch a series of policies that have positive influence on the property market since the end of year 2014. As such, the Group is confident that the long-term development potential of the Chinese sanitary ware market is huge, however, in the near term, the weakening of consumer spending sentiment as a result of the unstable property market caused by the structural adjustments in the economy will have an impact to the China sanitary ware industry. As one of the strongest players in the industry, the Group differentiates itself from other sanitary ware manufacturers in China by having a large scale of exporting ODM and OEM products to many well-known international brands, which contributed to the Group's stable revenue growth every year. Sizeable and stable revenue from export business has provided the Group a strong support in particular at times when the domestic economy is volatile.

With excellence in innovative technology, distinguished product quality, very competitive price positioning, as well as the distinctive strategical mindset, the Group is confident to achieve sustainable business development and accomplish good performance. Finally, I, together with the Board, would like to thank all our shareholders, management and staff, for their support and contribution to the Group.

Management Discussion and Analysis

During the year, the slowdown of China's economic growth was faster than expected, the resulting contraction in consumer spending had led to the Group's inferior performance in the domestic market. However, the Group remained strong financial position contributed by the solid support of the sizeable and stable ODM/OEM revenue stream from international renowned customers.

The Group continued to obtain many recognitions, which proved the strengthening brand awareness. The recognitions that the Group has been awarded include China Well-Known Sanitary Wares Brand, 2014 Top Ten Bath Brand, 2014 Top Ten Enterprises of Kitchen & Bath, 2014 Property Project Excellent Suppliers, etc.. The Group was also ranked the 46th in 2015 Forbes China Top 100 Listed Up-and-Comers Chart.

Business Review

In 2014, the Group's revenue reached RMB865.6 million, decreased by 5.2% as compared with last year; and profit attributable to ordinary equity holders of the Company reached RMB165.9 million, down by 21.5% as compared with last year.

Sales Volume

For the year ended 31 December 2014, the Group's sales volume was approximately 4.7 million units. The Group is one of the largest domestic ceramic sanitary ware brands in China's mid-to-high end ceramic sanitary ware market in terms of retail sales.

Production

The Group manufactures ceramic sanitary ware products at its production facilities in Zhangzhou, Fujian Province, the PRC. The Group's annual designed production capacity was 4.9 million units for the year ended 31 December 2014 with 5 production lines, which is one of the largest manufacturers of ceramic sanitary products in the PRC in terms of designed production capacity.

Distribution Network

The Group was dedicated to the third party distributor model and continued to improve operation capacity and quality of the distribution network, to standardize distribution network governance, to promote differentiated operation innovation, to improve the quality of the network operation team and to optimize the existing network layout. The Group's distribution network, comprising 214 distributors operating 550 points of sales as at 31 December 2014.

The Group has 4 regional hubs in the form of subsidiaries including Tianjin, Wuhan, Foshan and Xi'an as at 31 December 2014, which is very important to promote the overall expansion strategy in domestic market. They provide supporting platforms for business development and service assurance, enable the Group to provide services and supports responding to the market more timely and efficiently for the regions close by the respective hubs.

Business Channel

In addition to the sales through distributors, the Group continued to develop direct sale business with national property developers during the current year. The Group anticipates the direct sale business will become a key revenue stream to the Group when furnished flats become more popular in the future.

Moreover, the Group has further attempted to expand the self-owned brand business in the overseas market and entrusted an agent in U.S. to accelerate the opening of the U.S. market. Furthermore, we started to promote and sell products of our own brand on e-commerce platforms as well.

Business Review *(continued)*

Brand Building

After the Group had become the first listed company in China's ceramic sanitary industry, Bolina was awarded as the Chinese Famous Brand, Top Ten Popular Brand in Sanitary Industry and Outstanding Enterprises, etc. – which have significantly increased Bolina's brand recognition. In 2014, the Group continued to strengthen the brand image of Bolina by expanding the points of sales and through the appointment of celebrity as our brand ambassador. Furthermore, the direct sale business with national property developers, promotion and sales on e-commerce platforms and promotion of our own brand in overseas market will help to further increase brand awareness and promote the overall expansion strategy of Bolina in both domestic and overseas markets.

Use of Net Proceeds from the Company's Initial Public Offering

The net proceeds from the Company's initial public offering in 2012 after deducting underwriting commissions and related expenses amounted to approximately HK$427.9 million (including the net proceeds from issue of additional shares pursuant to exercise of over-allotment option). Up to 31 December 2014, the Group has used part of the net proceeds pursuant to the initial public offering as follows:

	Actual net proceeds from initial public offering HK$ million	Amount utilized up to 31 December 2014 HK$ million	Balance as at 31 December 2014 HK$ million
Enhancement of sales and marketing force	**107.0**	**107.0**	**–**
Construction of production facilities	**192.5**	**153.1**	**39.4**
Acquisition of sanitary ware manufacturers or facilities	**64.2**	**–**	**64.2**
Research and development	**21.4**	**21.4**	**–**
Working capital and other general corporate use	**42.8**	**42.8**	**–**
Total	**427.9**	**324.3**	**103.6**

Outlook

As one of the strongest players in the industry, the Group sells own branded products in China through 550 points of sales, as well as having a large scale of exporting ODM and OEM products to renowned international brands. Going forward, the Group will put in more effort to expand the own branded business in China and overseas markets, and strive to create sustainable revenue growth.

Financial Review

For the year ended 31 December 2014, revenue of the Group was RMB865.6 million, down by 5.2% as compared with the year of 2013.

For the year ended 31 December 2014, gross profit of the Group was RMB376.8 million, down by 11.8% as compared with the year of 2013; profit attributable to the ordinary equity holder of the Company amounted to RMB165.9 million, down by 21.5% from RMB211.3 million for the year of 2013.

Financial Review *(continued)*

Revenue

The following table sets out the Group's revenue derived from its different product categories during the years ended 31 December 2014 and 2013:

	Year ended 31 December			
	2014		2013	
	RMB'000	**%**	RMB'000	%
Ceramic sanitary ware products				
One-piece toilets	**362,940**	**42.0**	416,933	45.6
Two-piece toilets (with water tanks)	**321,350**	**37.1**	303,932	33.3
Washbasins and stands	**48,144**	**5.6**	43,933	4.8
Other ceramic products (including urinals and bidets)	**28,064**	**3.2**	36,257	4.0
Sub-total	**760,498**	**87.9**	801,055	87.7
Non-ceramic sanitary products	**105,115**	**12.1**	112,231	12.3
Total	**865,613**	**100.0**	913,286	100.0

The following tables set out the breakdown of the Group's revenue by sale channels during the years ended 31 December 2014 and 2013:

	Year ended 31 December			
	2014		2013	
	RMB'000	**%**	RMB'000	%
Branded products				
Distributors	**496,775**	**57.4**	565,729	61.9
Direct sales in the PRC	**14,347**	**1.6**	5,867	0.7
Direct sales to overseas customers	**3,046**	**0.4**	902	0.1
Sub-total	**514,168**	**59.4**	572,498	62.7
Non-branded products				
ODM	**300,362**	**34.7**	203,365	22.3
OEM	**51,083**	**5.9**	137,423	15.0
Sub-total	**351,445**	**40.6**	340,788	37.3
Total	**865,613**	**100.0**	913,286	100.0

Financial Review *(continued)*

Revenue *(continued)*

The following table sets out the breakdown of the revenue derived from the Group's branded products to distributors per category of city in the PRC during the years ended 31 December 2014 and 2013:

	Year ended 31 December			
	2014		2013	
	RMB'000	**%**	RMB'000	%
First-tier cities	**43,620**	**8.7**	42,865	7.6
Second-tier cities	**96,693**	**19.5**	142,035	25.1
Third-tier and other cities	**356,462**	**71.8**	380,829	67.3
Total	**496,775**	**100.0**	565,729	100.0

Revenue derived from the Group's branded products decreased from RMB572.5 million for the year ended 31 December 2013 to RMB514.2 million for the year ended 31 December 2014. The decrease in revenue was mainly attributable to the decrease in average selling price.

Revenue derived from the Group's ODM and OEM products increased from RMB340.8 million for the year ended 31 December 2013 to RMB351.4 million for the year ended 31 December 2014. The increase was primarily attributable to the stable revenue stream from the America's market.

The following tables set out breakdown of the Group's revenue by product category and by business segment during the years ended 31 December 2014 and 2013:

Own branded products

	Year ended 31 December 2014			Year ended 31 December 2013		
Products	**Units**	**Average price RMB**	**Revenue RMB'000**	Units	Average price RMB	Revenue RMB'000
Two-piece toilets (with water tanks)	**28,159**	**102.0**	**2,871**	34,950	86.0	3,004
One-piece toilets	**662,268**	**521.3**	**345,259**	668,615	592.8	396,331
Washbasins and stands	**363,550**	**93.5**	**34,000**	307,993	99.1	30,530
Other ceramic products (including urinals and bidets)	**217,327**	**125.7**	**27,321**	269,071	115.4	31,039
Non-ceramic sanitary products	**645,548**	**162.2**	**104,717**	718,851	155.2	111,594
Total	**1,916,852**	**268.2**	**514,168**	1,999,480	286.3	572,498

Financial Review *(continued)*

Revenue *(continued)*

ODM products

Products	Year ended 31 December 2014 Units	Average price RMB	Revenue RMB'000	Year ended 31 December 2013 Units	Average price RMB	Revenue RMB'000
Two-piece toilets (with water tanks)	**2,152,429**	**127.3**	**273,977**	1,349,264	132.0	178,081
One-piece toilets	**38,504**	**459.2**	**17,681**	54,253	379.7	20,602
Washbasins and stands	**111,314**	**77.5**	**8,627**	62,627	73.2	4,587
Other ceramic products (including urinals and bidets)	**342**	**105.3**	**36**	1,585	59.9	95
Non-ceramic sanitary products	**2,750**	**14.9**	**41**	–	–	–
Total	**2,305,339**	**130.3**	**300,362**	1,467,729	138.6	203,365

OEM products

Products	Year ended 31 December 2014 Units	Average price RMB	Revenue RMB'000	Year ended 31 December 2013 Units	Average price RMB	Revenue RMB'000
Two-piece toilets (with water tanks)	**363,404**	**122.5**	**44,502**	1,073,146	114.5	122,847
Washbasins and stands	**88,033**	**62.7**	**5,517**	145,037	60.8	8,816
Other ceramic products (including urinals and bidets)	**4,869**	**145.2**	**707**	48,780	105.0	5,123
Non-ceramic sanitary products	**11,330**	**31.5**	**357**	17,334	36.7	637
Total	**467,636**	**109.2**	**51,083**	1,284,297	107.0	137,423

Financial Review *(continued)*

Gross Profit and Gross Profit Margin

Gross profit decreased by RMB50.6 million, or 11.8%, from RMB427.4 million for 2013 to RMB376.8 million for 2014. Overall gross profit margin decreased from 46.8% for 2013 to 43.5% for 2014.

For 2014 and 2013, the Group's gross profit and gross profit margin by business segment was as follows:

	2014		2013	
	Gross profit RMB'000	**Gross profit margin %**	Gross profit RMB'000	Gross profit margin %
Branded products	**260,423**	**50.6**	312,979	54.7
ODM	**100,069**	**33.3**	71,971	35.4
OEM	**16,345**	**32.0**	42,414	30.9
Total	**376,837**	**43.5**	427,364	46.8

Selling and Distribution Expenses

Selling and distribution expenses increased by RMB8.4 million, or 11.2%, from RMB75.0 million for 2013 to RMB83.4 million for 2014. The increase was mainly attributable to the increase of various selling and distribution expenses in relation to the increase of points of sales.

Administrative Expenses

Administrative expenses decreased by RMB0.6 million, or 0.9%, from RMB69.4 million for 2013 to RMB68.8 million for 2014. This was mainly attributable to the effort to tighten the control of spending in various administration expenses.

Finance Costs

Finance costs represent interest expense on bank and other borrowings of the Group. For the year ended 31 December 2014, finance costs increased by RMB3.7 million, or 26.4%, from RMB14.0 million for 2013 to RMB17.7 million for 2014. This was mainly attributable to the increase in loan balances.

Financial Review *(continued)*

Net Profit and Net Profit Margin

For the year ended 31 December 2014, profit attributable to ordinary equity holders of the Company amounted to RMB165.9 million, representing a decrease of 21.5% as compared to previous year (2013: RMB211.3 million). Net profit margin for the year ended 31 December 2014 was 19.2% (2013: 23.1%) with basic earnings per share of RMB16 cents (2013: RMB21 cents).

Gearing Ratio

Gearing ratio is calculated by dividing total interest-bearing debts by total equity. The Group's gearing ratios as at 31 December 2014 was 35.8% (31 December 2013: 33.1%). The gearing ratio increased in 2014 primarily due to the increase in bank loans and the decrease of equity as a result of the share repurchases by the Company during the year.

Major Investments and Disposal

As at 31 December 2014, the Group had no material investment expenditure or disposal.

Capital Expenditure

The Group's capital expenditures were incurred primarily in connection with purchases of property, plant and equipment and leasehold improvement payments. The Group's capital expenditures were RMB21.8 million for 2014, mainly in connection with construction of the sixth production line.

Operating Lease Arrangements

The Group leases certain properties, plant, equipment and land under operating lease arrangement for terms ranging from 1 to 17 years. As at the dates indicated below, the Group had total future minimum lease payments under non-cancellable operating leases of property, plant, equipment and land falling due as follows:

	As at 31 December 2014 RMB'000	As at 31 December 2013 RMB'000
Within 1 year	**15,908**	19,039
After 1 year but within 5 years	**36,162**	45,239
After 5 years	**4,333**	12,333
Total	**56,403**	76,611

Financial Review *(continued)*

Commitments

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

	As at 31 December 2014 RMB'000	As at 31 December 2013 RMB'000
Contracted, but not provided for property, plant and equipment and prepaid land lease prepayments	**75,286**	16,181
Authorised, but not contracted for property, plant and equipment	**82,769**	268,677
Total	**158,055**	284,858

The Group's capital commitments as at 31 December 2014 were primarily related to the construction of the sixth production line.

Financial Resources and Liquidity

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

As at 31 December 2014, cash and cash equivalents of the Group amounted to RMB969.2 million, which was mainly denominated in RMB and US dollar.

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

	2014 RMB'000	2013 RMB'000
Net cash flows from operating activities	**173,159**	249,035
Net cash flows used in investing activities	**(6,440)**	(38,824)
Net cash flows used in financing activities	**(83,914)**	(116,097)
Net increase in cash and cash equivalents	**82,805**	94,114
Cash and cash equivalents at beginning of year	**887,855**	789,822
Effect of foreign exchange rate changes, net	**(1,452)**	3,919
Cash and cash equivalents at end of year	**969,208**	887,855

Financial Review *(continued)*

Financial Resources and Liquidity *(continued)*

Net cash flows from operating activities

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

In 2014, the Group's net cash flow from operating activities was RMB173.2 million. The decrease in net cash inflow compared to 2013 was primarily due to the decrease in profit before tax and increase in tax expenditure.

Net cash used in investing activities

In 2014, the Group's net cash used in investing activities was RMB6.4 million, consisting primarily of purchase of property, plant and equipment.

Net cash used in financing activities

In 2014, the Group's net cash used in financing activities was RMB83.9 million consisting primarily of payment of dividends, shares repurchased and loan interest expense.

Set out below is an analysis of bank and other borrowings of the Group:

	As at 31 December 2014 RMB'000	As at 31 December 2013 RMB'000
Secured	**272,304**	262,867
Guaranteed	**25,000**	23,000
Unsecured	**60,595**	30,000
Total	**357,899**	315,867

	As at 31 December 2014 RMB'000	As at 31 December 2013 RMB'000
Fixed interest rate	**178,078**	174,967
Floating interest rate	**179,821**	140,900
Total	**357,899**	315,867

Financial Review *(continued)*

Financial Resources and Liquidity *(continued)*

Net cash used in financing activities *(continued)*

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

As at 31 December 2014, the Group had banking facilities of RMB278.9 million and USD28.7 million. The amount of utilized banking facilities was RMB229.1 million and USD27.8 million. The unutilized banking facilities was RMB49.8 million and USD0.9 million.

Trade Receivables Turnover Days

Trade receivables primarily comprise amounts to be received from the sale of sanitary ware products to overseas customers. The Group's trade receivables amounted to RMB120.2 million and RMB86.5 million as at 31 December 2014 and 31 December 2013, respectively. The Group's average trade receivable turnover days were 44 days and 29 days for 2014 and 2013 respectively. The increase in trade receivables turnover days was primarily due to the longer credit terms offered to certain overseas customers.

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

For 2014 and 2013, there was no material provision for doubtful debts.

Trade Payables Turnover Days

The Group's trade payables primarily arose from the purchases of toilet lids and water tank fittings, packaging material and raw materials for its production activities. The Group had trade payables of RMB94.9 million and RMB65.1 million as at 31 December 2014 and 31 December 2013, respectively. The Group's average payables turnover days were 60 days and 36 days for 2014 and 2013, respectively. The increase in the trade payables turnover days was primarily due to the longer credit terms offered by certain suppliers.

Inventory Turnover Days

The Group's inventories increased from RMB90.1 million as at 31 December 2013 to RMB98.8 million as at 31 December 2014. The Group's average inventory turnover days were 71 days and 61 days for 2014 and 2013, respectively. The increase in inventory turnover days was primarily due to the delay in delivery of certain finished products, leading to the relatively higher level of inventories as at 31 December 2014.

Financial Review *(continued)*

Bank Borrowings and Other Borrowings

As at 31 December 2014, the balance of the Group's bank loans and other borrowings was RMB357.9 million, up by RMB42.0 million or 13.3% from that of RMB315.9 million as at 31 December 2013.

Certain of the Group's bank loans are secured by: (i) mortgages over the Group's prepaid land lease payments situated in Mainland China, which had aggregate carrying values of approximately RMB11.8 million and RMB12.1 million as at 31 December 2014 and 31 December 2013, respectively; (ii) mortgages over the Group's buildings, which had aggregate carrying values of approximately RMB75.7 million and RMB80.0 million as at 31 December 2014 and 31 December 2013, respectively; (iii) mortgages over the Group's forward letters of credit which amounted to RMB21.8 million and RMB7.2 million as at 31 December 2014 and 31 December 2013, respectively; and (iv) mortgages over the Group's pledged bank balances which amounted to RMB130.0 million and RMB129.8 million at 31 December 2014 and 31 December 2013.

Risks of Foreign Exchange

The Group has transactional currency exposure. Such exposure mainly arises from sales transactions denominated in United States dollars. The Group regularly monitors its foreign exchange exposure and will consider the need to hedge against significant foreign currency exposure where appropriate. The Group entered into one foreign currency forward contract in 2014 to hedge against fluctuations in the foreign currency.

Contingent Liabilities

As at 31 December 2014, neither the Group nor the Company had any significant contingent liabilities.

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

As at 31 December 2014, the Group did not conduct any material acquisitions and disposals of subsidiaries and associated companies.

Events after the Reporting Period

(a) On 9 February 2015, the Company received a counterclaim and impleader complaint ("Counterclaim") which was filed by Gerber Plumbing Fixtures, LLC ("Gerber") and Globe Union Industrial Corp. ("GUIC"), the indirect parent company of Gerber, with the Circuit Court of Cook County of the State of Illinois, United States, against Zhangzhou Wanhui Sanitary Ware Co., Ltd. ("Wanhui"), which is one of the PRC subsidiaries of the Company, and the Company in respect of transactions conducted under certain trade agreements with respect to the production and sales of sanitary ware goods by Wanhui. For details of this legal proceeding, please refer to the announcement made by the Company pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") on 17 February 2015.

(b) On 30 January 2015, the Group entered into the Sale and Purchase Agreement with Fujian Wanhui Investment Company Limited ("Wanhui Investment") to acquire the Sale Interest in Fujian Yudeyuan Property Company Limited ("Yudeyuan") at the consideration of RMB172.2 million. Yudeyuan holds the land use right of the Yudeyuan Property. After the Completion, the Group will hold 70% of the total equity interest in Yudeyuan and therefore Yudeyuan will become the subsidiary of the Company. For details of this acquisition, please refer to the announcement made by the Company pursuant to the Listing Rules on 30 January 2015 and the circular pursuant to the Listing Rules issued on 17 February 2015.

Employees and Remuneration

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

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

The Group reviews its remuneration policy annually. As at 31 December 2014, the Group had about 2,156 full-time employees, and their remuneration is determined with reference to market rates. No individual employee shall have the right to determine his/her own remuneration.

In addition to the basic remuneration, the Group also provided certain non-monetary benefits, such as training, to its employees. For 2014, the Group provided 1,645 hours of training in aggregate for about 507 person-times. The training courses covered areas such as industry development, marketing management, operation and management, laws and regulations, lean management, project management, finance, logistics, information technology, safe production and general working skills. These training further improved the management skills and professional standard of the management of the Group and enhanced the overall quality of the employees to cater to the Group's rapid developments; hence, improving the competitiveness of the Group.

Directors and Senior Management

BOARD OF DIRECTORS

Executive Directors

Mr. Xiao Zhiyong (肖智勇), aged 50, is the chairman, the chief executive officer, and an executive Director of our Company, and one of the co-founders of our Group. Mr. Xiao was appointed to our Board on 19 April 2011. He is responsible for the overall management, strategic planning and business development of our Group. Mr. Xiao co-founded our Group by establishing Zhangzhou Wanjia on 1 March 2002 and since then he has been the chairman of the board and the general manager of Zhangzhou Wanjia. He is also the co-founder and the general manager of Fujian Wanrong, and has been the chairman of the board and the general manager of Zhangzhou Wanhui since its establishment. Mr. Xiao has about 30 years of experience in the ceramics and sanitary ware products industries. Prior to the establishment of our Group, Mr. Xiao served as technician, engineer, deputy director of colour glazed pottery factory and the technology innovation department of 漳州建築瓷廠 (Zhangzhou Construction Ceramics Factory) from August 1985 to July 1997. He also served as deputy director of the engineering department, district manager and deputy general manager of Double Rhomb from July 1997 to January 2002.

Mr. Xiao is an experienced entrepreneur active in social affairs. He holds office as president for several committees and associations, including, 中國建築衛生陶瓷協會 (China Building Ceramic & Sanitary Ware Association) for the third standing committee of its sixth session, 漳州市企業與企業家聯合會 (Zhangzhou Association of Enterprises and Entrepreneurs) for the standing committee of its second session and 漳州市新經濟組織英才協會 (Zhangzhou Elite Association of New Economy Organisations) for the standing committee of its second session. Mr. Xiao is also the executive vice president of 福建水暖衛浴閥門行業協會 (Fujian Bathroom Plumbing Value Industry Association) for the standing committee of its third session, president of Zhangzhou APEC Commerce Association for the standing committee of its first session and honourable president of 漳州青年企業家協會 (Zhangzhou Young Entrepreneurs Association) for the standing committee of its eighth session. In 2008, he was named one of the fifth Zhangzhou Top 10 Outstanding Entrepreneurs (漳州市十大傑出青年企業家) by organisations including the China Communist Youth League (共青團漳州市委員會), and a Fujian Excellent Entrepreneur (福建優秀企業家) jointly by the 漳州市企業與企業家聯合會 (Fujian Association of Enterprises and Entrepreneurs) and Fujian Province Economic and Trade Commission. In March 2013, Mr. Xiao was awarded as the "Person of the Year" at the 9th Chinese Ceramic Pioneers List (第九屆中國陶瓷行業新銳榜). Mr. Xiao is also a deputy to the People's Congress of Fujian Province (福建省人民代表大會代表), a member of the Standing Committee of the People's Congress of Longwen District, Zhangzhou City (漳州市龍文區人民代表大會常委會委員) and a deputy to the People's Congress of Zhangzhou City (漳州市人民代表大會代表). Mr. Xiao completed studies at 上海建築材料工業學院 (Shanghai Construction Material Technical Institute) in July 1985 and a course in business administration at Southeast University (東南大學) in June 2001. Mr. Xiao is a Controlling Shareholder and the spouse of Ms. Ye.

Ms. Ye Xiaohong (葉曉紅), aged 44, is an executive Director of our Company and is responsible for our Group's finance and administrative management. She was appointed to our Board on 25 June 2012. Ms. Ye has over 22 years of experience in the finance and accounting profession. Ms. Ye joined our Group in 2003 and served as the manager of the finance department of Zhangzhou Wanjia from December 2003 and December 2006. Since January 2007, Ms. Ye has been the chief audit supervisor of Zhangzhou Wanjia. Before joining our Group, Ms. Ye was an accountant at 福建興業銀行漳州分行和漳州延北支行 (Zhangzhou Branch and Zhangzhou Yanbei Branch of Fujian Industrial Bank) from August 1990 to June 2002. Ms. Ye graduated from 福建金融管理幹部學院 (Fujian Institute of Financial Administrators) in June 2002 with a diploma in financial management and she has passed the medium level accounting examination as certified by the Ministry of Finance of the PRC. Ms. Ye is the spouse of Mr. Xiao.

Mr. Yang Qingyun (楊清雲), aged 44, is an executive Director of our Company and is responsible for our Group's human resources management and general operations. He was appointed to our Board on 25 June 2012. Mr. Yang joined our Group in July 2006 and since then he has served as assistant manager and manager of the finance department and general manager assistant of Zhangzhou Wanhui. Prior to joining our Group, Mr. Yang held several positions including accounting supervisor at 長泰聖源織帶有限公司 (Saint Source Webbing Co., Ltd.) from 1993 to 1998, and from 1999 to 2002 he was an accounting supervisor at 長泰鉅高工藝品公司 (Changtai Jugao Crafts Company). Mr. Yang was appointed as an accountant supervisor and deputy factory director at 長泰晶美文具公司 (Changtai Jingmei Stationery Company) from 2002 to 2006.

Mr. Lu Jianqing (陸劍慶), aged 46, was appointed as an executive Director of our Company on 25 June 2012. Mr. Lu has over 22 years of experience in the ceramics and sanitary ware products industries and is primarily responsible for product research and development at our Group. Mr. Lu was appointed as the manager of the technology department of Zhangzhou Wanjia in 2002. Since June 2008, he has served as manager of the technology department of Zhangzhou Wanhui. Mr. Lu started his career as a technician in the Zhangzhou Construction Ceramics Factory from August 1990 to January 1993. He was later employed by 漳州市陶瓷研究所 (Zhangzhou Ceramics Research Institute), a subsidiary of Double Rhomb, and has served as technician, assistant engineer, engineer and later deputy director from February 1993 to September 1999. Mr. Lu was an assistant to the general manager of sales head office for Double Rhomb's headquarters and from October 1999 to April 2000, and an assistant to the general manager for Double Rhomb's ceramics operating company from May 2000 to December 2001. Mr. Lu obtained a bachelor's degree in chemical engineering from Fuzhou University (福州大學) in 1990.

Independent Non-Executive Directors

Mr. Tong Jifeng (同繼鋒), aged 56, was appointed as an independent non-executive Director of our Company on 25 June 2012. Mr. Tong is currently working for China Building Materials Academy (中國建築材料科學研究總院) as the assistant to the president and the manager of the enterprise development department. Mr. Tong has more than 30 years of experience in the ceramics and building materials industries. He was employed by the Xianyang Research and Design Institute of Ceramics (咸陽陶瓷研究設計院) from February 1982 to August 1984, and held positions as its engineer, manager of its experimental factory and president of its design institute from August 1987 to April 1994. From May 1994 to March 2005, Mr. Tong served as senior engineer, director of the high technology ceramic institute and manager of the technology department in the China Building Materials Academy (中國建築材料科學研究總院). He was deputy chief engineer and director of technology management department of China National Building Materials Group Corporation from March 2005 to March 2010.

Mr. Tong currently holds office as a member of the standing committee of 中國建築材料聯合會科技教育委員會 (Science and Education Committee of China Building Material Federation), vice chairman of the ceramics division of 中國硅酸鹽學會 (China Silicate Society) for the standing committee of its sixth session, and chief officer of 建築衛生陶瓷專業委員會 (Professional Committee of Building and Sanitary Ceramics).

Mr. Tong received his bachelor's degree in July 1982 and a master's degree in inorganic non-metallic materials in July 1987 from South China University of Technology (華南理工大學). He and others have jointly published several articles and books in relation to contemporary construction ceramics, including "現代建築衛生陶瓷工程師手冊" (Handbook of Contemporary Building and Sanitary Ceramics for Engineers), "建材工業技術經濟學" (Building Materials Industry Technology Economics), and "綠色建材與建材綠色化" (Green Building Materials). He was rewarded the first prize in Science and Technology – 綠色奧運建築評估體系 (Assessment System for Green Building of Olympics) by the Beijing government in 2006.

Mr. Lin Shimao (林時茂), aged 51, was appointed as an independent non-executive Director of our Company on 25 June 2012. Mr. Lin has over 30 years experience in the accounting profession and the ceramics industry. He was the head of the finance division of 漳州建築瓷廠 (Zhangzhou Construction Ceramics Factory) from 1982 to 1994. He was the chief financial officer of 福建雙菱集團 (Fujian Double Rhomb Corporation) from 1995 to 2001 and was responsible for its financing and accounting matters. From 2002 to 2011, Mr. Lin was the chief financial officer of 廈門牡丹大酒樓有限公司 (Xiamen Peony Restaurant Co., Ltd) and 廈門牡丹國際大酒店有限公司 (Xiamen Peony International Hotel Co., Ltd.) where he implemented a new set of internal audit procedures and an enterprise resource planning system for the company. Mr. Lin was conferred with the qualification of accountant by the Ministry of Finance of the PRC on 31 December 1993.

Professor So Wai-man, Raymond (蘇偉文), aged 49, Justice of the Peace (JP), was appointed as an independent non-executive Director of our Company on 15 December 2014. Professor So is currently the Dean of School of Business and a Professor of Finance at the Hang Seng Management College. Professor So graduated from the Chinese University of Hong Kong with the BBA and MBA degree in 1988 and 1991 respectively, after which he went to the US for further studies. He graduated from Louisiana State University in 1997 with the PhD degree in Finance and from Tsinghua University in 2010 with the LLB degree. His research interests include international finance, global financial markets and corporate governance. The findings of his research have been presented at international academic conferences and published in reputable internationally refereed journals. Professor So is also the author of seven books. Apart from his academic endeavors, Professor So often gives in-depth analysis to major international media in respect of issues on Hong Kong and global financial market, and his commentaries and articles are often published in major financial media in Hong Kong. Meanwhile, Professor So actively participates in social affairs and serves at various public positions in relevant committees in areas such as housing, capital market and energy sectors.

SENIOR MANAGEMENT

Mr. Yuen Chi Wai, Stanley (袁志偉), aged 39, joined our Group in May 2011 and is the chief financial officer and the company secretary of our Group. He is responsible for the supervision of financial management, investor relations and company secretarial matters of our Group. Mr. Yuen has over 16 years of experience in auditing, corporate internal control, and financial and risk management. Prior to joining our Group, Mr. Yuen was an auditor in various international accounting firms with substantial working experience in Hong Kong, Beijing and Shenzhen. Mr. Yuen was appointed as an independent non-executive Director of Central China Securities Co., Ltd. (listed on Hong Kong Stock Exchange, stock code: 1375) since 4 June 2014. Mr. Yuen graduated from the University of New South Wales with a bachelor's degree in commerce in April 1998. He is a fellow member of the Hong Kong Institute of Certified Public Accountants as well as the Certified Public Accountants of Australia.

Mr. Zhao Chongkang (趙崇康), aged 57, is an executive deputy general manager of our Group, responsible for the overall management as well as the production operations of our Group. Mr. Zhao joined our Group in August 2007 and he has been a deputy general manager of Zhangzhou Wanhui since September 2010 and was a deputy general manager and the chief engineer of Zhangzhou Wanjia from August 2007 to September 2010. Mr. Zhao has over 30 years of experience in the ceramics and sanitary ware industries. Since 1982 Mr. Zhao has worked for several ceramics factories and companies including the 湖南省陶瓷廠 (Hunan Ceramics Factory), 湖南省建築陶瓷總公司 (Hunan Construction Ceramics Company) and 中國瓷都九州潔具廠 (China Jiuzhou Porcelain Capital Sanitary Wares Factory). Prior to joining our Group, he was a deputy general manager of the Chaozhou Xianghua Donglong Ceramic Co., Ltd. (廣東省潮州市翔華東龍瓷業有限公司) from October 2003 to January 2007. In addition, Mr. Zhao was appointed vice chairman of the national standing committee for the first session for the Chinese magazine "陶瓷" ("Ceramics") in February 2009 and he is a member of the science and education committee of the China Building Materials Federation (中國建築材料聯合會). Mr. Zhao graduated from South China University of Technology (華南理工大學) in January 1982. He is a senior engineer admitted by the Hunan provincial government.

Mr. Chen Zhiqiang (陳志強), aged 45, is a deputy general manager of our Group. Mr. Chen has been employed by our Group since its establishment and has been a deputy general manager of Zhangzhou Wanjia and an assistant general manager of Zhangzhou Wanhui since June 2009. Before joining our Group, Mr. Chen worked for Double Rhomb Sanitary Ware Company as a quality control person-in-charge and molding workshop officer from October 1997 to November 1999. From 1993 to July 1997 and November 1999 to January 2002 he worked for 寶盛漳州建陶有限公司 (Baosheng Zhangzhou Construction Ceramics Limited) as a technician, assistant manager of colour glazed pottery factory and assistant quality control manger. In December 2009, Mr. Chen was appointed as a member of the National Technical Committee on Building and Sanitary Ceramics of Standardization Administration of China (全國建築衛生陶瓷標準化技術委員會). He received his bachelor's degree in engineering from East China Institute of Chemical Technology (華東化工學院), also known as East China University of Science and Technology (華東理工大學), in July 1992. Mr. Chen is also a qualified engineer.

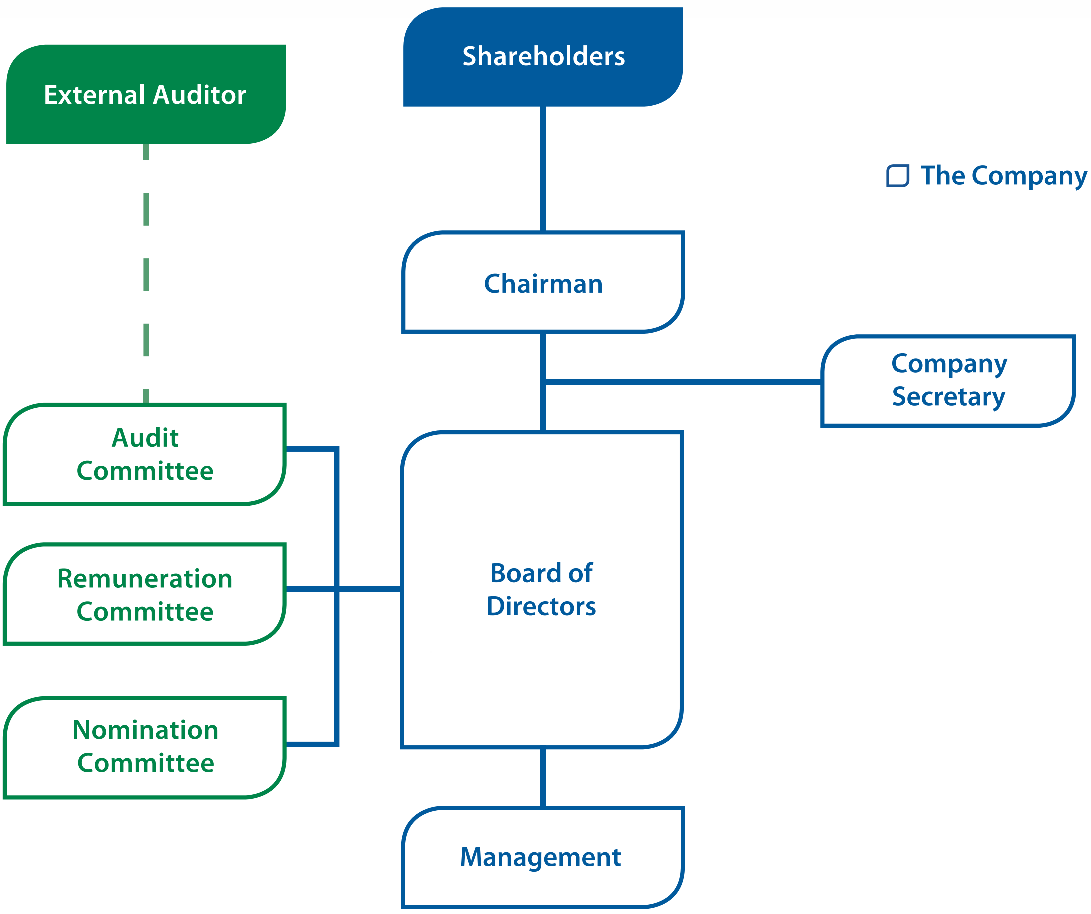
Mr. Zhu Jiaqin (朱甲欽), aged 46, is a deputy general manager of our Group. Since Mr. Zhu joined our Group in May 2002, he has been a manager of the product development department and production department and a deputy general manager of Zhangzhou Wanjia, and the manager of the production department of Zhangzhou Wanhui. Mr. Zhu has over 20 years of experience in the ceramics and sanitary ware industries and had worked for the 湖南省建築陶瓷廠 (Hunan Construction Ceramics Factory), 中國九州潔具廠 (China Jiuzhou Sanitary Wares Factory) and Huida Ceramic Group Co., Ltd. (惠達陶瓷集團股份有限公司). He is a qualified engineer in China.




Corporate Governance Report

The Board of Directors of the Company ("Board") aims to achieve a high standard of corporate governance and business ethics in pursuing its mission of becoming the market leader in the ceramic sanitary ware industry. The Group's ultimate goal is to maximize values for its shareholders and customers, and to provide opportunities for employees.

Corporate Governance Framework



CORPORATE GOVERNANCE CODE

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

Upon the listing of the Company on the Hong Kong Stock Exchange on 13 July 2012 ("Listing Date"), the Board adopted the code provisions (the "Code Provisions") of the Corporate Governance Code (the "Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as the guidelines for corporate governance of the Group, and has taken steps to comply with the Code wherever appropriate.

The Board is of the view that the Company has complied with the Code Provisions set out in the Code as contained in Appendix 14 to the Listing Rules for the year ended 31 December 2014, except for code provision A.2.1.

A. BOARD OF DIRECTORS

A1: Responsibilities and Delegation

The Board of Directors, led by the chairman, steers the Group's business direction. It is responsible for formulating the Group's long-term strategies, setting business development goals, assessing results of management policies, monitoring the management's performance and ensuring effective implementation of risk management measures on a regular basis.

The Board reserves for its decision all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All directors have timely access to all relevant information as well as the advice and services of the Company Secretary and senior management, with a view to ensuring compliance with Board procedures and all applicable laws and regulations. Any director may request independent professional advice in appropriate circumstances at the Company's expense, upon reasonable request made to the Board.

The senior management of the Company are delegated the authority and responsibilities by the Board for the day-to-day management and operation of the Group. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the senior management. The Board has the full support of the senior management to discharge its responsibilities.

A2: Attendance of Meetings of Board of Directors and General Meeting

The Board held four Board meetings during the year ended 31 December 2014:

(1) During the meeting held on 25 March 2014, the Board considered and approved (a) the annual report of the Group for the year ended 31 December 2013, the annual results announcement of the Group for the year ended 31 December 2013 and relevant authorisation in relation thereto; (b) declaration of final dividend of HK$7 cents per share for the year ended 31 December 2013; (c) arrangements for closure of register of members of the Company to determine the entitlement of shareholders to attend and vote at the annual general meeting for 2013 and to determine shareholders who qualify for the proposed final dividend as mentioned above; (d) the holding of the annual general meeting for 2013 on 30 May 2014; (e) the management representation letter to be issued to the Company's auditors; (f) the circular in relation to, inter alia, the annual repurchase mandate and issuance mandate; (g) rotation and re-election of Mr. Xiao Zhiyong, Mr. Tong Jifeng and Mr. Leung Ka Man as directors of the Company, and (h) the independence of the independent non-executive directors of the Company;

(2) During the meeting held on 20 June 2014, the Board conducted (a) the forecast of the business environment in the second half of the year; (b) the review of business strategy of the Group for the second half of the year; and (c) review of the business, financial and operational performance of the Company;

(3) During the meeting held on 31 August 2014, the Board considered and approved (a) the draft Interim Report and the draft Interim Results Announcement of the Group for the six months ended 30 June 2014, and their publication; (b) the declaration of the interim dividend for the six months period ended 30 June 2014; and (c) the adoption of a board diversity policy; and

(4) During the meeting held on 15 December 2014, the Board conducted (a) a review of the business operation of the Group for the second half of 2014; (b) a discussion on the development strategy of the Group for the year of 2015; (c) discussion on the preparatory work for the annual audit work for the financial year of 2014; and (d) appointment of Professor So Wai-man, Raymond as an independent non-executive Director of the Company.

During the reporting period, the attendances of Directors at the Board meeting are as follows:

Name of director	Expected Times of Attendance During the Year (times)	Actual times of attendance	Times of attendance by proxy	Times of Absence
Xiao Zhiyong	4	4	0	0
Ye Xiaohong	4	4	0	0
Yang Qingyun	4	4	0	0
Lu Jianqing	4	4	0	0
Tong Jifeng	4	4	0	0
Lin Shimao	4	4	0	0
Leung Ka Man	4	4	0	0

During the year ended 31 December 2014, the Company held its annual general meeting for 2013 details of which are as follows:

The Company's annual general meeting was held on 30 May 2014 at Park Lane Room VIII, 28/F, The Park Lane Hong Kong, 310 Gloucester Road, Causeway Bay, Hong Kong. The following ordinary resolutions were considered and approved at the meeting; (1) To receive and consider the audited financial statements and the reports of the directors and of the auditors for the year ended 31 December 2013; (2) To declare a final dividend for the year ended 31 December 2013; (3) To re-elect Mr. Xiao Zhiyong, Mr. Tong Jifeng and Mr. Leung Ka Man as directors, and to authorize the Board to fix the Directors' Remuneration; (4) To re-appoint Ernst & Young as auditors of the Company and to authorize the Board to fix their Remuneration; (5) To give a general mandate to the directors to repurchase the Company's shares not exceeding 10% of the aggregate nominal amount of the issued share capital of the Company; (6) To give a general mandate to the directors to issue, allot and deal with additional shares of the Company not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company, and (7) To extend the general mandate granted to the directors to issue, allot and deal with additional shares in the capital of the Company by the aggregate nominal amount of shares repurchased by the Company (For details of the relevant resolutions, please refer to the announcement published on HKExnews website of the Hong Kong Stock Exchange on that day). The said General Meeting was chaired by Chairman Xiao Zhiyong. The Directors of the Company, chairman of each board committee, senior management and auditor had attended such meeting and answered queries from the shareholders.

During the reporting period, the attendances of Directors at the general meeting are as follows:

Name of director	Mandatory times of attendance during the year	Actual times of attendance
Xiao Zhiyong	1	1
Ye Xiaohong	1	1
Yang Qingyun	1	1
Lu Jianqing	1	1
Tong Jifeng	1	1
Lin Shimao	1	1
Leung Ka Man	1	1

A3: Chairman and Chief Executive Officer

Code provision A.2.1 of the Code stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

Mr. Xiao Zhiyong currently holds the offices of Chairman and Chief Executive Officer of the Company. Mr. Xiao is the founder of the Group and has about 30 years of experience in sanitary ware products industry. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in Mr. Xiao provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business strategies and decisions.

The Board also considers that the current structure of vesting the roles of Chairman and Chief Executive Officer in the same person will not impair the balance of power and authority between the Board and the management of the Company. The Board shall review this structure from time to time to ensure appropriate and timely action to meet changing circumstances.

A4: Board Composition

The Board currently comprises 7 directors, including 4 executive directors and 3 independent non-executive directors ("INEDs"). Except for the appointment on 15 December 2014 of Mr. So Wai-man, Raymond and resignation on 12 January 2015 of Mr. Leung Ka Man (both as an independent non-executive Director of the Company), the composition of the Board has not undergone any changes since the listing of the Company on the Hong Kong Stock Exchange.

Details of the biographies of the directors are given under the section "Directors and Senior Management" of this Annual Report. Except that Ms. Ye is the spouse of Mr. Xiao as disclosed in this Annual Report, none of the directors or senior management is related to each other.

The INEDs, play an important role on the Board. Accounting for a significant portion of the Board members, they are experienced professionals in their respective fields. They are responsible for ensuring that the Board maintains high standards of financial and other mandatory reporting as well as providing adequate checks and balances for safeguarding the interest of the shareholders of the Company and the Group as a whole.

On 25 March 2014 and 31 August 2014, the Audit Committee of the Company met for two times. All the three members of the Audit Committee are independent non-executive Directors. They attended the meetings and delivered their opinions on relevant matters in both capacities, i.e. as members of the Audit Committee and as independent non-executive Directors.

During the reporting period, all independent non-executive Directors complied with the laws, regulations and the Articles of Association, and had sufficient time and energy to perform their duties; when making an independent judgment, the independent non-executive Directors were not affected by the substantial shareholders of the Company or any other entity or individual having an interest in the Company; and they endeavored to protect the interests of the Company and all minority shareholders.

The independent non-executive Directors actively participated in all the meetings of the Board. Among the members of the Audit Committee, the Nomination Committee and the Remuneration Committee, the Company has appointed the requisite number of independent non-executive Directors as required by their respective listing rules.

During the reporting period, no independent non-executive Directors raised any objections to any resolution of the Board or of any specialized committee.

During the year ended 31 December 2014, the Board at all times met the listing requirements of having at least 3 INEDs, and that at least one of them had appropriate professional qualifications in accounting or related financial management expertise. Pursuant to the Listing Rule 3.13, the Group has received a written confirmation from each INED on his independence to the Group. The Group considers all of the INEDs to be independent in accordance with the Listing Rules.

A5: Appointment, Re-election and Removal

Each director is engaged for a term of three years and is subject to re-election in accordance with the Company's Articles of Association.

According to the Company's Articles of Association, one-third of the directors for the time being (if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting provided that every director shall be subject to retirement at an annual general meeting at least once every three years. The above provision complies with the code provision A.4.2 of the Code, which stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. In addition, any new director appointed by the Board to fill a casual vacancy in the Board shall hold office only until the first general meeting after appointment, and any new director appointed by the Board as an addition to the Board shall hold office until the next following annual general meeting of the Company. The retiring directors are eligible for re-election by the shareholders at the respective general meetings.

At the forthcoming annual general meeting of the Company to be held on 18 June 2015 (the "2014 AGM"), Mr. Lu Jianqing, Mr. Lin Shimao, and Prof. So Wai-man, Raymond shall retire by rotation pursuant to the Company's Articles of Association. All the above three retiring directors, being eligible, will offer themselves for re-election at the 2014 AGM. The Board recommended their re-appointment. The Company's circular dated 30 April 2015 contains detailed information of the above three directors as required by the Listing Rules.

In addition, the Company's Articles of Association also contain provisions on the procedures and process of appointment and removal of directors.

A6: Remuneration Policy and Long-Term Incentive Plan

To attract and retain talent and caliber, the Group provides competitive remuneration packages to its executive directors and senior management. These comprise base monthly salary and bonuses. The remuneration payable to the directors are determined with reference to their duties and responsibilities with the Company and the market rate for the positions.

The remuneration package of executives is designed so that a proportion is structured to link rewards to corporate and individual performance, and to give incentives to executives to perform at the highest levels. Through job evaluation and job matching, the Group ensures the pay is internally equitable. Besides, the Group ensures external competitiveness of the pay through reference to market survey and data.

The non-executive directors' remuneration relates to the time commitment and responsibilities. They receive fees which comprise the directors' fee, which is usually paid monthly.

The fees and any other reimbursement or remuneration payable to the Directors are set out in note 8 to the financial statements. Emoluments of the senior management (by band) are set out in note 34 to the financial statements.

B. THE BOARD COMMITTEES

B1: Audit Committee

The Audit Committee is accountable to the Board and assists the Board in meeting its responsibilities in ensuring an effective and adequate system is in place for internal controls and for meeting its external financial reporting obligations and compliance with other legal and regulatory requirements. The Audit Committee also reviews and monitors the scope and effectiveness of the work of external auditors.

The Audit Committee is governed by its terms of reference, which have been adopted by the Board on 25 June 2012 pursuant to the Code. The terms of reference have been available on the Group's website at www.bolina.cc and on HKEx's website at http://www.hkex.com.hk since 13 July 2012.

The Audit Committee currently comprises 3 members, namely Mr. Lin Shimao, Prof. So Wai-man, Raymond and Mr. Tong Jifeng. Prof. So Wai-man, Raymond was appointed as a member of Audit Committee on 15 December 2014, Mr. Leung Ka Man had resigned as a member of Audit Committee on 12 January 2015. Mr. Lin Shimao is the chairman of the Audit Committee. The Audit Committee meets at least twice a year to review the Group's results.

During the reporting period, the Audit Committee met for two times:

Date of meeting	Matters considered at the meeting
25 March 2014	(1) reviewed the report to the Audit Committee arising from its auditing of annual results of the Group for the year ended 31 December 2013, as prepared by the auditors of the Company, Ernst & Young; (2) reviewed and approved the draft audited consolidated financial statements of the Group, draft audited annual results announcement and draft annual report for the year ended 31 December 2013, and recommended the same to the Board of the Company; (3) reviewed and evaluated the internal control system of the Company, and (4) approved the auditors' fee and discussed and re-appointed Ernst & Young as the auditors of the Group for 2014, and recommend the same to the Board of the Company.
31 August 2014	Review and approved the draft consolidated interim results of the Group for the six months ended 30 June 2014 and recommend the same to the Board of the Company.

Attendance of the members at the meetings of the Audit Committee:

Name of committee member	Times of Attendance/ Expected Times of Attendance
Lin Shimao	2/2
Tong Jifeng	2/2
Leung Ka Man	2/2

Overview of Audit Work of the Company:

The audit on the Company conducted by Ernst & Young in 2014 mainly consisted of the annual audit. During the annual audit, Ernst & Young carried out audit on assets, liabilities, equity as well as profit or loss items. In addition, they also carried out the same procedures on subsidiaries incorporated in the consolidated statements.

In order to successfully complete the audit on the 2014 Annual Financial Report of the Company and supervise Ernst & Young to issue relevant audit reports within the agreed period, the Audit Committee discussed with Ernst & Young about the audit plan, audit progress, audit findings as well as the review of the audit report.

On 31 March 2015, Ernst & Young issued the audit reports with an unqualified audit opinion within the scheduled time.

In addition, the Audit Committee conducted an annual appraisal of Ernst & Young. The Audit Committee is also responsible for reviewing the independence of Ernst & Young. The Audit Committee has received a written confirmation from Ernst & Young of their independence and objectivity prior to the audit of the Company's 2014 financial statements. Ernst & Young shall not offer any other non-audit service unless otherwise approved to ensure that their judgment and independence in the audit are not undermined. The Audit Committee of the Company was of the opinion that Ernst & Young conducted its independent audit on the 2014 Annual Financial Report of the Company in a diligent, fair and objective manner, and successfully completed the annual audit work. Therefore, the Audit Committee proposed to the Board that the Company shall continue to appoint Ernst & Young as the external auditors of the Company in 2015, to provide audit services and review services.

B2: Remuneration Committee

The Remuneration Committee was established in June 2012 pursuant to the requirements of the Code. It meets from time to time to make recommendations to the Board on the Group's policy and structure for all remuneration of directors, and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

The Remuneration Committee is governed by its terms of reference, which have been adopted by the Board on 25 June 2012 pursuant to the Code. The terms of reference have been available on the Group's website at www.bolina.cc and on HKEx's website at http://www.hkex.com.hk since 13 July 2012.

The Remuneration Committee now consists of 3 members (namely, Mr. Yang Qingyun (Chairman), Mr. Tong Jifeng and Mr. Lin Shimao), the majority of whom are INEDs, namely, Mr. Tong Jifeng and Mr. Lin Shimao.

The Remuneration Committee held three meetings during the reporting period:

Date of meeting	Matters considered at the meeting
25 March 2014	(1) reviewed and discussed the Company's policy and structure for the remuneration of directors and senior management of the Company, and (2) reviewed the remuneration for the directors of the Company for the year 2013 and the remuneration and bonus policy for the year 2014.
31 August 2014	reviewed and discussed (1) the remuneration system of the Company for directors and senior management; and (2) the implementation of relevant remuneration policies of the Company for the six months period ended 30 June 2014.
15 December 2014	reviewed and discussed the emoluments and appointment of Prof. So Wai-man, Raymond as an independent non-executive director of the Company.

Attendance of the members at the meetings of the Remuneration Committee:

Name of committee member	Times of Attendance/ Expected Times of Attendance
Yang Qingyun	3/3
Tong Jifeng	3/3
Lin Shimao	3/3

B3: Nomination Committee

The Nomination Committee was established in June 2012 pursuant to the requirements of the Code. It meets from time to time to consider matters regarding the nomination and/or appointment or re-appointment of director(s).

The Nomination Committee is governed by its terms of reference, which have been adopted by the Board on 25 June 2012 pursuant to the Code. The terms of reference have been available on the Group's website at www.bolina.cc and on HKEx's website at http://www.hkex.com.hk since 13 July 2012.

The Nomination Committee now consists of 3 members (namely, Mr. Xiao Zhiyong (Chairman), Mr. Tong Jifeng and Mr. Lin Shimao), the majority of whom are INEDs, namely, Mr. Tong Jifeng and Mr. Lin Shimao.

The Nomination Committee held three meetings during the reporting period:

Date of meeting	Matters considered at the meeting
25 March 2014	(1) reviewed and discussed the structure, size and composition of the Board of Directors of the Company; (2) reviewed and assessed the independence of the independent non-executive directors of the Company; (3) reviewed and recommended to the Board the re-election of Mr. Xiao Zhiyong, Mr. Tong Jifeng and Mr. Leung Ka Man as directors of the Company.
31 August 2014	reviewed and discussed (1) the composition of the board of directors of the Company; (2) the operation of nomination system for directors of the Company; and (3) the implementation of relevant nomination policies of the Company for the six months period ended 30 June 2014.
15 December 2014	reviewed and discussed the nomination and appointment of Prof. So Wai-man, Raymond as an independent non-executive director of the Company.

Attendance of the members at the meetings of the Nomination Committee:

Name of committee member	Times of Attendance/ Expected Times of Attendance
Xiao Zhiyong	3/3
Tong Jifeng	3/3
Lin Shimao	3/3

The Company values the diversity of the members of the Board. The Company has adopted a board diversity policy under which the Nomination Committee under the Board shall be responsible for reviewing the structure, size and composition (including but not limited to the skills, knowledge and experience of the Directors) of the Board on a regular basis and making recommendations to the Board regarding any proposed changes of the Board. Among the seven members of the Board, one director is female, two executive directors have been in the ceramic and sanitary ware products industry for over 20 years and thus have very rich industrial experiences, and the independent non-executive directors, with expertise in the areas of ceramics industry, accounting and finance, are in a good position to provide the Company with professional advice in various areas.

C. ACCOUNTS AND INTERNAL CONTROL

The Board is also responsible for the integrity of financial information. The directors acknowledge their responsibility for the preparation of the accounts for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period.

C1: Financial Reporting

Executive Directors are provided with a wide range of reports on daily, weekly and monthly intervals and are fully aware of the Company's latest performance, position and prospects. Non-executive Directors are provided with monthly financial updates to keep them apprised of the latest financial situation of the Company.

All Directors are provided with financial information and relevant reviews and updates on the Group's performance each time they are required to approve financial or other matters. Where necessary, explanation and additional information are provided in a timely manner to enable the Board to make informed assessment. The Board is assisted by a group of dedicated employees who are qualified in the fields of accounting, law and public companies' disclosure requirements and who ensure that the information presented is balanced, clear and understandable.

The Directors acknowledge their responsibility for the preparation of financial statements that give a true and fair view of the Group's state of affairs, results and cashflow for the year. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The Directors ensure that the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards. In preparing the financial statements for the year ended 31 December 2014, the Directors:

1. approved the adoption of all applicable Hong Kong Financial Reporting Standards;

2. selected and applied consistently appropriate accounting policies;

3. made judgments and estimates that were prudent and reasonable; and

4. prepared the financial statements on the basis that the Company would continue as a going concern.

The Independent Auditors' Report from pages 52 to 53 of this Annual Report sets out the reporting responsibilities of Ernst & Young, the external auditors of the Company.

C2: Internal Control

The Board is responsible for ensuring that an effective internal control system is maintained within the Group. The directors acknowledge their responsibility to establish, maintain and review from time to time the effectiveness of the Group's system of internal control. During the year under review, the directors have reviewed the effectiveness of the internal control system of the Group.

The Group has adopted a set of internal control policies and procedures to safeguard the Group's assets, to ensure proper maintenance of accounting records and reliability of financial reporting, and to ensure compliance with relevant legislation and regulations.

Certain executive directors and senior management have been delegated with respective level of authorities and have specific responsibility for monitoring the performance of business operating units.

Through the Audit Committee, the Board has conducted reviews of the effectiveness of the Group's internal control system for the year ended 31 December 2014, covering all material financial, operational and compliance controls, fraud indicators and risk management process, and considered the Group's internal control system effective and adequate. There were no suspected fraudulent irregularities or significant areas of concern identified during the period that might affect Shareholders.

The Audit Committee has reviewed the adequacy of resources, qualifications, experience and training programs of the Group's accounting and financial reporting staffs and considered that the staffing is adequate and the staffs are competent to carry out their roles and responsibilities.

D. INVESTOR RELATIONS AND SHAREHOLDERS' RIGHTS

The Group is committed to enhancing its corporate transparency and maintaining close communication with investors, the media and the public. Latest information of the Group including financial reports, announcements, press releases and presentations are available on its website in a timely manner.

The Group values the importance of maintaining a two-way communication with the investment community. Chairman of the Company has been taking the lead and involved in the investors relations activities of the Company. During the year of 2014, the Group maintains regular contact with research analysts, investors and the media through various channels such as one-on-one meetings, plant visits, luncheons and teleconferences. Analyst meetings and press conferences were also held after results announcements. In order to keep overseas investors abreast of its results performance and business development, the Group also actively participated in various international investment forums or non-deal road shows.

There was no significant changes in the Company's constitutional documents from the Listing Date to 31 December 2014.

All published information, including all the statutory announcements, press releases and event calendars, is and will be promptly posted on the Group's website at www.bolina.cc. Viewers can also send enquiries to the Board or senior management and/or proposals to be put forward at shareholders' meeting by email at ir@bolina.cc or directly by raising questions at the annual general meeting of the Company.

According to the Articles of Association of the Company, the Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

E. DISCLOSURE OF OTHER INFORMATION

E1: Directors' Securities Transactions

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as the code of conduct regarding the directors and relevant employees' transactions in securities of the Group. All directors have confirmed, following specific enquiry by the Group, that throughout year 2014, they complied with the required standard set out in the Model Code for securities transactions. The directors' interests in shares of the Group as at 31 December 2014 are set out in the section "Directors' Report" of this Annual Report.

E2: Training and Continuing Development for Directors

Each newly-appointed director receives induction or training, at the Company's expense, on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements. During the reporting period, all the Directors of the Company received training and read relevant training materials on obligations and responsibilities of directors under the Listing Rules.

The existing directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. Continuing briefings and professional development to directors are arranged and funded by the Company whenever necessary.

The Company encourages our Directors, senior management and colleagues to actively participate in relevant external bodies and organizations and attend relevant seminars and conferences to keep abreast of recent developments. Through active participation, valuable knowledge will be gained and more importantly corporate culture can be cultivated.

E3: External Auditors and Auditors' Remuneration

The statement of the external auditors of the Company about their reporting responsibilities on the Company's financial statements for the year ended 31 December 2014 is set out in the section headed "Independent Auditors' Report" in this annual report.

The fees paid/payable to Ernst & Young for the year ended 31 December 2014 are analyzed below:

	Fees paid/payable
Audit services	RMB2,500,000
Non-audit services related to taxation	RMB29,876
TOTAL:	RMB2,529,876

Directors' Report

The board of directors of the Company (the "Board") are pleased to present the directors' report together with the audited consolidated financial statements of the Group for the year ended 31 December 2014.

Principal Activities

The principal activity of the Company is investment holding.

The principal activities of the Group include the design, development, production, marketing and distribution of sanitary ware branded products and accessories marketed under our own brand in the PRC and under third parties' brands on an ODM and OEM basis to our international customers.

Results and Appropriations

The results of the Group for the year are set out in the consolidated statement of profit or loss on page 54 of the annual report.

The Board recommended the payment of a final dividend of HK$3.0 cents (equivalent to approximately RMB2.4 cents) per ordinary share for the year ended 31 December 2014 to the shareholders, estimated to be HK$30.3 million (equivalent to approximately RMB23.9 million), and the retention of the remaining profit in reserves.

Five Years Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 116 of the annual report.

Major Customers and Suppliers

The aggregate turnover attributable to the Group's five largest customers represented approximately 38.5% of the Group's total turnover for the year 2014, with the single largest customer contributing to approximately 20.8% of the Group's total turnover for the year. The aggregate purchase attributable to the Group's five largest suppliers represented approximately 37.6% of the Group's total purchases for the year 2014, with the single largest supplier contributing to approximately 11.4% of the Group's total purchases for the year.

None of the Directors, their associates or any shareholders (which to the knowledge of the Directors owned more than 5% equity interest of the Company), had any interest in any of the Group's five largest customers or suppliers.

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group for the year are set out in note 13 to the consolidated financial statements.

Share Capital

Details of the movements in share capital of the Company for the year are set out in note 27 to the consolidated financial statements.

Reserves

Movements in the reserves of the Company and the Group during the year are set out in note 28 to the consolidated financial statements and in the consolidated statement of changes in equity on page 57 of the annual report, respectively.

Distributable Reserves of the Company

As at 31 December 2014, the Company's reserves available for distribution to shareholders, calculated in accordance with the provisions of the Cayman Companies Law amounted to RMB347,893,000 (31 December 2013: RMB363,768,000).

Donations

During the year ended 31 December 2014, the Group had made approximately RMB74,000 charitable donations in cash.

Directors

The Directors of the Company up to the date of this report were:

Executive Directors

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

Independent Non-Executive Directors

Mr. Tong Jifeng
Mr. Lin Shimao
Prof. So Wai-man, Raymond (Appointed on 15 December 2014)
Mr. Leung Ka Man (Resigned on 12 January 2015)

In accordance with the Articles of Association of the Company, Mr. Lu Jianqing, Mr. Lin Shimao and Prof. So Wai-man, Raymond will retire at the forthcoming annual general meeting of the Company and being eligible, offer themselves for re-election.

Biographical Details of Directors and Senior Management

Brief biographical details of Directors and senior management of the Company are set out from pages 26 to 29 of the annual report.

Directors' Service Contracts

No Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Directors' Interests in the Shares and Share Options

As at 31 December 2014, the interests of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO), as recorded in the register maintained by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, were as follows:

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

Name	Long/Short position	Type of interest	Number of Shares	Percentage of shareholding in the Company
Mr. Xiao Zhiyong ("Mr. Xiao")	Long position	Interest in a controlled corporation(1)	599,993,023	59.47%
Ms. Ye Xiaohong ("Ms. Ye")	Long position	Interest of spouse(2)	599,993,023	59.47%
Max Lucky Group Limited ("Max Lucky")	Long position	Beneficial owner	599,993,023	59.47%

Notes:

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

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

(b) Interests in share options of the Company

Pursuant to a resolution passed on the general meeting of shareholders held on 25 June 2012, the Company adopted a share option scheme (the "Share Option Scheme"). As at 31 December 2014, no share options had been granted by the Company pursuant to the Share Option Scheme.

Save as disclosed above, as at 31 December 2014, none of the Directors or chief executive of the Company had any interests or short positions in any shares, share options, underlying shares or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register maintained by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders

As at 31 December 2014, other than the interests disclosed in the section "Directors' interest in the Shares and Share Options", the register of substantial shareholders maintained by the Company under Section 336 of the SFO showed that the following person(s)/corporation(s) held interests or short positions in 5% or more of the issued shares capital of the Company:

Name	Long/Short position	Type of interest	Number of Shares	Percentage of shareholding in the Company
Ms. Xiao Xiuyu ("Ms. Xiao")	Long position	Interest in a controlled corporation[1]	102,700,000	10.18%
Grand York Holdings Limited ("Grand York")	Long position	Beneficial owner	102,700,000	10.18%
Asia Equity Value Ltd.	Long position	Beneficial owner	58,419,243	5.79%
Asia Equity Value Ltd.	Long position	Person having a security interest in shares	72,850,000	7.22%

Notes:

1. Ms. Xiao, who is Mr. Xiao's sister, is deemed to be interested in the shares held by Grand York by virtue of Grand York being controlled by Ms. Xiao directly.

Save as disclosed above, other than the Directors or chief executive of the Company, the Company has not been notified of any other relevant interests or short positions held by any other person in the issued share capital of the Company as at 31 December 2014.

Directors' Interests in Contracts of Significance

Save as disclosed herein, no other contracts of significance, to which the Company or any of its subsidiaries was a party and in which a Director of the Company or his/her associates had a material interest, whether directly or indirectly, were subsisted at the end of the year or at any time during the year.

Management Contracts

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

Directors' Interests in Competing Business

During the year and up to the date of this report, none of the Directors of the Company and their respective associates were interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

Deed of Non-Competition

On 25 June 2012, Mr. Xiao, Max Lucky and Ms. Xiao (the "Covenantors") entered into a deed of non-competition (the "Deed of Non-Competition"). The Covenantors have confirmed with the Company that they had fully complied with the Deed of Non-Competition and that they and their associates had not, directly or indirectly, engaged, participated or held any right or interest in or otherwise be involved in the Restricted Business (as defined in the prospectus of the Company dated 29 June 2012) since the listing of the Company on the Hong Kong Stock Exchange in 2012.

The following actions or procedures are adopted and taken by the Covenantors, the Company and its directors during the year ended 31 December 2014 to ensure the Covenantors' compliance with the terms of the Deed of Non-Competition:

(a) The Covenantors signed and delivered to the Company an annual confirmation letter confirming their compliance with the Deed of Non-Competition and that they did not have any interest in the Restricted Business during the year ended 31 December 2014;

(b) At the board meeting where the annual results of the Group for 2014 are considered and approved, the independent non-executive directors of the Company received and reviewed the abovementioned confirmation letter from the Covenantors, and also reviewed the overall compliance by the Covenantors with the Deed of Non-Competition; and

(c) A special committee, comprising of Mr. Stanley Yuen Chi Wai (the Company Secretary and Chief Financial Officer of the Company) and Mr. Yang Qingyun (the executive director of the Company), had been monitoring and ensuring the compliance with the Deed of Non-Competition during the year ended 31 December 2014 by way of communicating and enquiring with each of the Covenantors on a regular (at least monthly) basis as to whether each of the Covenantors engages, participates or holds any right or interest in or otherwise be involved in the Restricted Business.

The Company has followed and complied with the abovementioned procedures during the year ended 31 December 2014, and therefore is of the view that the Deed of Non-Competition had been duly complied with by the Covenantors throughout the year of 2014.

Connected Transactions

During the year ended 31 December 2014, the Group did not conduct any non-exempt connected transaction or continuing connected transaction under Chapter 14A of the Listing Rules.

Share Option Scheme

The Company adopted the Share Option Scheme by passing of a shareholders' resolution on 25 June 2012, which is briefly summarised below. For a detailed summary of the Share Option Scheme, please refer to the prospectus issued by the Company dated 29 June 2012. Otherwise specified, the defined terms herein shall have the same meaning as that in the prospectus issued by the Company dated 29 June 2012.

The purpose of the Share Option Scheme is to reward Participants who have contributed to the Group and to encourage Participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole.

The Participants of the Share Option Scheme include directors (including executive Directors, non-executive Directors and independent non-executive Directors) and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, partners, joint venture business partners, promoters or service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group.

The maximum number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not, in the absence of Shareholders' approval, in aggregate exceed 10% in nominal amount of the aggregate of Shares in issue on the Listing Date (not taking into account any Shares which were allotted and issued under the Over-allotment Option) (the "Scheme Mandate Limit"). Options lapsed in accordance with the terms of the Share Option Scheme and (as the case may be) such other share option schemes of the Company will not be counted for the purpose of calculating the Scheme Mandate Limit. Subject to certain conditions, the maximum number of Shares issued and to be issued upon exercise of the Options granted to each Grantee under the Share Option Scheme (including both exercised and outstanding Options) in any 12-month period shall not (when aggregated with any Shares subject to options granted during such period under any other share option scheme(s) of the Company other than those options granted pursuant to specific approval by the Shareholders in a general meeting) exceed 1% of the Shares in issue for the time being (the "Individual Limit").

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during the Option Period (which shall not expire later than 10 years from the Date of Grant). After the expiration of the Option Period, no further Options shall be offered or granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects. Options granted during the life of the Share Option Scheme shall continue to be exercisable in accordance with their terms of grant after the end of the ten-year period.

An Offer is deemed to be accepted when the Company receives from the Grantee the Offer letter signed by the Grantee specifying the number of Shares in respect of which the Offer is accepted, and a remittance to the Company of HK$1.00 as consideration for the grant of Option. The Subscription Price shall be determined by the Board in its absolute discretion but in any event shall not be less than the higher of: (1) the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the Date of Grant which must be a Business Day; (2) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five Business Days immediately preceding the Date of Grant; and (3) the nominal value of the Shares.

The Share Option Scheme was adopted for a period of ten years commencing from the Adoption Date. As at 31 December 2014, no share options had been granted by the Company pursuant to the Share Option Scheme.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Purchase, Sale or Redemption of the Company's Listed Securities

During the year ended 31 December 2014, the Company repurchased its own shares on the Stock Exchange as follows:

Date of repurchase	Number of Shares repurchased	Highest price paid (HK$)	Lowest price paid (HK$)	Repurchase price (HK$)
2014/03/31	1,090,000	3.01	2.99	3,268,583
2014/04/01	310,000	3.00	2.98	929,256
2014/04/02	800,000	2.92	2.85	2,312,960
2014/04/25	200,000	2.83	2.82	565,020
2014/07/17	956,000	2.77	2.76	2,647,068
2014/07/18	378,000	2.77	2.77	1,047,060
2014/07/25	1,000,000	2.80	2.79	2,795,000
2014/07/28	1,100,000	2.78	2.77	3,051,950

Save for the above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities during the year ended 31 December 2014.

Public Float

Based on the information publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained sufficient public float exceeding 25% of its issued share capital since its listing on the Hong Kong Stock Exchange on 13 July 2012.

Audit Committee

The Audit Committee has reviewed the accounting policies, accounting standards and practices adopted by the Group, and review the consolidated financial statements and results of the Group for the year ended 31 December 2014.

Auditors

The consolidated financial statements of the Group for the year ended 31 December 2014 have been audited by Messrs. Ernst & Young, who will retire and, being eligible, will offer themselves for reappointment at the forthcoming annual general meeting.

For and on behalf of the Board

Xiao Zhiyong
Chairman

Zhangzhou, 31 March 2015

Independent Auditors' Report

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

We have audited the consolidated financial statements of Bolina Holding Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages 54 to 115, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
Hong Kong

31 March 2015

Consolidated Statement of Profit or Loss

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
REVENUE	4(a)	**865,613**	913,286
Cost of sales	5(b)	**(488,776)**	(485,922)
Gross profit		**376,837**	427,364
Other income and gains, net	4(b)	**12,042**	11,852
Selling and distribution expenses		**(83,412)**	(75,041)
Administrative expenses		**(68,802)**	(69,441)
Other expenses		**(1,309)**	–
Profit from operations		**235,356**	294,734
Finance costs	6	**(17,713)**	(14,049)
Profit before tax	5	**217,643**	280,685
Income tax expense	7	**(51,763)**	(69,411)
Profit for the year attributable to owners of the parent		**165,880**	211,274
Earnings per share attributable to ordinary equity holders of the parent			
Basic – For profit for the year	11	**RMB16 cents**	RMB21 cents
Diluted – For profit for the year	11	**RMB16 cents**	RMB21 cents

Details of the dividends payable and proposed for the year are disclosed in note 10 to the financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2014

	2014 RMB'000	2013 RMB'000
PROFIT FOR THE YEAR	**165,880**	211,274
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(1,452)**	3,919
Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods	**(1,452)**	3,919
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	**(1,452)**	3,919
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT	**164,428**	215,193

Consolidated Statement of Financial Position

31 December 2014

	Notes	**31 December 2014 RMB'000**	31 December 2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**208,829**	215,393
Prepaid land lease payments	14	**11,830**	14,257
Intangible assets	15	**302**	349
Available-for-sale investments	16	**2,500**	2,500
Deferred tax assets	26(b)	**6,792**	8,955
Pledged bank balances	20	**90,000**	–
Total non-current assets		**320,253**	241,454
CURRENT ASSETS			
Inventories	17	**98,813**	90,123
Trade receivables	18	**120,192**	86,494
Prepayments, deposits and other receivables	19	**25,612**	13,259
Derivative financial instruments	23	**–**	583
Pledged bank balances	20	**40,979**	129,824
Cash and cash equivalents	20	**969,208**	887,855
Total current assets		**1,254,804**	1,208,138
CURRENT LIABILITIES			
Trade payables	21	**94,895**	65,120
Other payables and accruals	22	**77,379**	69,147
Derivative financial instruments	23	**441**	1,102
Amounts due to the Controlling Shareholder	34(b)	**7,801**	–
Interest-bearing bank and other borrowings	24	**276,715**	315,867
Income tax payable	26(a)	**9,405**	12,590
Total current liabilities		**466,636**	463,826
NET CURRENT ASSETS		**788,168**	744,312
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,108,421**	985,766
NON-CURRENT LIABILITIES			
Derivative financial instruments	23	**1,823**	–
Interest-bearing bank borrowings	24	**81,184**	–
Deferred tax liabilities	26(b)	**24,648**	31,952
Total non-current liabilities		**107,655**	31,952
Net assets		**1,000,766**	953,814
EQUITY			
Equity attributable to owners of the parent			
Share capital	27	**8,226**	8,274
Reserves	28	**968,663**	889,697
Proposed final dividend	10	**23,877**	55,843
Total equity		**1,000,766**	953,814

Xiao Zhiyong
Director

Yang Qingyun
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2014

		Attributable to owners of the parent									
	Note	Share capital RMB'000 note 27	Share premium* RMB'000	Capital redemption reserve * RMB'000	Dis-cretionary reserve fund* RMB'000 note 28(a)(i)	Statutory reserve* RMB'000 note 28(a)(ii)	Capital reserve* RMB'000	Exchange fluctuation reserve* RMB'000 note 28(a)(iii)	Retained profits* RMB'000	Proposed final dividend RMB'000	Total RMB'000
At 1 January 2013		8,274	360,808	–	21,894	17,072	101,081	2,312	263,552	82,272	857,265
Profit for the year		–	–	–	–	–	–	–	211,274	–	211,274
Exchange differences on translation of foreign operations		–	–	–	–	–	–	3,919	–	–	3,919
Total comprehensive income for the year		–	–	–	–	–	–	3,919	211,274	–	215,193
Transfer from retained profits		–	–	–	–	17,657	–	–	(17,657)	–	–
Final 2012 dividend declared		–	–	–	–	–	–	–	–	(82,272)	(82,272)
Interim 2013 dividend	10	–	–	–	–	–	–	–	(36,372)	–	(36,372)
Proposed final 2013 dividend	10	–	–	–	–	–	–	–	(55,843)	55,843	–
At 31 December 2013		8,274	360,808	–	21,894	34,729	101,081	6,231	364,954	55,843	953,814
At 1 January 2014		**8,274**	**360,808**	**-**	**21,894**	**34,729**	**101,081**	**6,231**	**364,954**	**55,843**	**953,814**
Profit for the year		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**165,880**	**-**	**165,880**
Exchange differences on translation of foreign operations		**-**	**-**	**-**	**-**	**-**	**-**	**(1,452)**	**-**	**-**	**(1,452)**
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**-**	**-**	**(1,452)**	**165,880**	**-**	**164,428**
Repurchase of shares		**(48)**	**(13,193)**	**48**	**-**	**-**	**-**	**-**	**-**	**-**	**(13,193)**
Transfer from retained profits		**-**	**-**	**-**	**-**	**8,137**	**-**	**-**	**(8,137)**	**-**	**-**
Final 2013 dividend declared		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(420)**	**(55,843)**	**(56,263)**
Interim 2014 dividend	10	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(48,020)**	**-**	**(48,020)**
Proposed final 2014 dividend	10	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(23,877)**	**23,877**	**-**
At 31 December 2014		**8,226**	**347,615**	**48**	**21,894**	**42,866**	**101,081**	**4,779**	**450,380**	**23,877**	**1,000,766**

* These reserve accounts comprise the consolidated reserves of RMB968,663,000 (2013: RMB889,697,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**217,643**	280,685
Adjustments for:			
Depreciation	13	**21,899**	19,092
Recognition of prepaid land lease payments	14	**334**	351
Amortisation of intangible assets	15	**47**	124
Write-down of inventories to net realizable value		**2,657**	–
Provision for impairment of trade receivables	18	**1,309**	–
Interest income	4(b)	**(7,720)**	(6,003)
Loss on disposal of items of property, plant and equipment		**73**	–
Gain on disposal of prepaid land lease payment		**(3,126)**	–
Net fair value losses/(gains) on derivative instruments	4(b)	**1,024**	(583)
Finance costs	6	**17,713**	14,049
		251,853	307,715
Increase in trade receivables		**(35,007)**	(28,099)
Increase in prepayments, deposits and other receivables		**(8,382)**	(126)
Increase in inventories		**(11,347)**	(17,160)
Increase in trade payables		**29,775**	33,346
Increase in other payables and accruals		**6,356**	9,940
Cash generated from operations		**233,248**	305,616
Tax paid		**(60,089)**	(56,581)
Net cash flows generated from operating activities		**173,159**	249,035
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		**(15,418)**	(40,036)
Proceeds from disposal of items of property, plant and equipment		**10**	–
Proceeds from disposal of prepaid land lease payment		**5,219**	–
Purchase of intangible assets		**–**	(142)
Purchase of available-for-sale investments		**–**	(2,500)
Advances to third parties		**(20,000)**	(13,200)
Collection of advances to third parties		**20,000**	13,200
Interest received		**3,749**	3,854
Net cash flows used in investing activities		**(6,440)**	(38,824)

	Notes	2014 RMB'000	2013 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Repurchase of shares		**(13,193)**	–
Proceeds from bank loans and other borrowings		**368,423**	424,193
Repayment of bank loans and other borrowings		**(326,391)**	(278,875)
Increase in pledged bank balances		**(1,155)**	(129,824)
Advances from the Controlling Shareholder		**7,801**	–
Dividends paid		**(104,283)**	(118,644)
Interest paid		**(15,116)**	(12,947)
Net cash used in financing activities		**(83,914)**	(116,097)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**82,805**	94,114
Cash and cash equivalents at beginning of year		**887,855**	789,822
Effect of foreign exchange rate changes, net		**(1,452)**	3,919
CASH AND CASH EQUIVALENTS AT END OF YEAR		**969,208**	887,855
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	20	**969,208**	786,778
Time deposits	20	**130,979**	230,901
Less: Pledged bank balances	20	**130,979**	129,824
Cash and cash equivalents as stated in the statement of cash flows		**969,208**	887,855

Statement of Financial Position

31 December 2014

	Notes	**31 December 2014 RMB'000**	31 December 2013 RMB'000
NON-CURRENT ASSETS			
Investments in subsidiaries	37	**170,886**	170,886
Amounts due from subsidiaries	37	**356,325**	367,673
Total non-current assets		**527,211**	538,559
CURRENT ASSETS			
Dividend receivable from subsidiaries		**24,324**	56,038
Prepayments, deposits and other receivables		**176**	176
Cash and cash equivalents	20	**61**	3,458
Total current assets		**24,561**	59,672
CURRENT LIABILITIES			
Amounts due to subsidiaries	37	**11,398**	11,359
Total current liabilities		**11,398**	11,359
Net assets		**540,374**	586,872
EQUITY			
Share capital	27	**8,226**	8,274
Reserves	28(b)	**508,271**	522,755
Proposed final dividend	10	**23,877**	55,843
Total equity		**540,374**	586,872

Xiao Zhiyong
Director

Yang Qingyun
Director

Notes to Financial Statements

31 December 2014

1. CORPORATE INFORMATION

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

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

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

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap.32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap.622), "Accountants and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements have been prepared under the historical cost convention, except for derivative financial instruments which has been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise stated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards and a new interpretation for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	*Investment Entities*
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to HKAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*
Amendment to HKFRS 2 included in *Annual Improvements 2010-2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to HKFRS 3 included in *Annual Improvements 2010-2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to HKFRS 13 included in *Annual Improvements 2010-2012 Cycle*	*Short-term Receivables and Payables*
Amendment to HKFRS 1 included in *Annual Improvements 2011-2013 Cycle*	*Meaning of Effective HKFRSs*

1 Effective from 1 July 2014

The adoption of the above revised standards and interpretation has had no significant financial effect on these financial statements.

2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

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

HKFRS 9	*Financial Instruments*[4]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[2]
HKFRS 14	*Regulatory Deferral Accounts*[5]
HKFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to HKAS 1	*Disclosure Initiative*[2]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[2]
Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[2]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[2]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods 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 January 2018
5 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED (continued)

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 January 2016.

The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

HKFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. The Group expects to adopt HKFRS 15 on 1 January 2017 and is currently assessing the impact of HKFRS 15 upon adoption.

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

The *Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Except for those described in note 2.2, the Group expects to adopt the amendments from 1 January 2015. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendment most applicable to the Group are as follows:

HKFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

Fair value measurement

The Group measures its derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill)

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

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

Software	5 years
Brand name	10 years

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Operating leases

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

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

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

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

Loans and receivables

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

Available-for-sale financial investments

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

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

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

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

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

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

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

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

Impairment of financial assets

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

Financial assets carried at amortised cost

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

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

Assets carried at cost

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

Available-for-sale financial investments

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments (continued)

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

The determination of what is “significant” or “prolonged” requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Group’s financial liabilities include trade payables, other payables, derivative financial instruments and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of loans and borrowings is as follows:

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

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

Derecognition of financial liabilities

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Offsetting of financial instruments

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

Derivative financial instruments

Initial recognition and subsequent measurement

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

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

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

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

Government grants

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

Revenue recognition

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

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

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

Other employee benefits

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

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

Dividends

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

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in RMB, which is also the functional currency of the subsidiaries located in Mainland China. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of the Company and certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Group at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

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

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Operating lease commitments – Group as lessee

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

Estimation uncertainty

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

Useful lives of property, plant and equipment

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

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Net realisable value of inventories

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

Impairment of non-financial assets

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

Current income tax and deferred tax

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

3. SEGMENT INFORMATION

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

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

3. SEGMENT INFORMATION (continued)

Geographical information

The following tables present the Group's geographical information in terms of revenue for the years ended 31 December 2014 and 2013, and non-current assets as at 31 December 2014 and 2013.

(a) Revenue from external customers

	2014	2013
	RMB'000	RMB'000
Americas	**322,771**	308,144
Mainland China	**511,121**	571,596
Europe	**14,713**	11,926
Asia (excluding Mainland China)	**17,008**	21,620
	865,613	913,286

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

(b) Non-current assets

	2014	2013
	RMB'000	RMB'000
Mainland China	**313,461**	232,499

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

Information about major customers

Revenue from two of the Group's customers, amounting to RMB179,735,000 and RMB98,684,000 (2013: one customer, RMB160,826,000) has individually accounted for over 10% of the Group's total revenue.

4. REVENUE, OTHER INCOME AND GAINS, NET

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after netting off sales rebates for the years ended 31 December 2014 and 2013.

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

(a) Revenue

	2014 RMB'000	2013 RMB'000
Revenue from the sale of sanitary ware and accessories	**865,613**	913,286

(b) Other income and gains, net

	2014 RMB'000	2013 RMB'000
Other income		
Government grants*	**2,278**	4,354
Bank interest income	**7,720**	6,003
Others	**15**	76
	10,013	10,433
Gains/(losses), net		
Fair value (losses)/gains on derivative instruments, net	**(1,024)**	583
Loss on disposal of items of property, plant and equipment	**(73)**	–
Gain on disposal of prepaid land lease payments	**3,126**	–
Others	**–**	836
	2,029	1,419
Other income and gains, net	**12,042**	11,852

* Various government grants have been received for conducting export sales and processing trade within Fujian Province, Mainland China. There were no unfulfilled conditions or contingencies relating to these grants as at 31 December 2014.

5. PROFIT BEFORE TAX

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

	2014 RMB'000	2013 RMB'000
(a) Employee benefit expense (including directors' and chief executive's remuneration (note 8))		
Wages and salaries	**106,691**	91,777
Pension scheme contributions, social welfare and other welfare	**9,706**	9,884
	116,397	101,661
(b) Cost of sales		
Cost of inventories sold	**362,811**	365,391
Others	**125,965**	120,531
	488,776	485,922
(c) Other items		
Depreciation of items of property, plant and equipment*	**21,899**	19,092
Recognition of prepaid land lease payments	**334**	351
Amortisation of intangible assets	**47**	124
Operating lease expenses*	**23,793**	18,479
Advertisement and promotion expenses	**26,892**	34,773
Office expenses	**2,264**	2,398
Logistics expenses	**13,445**	12,553
Research and development expenses*	**19,996**	18,785
Foreign exchange differences, net	**1,664**	2,960
Provision for impairment of trade receivables**	**1,309**	–
Write-down of inventories to net realisable value***	**2,657**	–
Auditors' remuneration	**2,500**	2,400

* The depreciation amounts of property, plant and equipment of RMB10,499,000 (2013: RMB10,165,000), the operating lease expenses of RMB11,017,000 (2013: RMB10,877,000) and the research and development expenses of RMB11,059,000 (2013: RMB10,732,000) are included in "Cost of sales" in the consolidated statement of profit or loss.

** The provision for impairment of trade receivables is included in "Other expenses" in the consolidated statement of profit or loss.

*** The write-down of inventories to net realisable value is included in "Administrative expenses" in the consolidated statement of profit or loss.

6. FINANCE COSTS

Group

	2014 **RMB'000**	2013 RMB'000
Interest expense on bank borrowings wholly repayable within five years	**16,262**	12,266
Interest expense on other borrowings wholly repayable within five years	**730**	681
Total interest expenses	**16,992**	12,947
Unrealised loss on interest rate swaps	**721**	1,102
	17,713	14,049

7. TAX

(a) Tax in the consolidated statement of profit or loss represents:

Group

	2014 **RMB'000**	2013 RMB'000
Current – Mainland China corporate income tax	**56,904**	61,073
Deferred tax (note 26(b))	**(5,141)**	8,338
	51,763	69,411

Subsidiaries incorporated in Hong Kong were subject to income tax at the rate of 16.5% during the year ended 31 December 2014 (2013: 16.5%). No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year ended 31 December 2014 (2013: Nil).

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

7. TAX (continued)

(a) Tax in the consolidated statement of profit or loss represents (continued):

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

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

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

Pursuant to the Income Tax Law of the PRC, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% (2013: 10%). On 22 February 2008, Caishui (2008) No. 1 was promulgated by the tax authorities to specify that dividends declared and remitted out of Mainland China from retained earnings as at 31 December 2007 are exempted from the withholding tax.

7. TAX (continued)

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

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

	2014 RMB'000	2013 RMB'000
Profit before tax	**217,643**	280,685
Tax at the statutory tax rate (25%)	**54,411**	70,171
Lower tax rates for specific provinces or enacted by local authorities	**(436)**	(15,586)
Adjustments in respect of current tax of previous year	**(1,752)**	–
Expenses not deductible for tax purposes	**1,245**	1,743
Tax loss not recognised	**6,532**	4,250
Effect of withholding tax at 5% (2013: 10%) on the distributable profits of the Group's subsidiaries in Mainland China	**(8,237)**	11,015
Effect on deferred tax asset of increase of rates	**–**	(2,182)
Tax charge	**51,763**	69,411

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules and Section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap.622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap.32), is as follows:

	Group	
	2014 RMB'000	2013 RMB'000
Fees	**6,750**	1,474
Other emoluments:		
Salaries, allowances and benefits in kind	**774**	–
Discretionary bonuses	**1,277**	2,321
Pension scheme contributions	**26**	22
	2,077	2,343
	8,827	3,817

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2014 RMB'000	2013 RMB'000
Mr. TONG Jifeng	**68**	65
Mr. LIN Shimao	**68**	65
Mr. LEUNG Ka Man	**165**	144
Prof. SO Wai Man, Raymond	**7**	–
	308	274

There were no other emoluments payable to the independent non-executive directors during the year (2013: Nil).

Prof. SO Wai Man, Raymond has been appointed as an independent non-executive director of the Company with effect from 15 December 2014.

Mr. LEUNG Ka Man has resigned as an independent non-executive director of the Company with effect from 12 January 2015.

(b) Executive directors and the chief executive

	Year ended 31 December 2014				
	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Contributions to defined contribution retirement schemes RMB'000	Total RMB'000
Executive director and chief executive					
Mr. XIAO Zhiyong	2,504	402	1,232	8	4,146
Executive directors					
Ms. YE Xiaohong	1,260	120	15	6	1,401
Mr. YANG Qingyun	1,418	126	15	6	1,565
Mr. LU Jianqing	1,260	126	15	6	1,407
	6,442	774	1,277	26	8,519

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive directors and the chief executive (continued)

	Year ended 31 December 2013				
	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Contributions to defined contribution retirement schemes RMB'000	Total RMB'000
Executive director and chief executive					
Mr. XIAO Zhiyong	600	–	2,309	7	2,916
Executive directors					
Ms. YE Xiaohong	200	–	–	5	205
Mr. YANG Qingyun	200	–	6	5	211
Mr. LU Jianqing	200	–	6	5	211
	1,200	–	2,321	22	3,543

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year ended 31 December 2014 included three directors and the chief executive (2013: three directors and the chief executive), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining one (2013: one) highest paid employee who is neither a director nor chief executive of the Company are as follows:

	2014 RMB'000	2013 RMB'000
Salaries, bonuses, allowances and benefits in kind	**2,993**	2,076
Pension scheme contributions	**13**	12
	3,006	2,088

9. FIVE HIGHEST PAID EMPLOYEES (continued)

The number of non-director and non-chief executive, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2014	2013
HK$2,500,001 to HK$3,000,000	**–**	1
HK$3,500,001 to HK$4,000,000	**1**	–
	1	1

10. DIVIDENDS

	2014	2013
	RMB'000	RMB'000
Interim – HK$6.0 cents (approximately RMB4.8 cents) (2013: HK$4.5 cents (approximately RMB3.6 cents)) per ordinary share	**48,020**	36,372
Proposed final – HK$3.0 cents (approximately RMB2.4 cents) (2013: HK$7.0 cents (approximately RMB5.5 cents)) per ordinary share	**23,877**	55,843
	71,897	92,215

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share amounts for the year ended 31 December 2014 is based on the profit for the year attributable to the ordinary equity holders of the parent of RMB165,880,000 (2013: RMB211,274,000) and the weighted average number of ordinary shares of 1,011,898,100 (2013: 1,014,700,000) during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2014 and 2013 as the Group had no potentially dilutive ordinary shares in issue during those years.

12. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2014 includes a profit of RMB69,635,000 (2013: RMB92,461,000) which has been dealt with in the financial statements of the Company (note 28(b)).

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improvements RMB'000	Buildings RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At 1 January 2013	1,284	116,262	86,465	3,760	8,184	16,686	232,641
Additions	16,420	2,973	5,555	1,753	1,137	12,198	40,036
Transfers	–	3,083	–	–	–	(3,083)	–
At 31 December 2013	17,704	122,318	92,020	5,513	9,321	25,801	272,677
Accumulated depreciation:							
At 1 January 2013	190	14,362	18,011	1,806	3,823	–	38,192
Depreciation provided during the year	6,481	4,907	5,994	626	1,084	–	19,092
At 31 December 2013	6,671	19,269	24,005	2,432	4,907	–	57,284
Net carrying amount:							
At 31 December 2013	11,033	103,049	68,015	3,081	4,414	25,801	215,393
Cost:							
At 1 January 2014	**17,704**	**122,318**	**92,020**	**5,513**	**9,321**	**25,801**	**272,677**
Additions	**1,045**	**179**	**703**	**537**	**2,730**	**10,224**	**15,418**
Transfers	**–**	**140**	**–**	**–**	**–**	**(140)**	**–**
Disposals	**–**	**–**	**–**	**–**	**(100)**	**–**	**(100)**
At 31 December 2014	**18,749**	**122,637**	**92,723**	**6,050**	**11,951**	**35,885**	**287,995**
Accumulated depreciation:							
At 1 January 2014	**6,671**	**19,269**	**24,005**	**2,432**	**4,907**	**–**	**57,284**
Depreciation provided during the year	**8,100**	**5,445**	**6,126**	**814**	**1,414**	**–**	**21,899**
Disposals	**–**	**–**	**–**	**–**	**(17)**	**–**	**(17)**
At 31 December 2014	**14,771**	**24,714**	**30,131**	**3,246**	**6,304**	**–**	**79,166**
Net carrying amount:							
At 31 December 2014	**3,978**	**97,923**	**62,592**	**2,804**	**5,647**	**35,885**	**208,829**

At 31 December 2014, certain of the Group's buildings with an aggregate net carrying amount of approximately RMB75,712,000 (31 December 2013: RMB79,963,000) were pledged as security for the Group's bank borrowings (note 24(a)(ii)).

14. PREPAID LAND LEASE PAYMENTS

Group

	2014	2013
	RMB'000	RMB'000
Cost:		
At beginning of the year	**16,900**	16,900
Disposals	**(2,479)**	–
At end of the year	**14,421**	16,900
Amortisation:		
At beginning of the year	**2,643**	2,292
Charge for the year	**334**	351
Disposals	**(386)**	–
At end of the year	**2,591**	2,643
Net carrying amount:		
At end of the year	**11,830**	14,257

The carrying amount of the Group's prepaid land lease payments represents the amount of land use rights situated in Mainland China and held under a medium term lease. The remaining lease terms of the land use rights of the Group range from 41 to 42 years.

At 31 December 2014, certain of the Group's prepaid land lease payments with an aggregate net book value of approximately RMB11,830,000 (31 December 2013: RMB12,126,000) were pledged as security for the Group's bank borrowings (note 24(a)(i)).

15. INTANGIBLE ASSETS

Group

	Brand name RMB'000	Software RMB'000	Total RMB'000
Cost:			
At 1 January 2013	320	221	541
Additions	–	142	142
At 31 December 2013	320	363	683
Accumulated amortisation:			
At 1 January 2013	160	50	210
Amortisation provided during the year	32	92	124
At 31 December 2013	192	142	334
Net carrying amount:			
At 31 December 2013	128	221	349
Cost:			
At 1 January 2014 and 31 December 2014	**320**	**363**	**683**
Accumulated amortisation:			
At 1 January 2014	**192**	**142**	**334**
Amortisation provided during the year	**32**	**15**	**47**
At 31 December 2014	**224**	**157**	**381**
Net carrying amount:			
At 31 December 2014	**96**	**206**	**302**

16. AVAILABLE-FOR-SALE INVESTMENTS

Group

	2014 RMB'000	2013 RMB'000
Unlisted equity investments, at cost:	**2,500**	2,500

The available-for-sale investment is an equity investment in China Ceramics Investment Development Co., Ltd. (an unlisted company with a registered capital of RMB58,750,000), which was designated as an available-for-sale financial asset. The investment was stated at cost because the investment does not have a quoted market price in an active market and, in the opinion of the directors, the fair value estimate cannot be measured reliably.

17. INVENTORIES

Group

	2014 RMB'000	2013 RMB'000
Raw materials	**9,072**	10,812
Accessories	**6,988**	5,950
Work in progress	**15,409**	17,068
Finished goods	**65,568**	54,728
Wrappage	**1,776**	1,565
	98,813	90,123

18. TRADE RECEIVABLES

Group

	2014 RMB'000	2013 RMB'000
Trade receivables	**121,807**	86,800
Impairment	**(1,615)**	(306)
	120,192	86,494

18. TRADE RECEIVABLES (continued)

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

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

	2014	2013
	RMB'000	RMB'000
Within 3 months	**78,965**	65,832
More than 3 months but less than 1 year	**41,192**	20,627
Over 1 year	**35**	35
	120,192	86,494

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

	2014	2013
	RMB'000	RMB'000
Neither past due nor impaired	**105,787**	80,190
Less than 3 months past due	**14,370**	6,233
3 to 12 months past due	**–**	36
Over 1 year past due	**35**	35
	120,192	86,494

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

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

18. TRADE RECEIVABLES (continued)

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

	2014 RMB'000	2013 RMB'000
At beginning of the year	**306**	474
Impairment losses recognized	**1,309**	–
Amounts written off as uncollectible	**–**	(168)
At end of the year	**1,615**	306

Included in the above provision for impairment of trade receivables as at 31 December 2014 is a provision for individually impaired trade receivables of RMB1,615,000 (31 December 2013: RMB306,000).

The individually impaired trade receivables related to customers that were in default in principal payments and only a portion of the receivables is expected to be recovered.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	2014 RMB'000	2013 RMB'000
Prepayments and deposits to suppliers	**7,270**	3,944
Deposits and prepayments to chain supermarkets	**4,816**	3,860
Prepayments for advertising	**6,400**	–
Others	**7,126**	5,455
	25,612	13,259

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

20. CASH AND CASH EQUIVALENTS AND PLEDGED BANK BALANCES

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash and bank balances	**969,208**	786,778	**61**	3,458
Time deposits	**130,979**	230,901	**–**	–
	1,100,187	1,017,679	**61**	3,458
Less: Pledged bank balances				
Long-term bank deposits	**(90,000)**	–	**–**	–
Short-term bank deposits	**(40,979)**	(129,824)	**–**	–
Cash and cash equivalents	**969,208**	887,855	**61**	3,458

At 31 December 2014, the cash and bank balances of the Group denominated in RMB amounted to RMB960,631,000 (31 December 2013: RMB774,097,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorisation to conduct foreign exchange business.

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

21. TRADE PAYABLES

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

Group

	2014	2013
	RMB'000	RMB'000
Within 3 months	**56,016**	59,305
3 to 6 months	**27,851**	4,583
6 to 12 months	**9,017**	544
Over 12 months	**2,011**	688
	94,895	65,120

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

22. OTHER PAYABLES AND ACCRUALS

Group

	2014	2013
	RMB'000	RMB'000
Payables for purchase of items of property, plant and equipment	**4,329**	5,317
Advances from customers	**4,359**	2,900
Staff payroll and welfare payables	**28,916**	22,123
Payables for sales rebates	**5,806**	16,104
Other taxes payable	**3,941**	3,666
Rental payable	**10,461**	10,619
Others	**19,567**	8,418
	77,379	69,147

23. DERIVATIVE FINANCIAL INSTRUMENTS

Group

	2014	
	Assets	**Liabilities**
	RMB'000	**RMB'000**
Forward currency contracts	**–**	**441**
Interest rate swaps	**–**	**1,823**
	–	**2,264**
Portion classified as non-current:		
Interest rate swaps	**–**	**1,823**
Current portion	**–**	**441**

	2013	
	Assets	Liabilities
	RMB'000	RMB'000
Current:		
Forward currency contracts	583	–
Interest rate swaps	–	1,102
Current portion	583	1,102

24. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	2014			2013		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank borrowings	**5 – 8**	**2015**	**256,021**	5 – 8	2014	308,886
Other borrowings	**3 – 4**	**2015**	**20,694**	3 – 4	2014	6,981
			276,715			315,867
Non-current						
Bank borrowings	**3**	**2016**	**81,184**	–	–	–
			357,899			315,867

Interest-bearing bank borrowings and other borrowings represent:

	2014	2013
	RMB'000	RMB'000
– Secured (note (a))	**272,304**	262,867
– Guaranteed (note (b))	**25,000**	23,000
– Unsecured	**60,595**	30,000
	357,899	315,867

24. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

Notes:

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

(i) mortgages over the Group's prepaid land lease payments situated in Mainland China, which had an aggregate carrying value of approximately RMB11,830,000 as at 31 December 2014 (31 December 2013: RMB12,126,000);

(ii) mortgages over the Group's buildings, which had an aggregate carrying value of approximately RMB75,712,000 as at 31 December 2014 (31 December 2013: RMB79,963,000);

(iii) mortgages over the Group's forward letters of credit which amounted to RMB21,807,000 as at 31 December 2014 (31 December 2013: RMB7,169,000); and

(iv) mortgages over the Group's pledged bank balances which amounted to RMB129,968,000 as at 31 December 2014 (31 December 2013: RMB129,824,000).

(b) Certain of the Group's bank borrowings which amounted to RMB5,000,000 as at 31 December 2014 (31 December 2013: RMB5,000,000) were guaranteed by the Controlling Shareholder. Certain of the Group's bank borrowings which amounted to RMB20,000,000 as at 31 December 2014 (31 December 2013: RMB18,000,000) were guaranteed by certain third parties.

25. EMPLOYEE RETIREMENT BENEFITS

As stipulated by the PRC state regulations, the employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. During the year, the Mainland China subsidiaries were required to make contributions to the local social security bureau at 10% to 22% (2013: 10% to 22%) of the previous year's average basic salary amount of the geographical area where the employees are under employment with the Mainland China subsidiaries.

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

At 31 December 2014 and 2013, the Group had no significant obligation apart from the contribution as stated above.

26. INCOME TAX PAYABLE AND DEFERRED TAX

Group

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

	2014 **RMB'000**	2013 RMB'000
At beginning of the year	**12,590**	8,098
Provision for current tax for the year	**56,904**	61,073
Current tax paid	**(60,089)**	(56,581)
At end of the year	**9,405**	12,590

26. INCOME TAX PAYABLE AND DEFERRED TAX (continued)

(b) Deferred tax assets and liabilities recognised:

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

Deferred tax assets:

	Losses available for offsetting against future taxable profits	Accruals	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013	691	4,984	–	5,675
Deferred tax credited to the statement of profit or loss during the year (note 7)	–	3,280	–	3,280
At 31 December 2013 and at 1 January 2014	691	8,264	–	8,955
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 7)	(691)	(2,574)	1,102	(2,163)
At 31 December 2014	–	5,690	1,102	6,792

The Group has tax losses arising in Mainland China of RMB7,223,000 (2013: RMB2,906,000) that will expire in one to five years for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Hong Kong of RMB77,882,000 (2013: RMB56,073,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of certain of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is uncertain that taxable profits will be available against which the tax losses can be utilised.

26. INCOME TAX PAYABLE AND DEFERRED TAX (continued)

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

Deferred tax liabilities:

	Accelerated depreciation for tax purposes	Withholding tax	Fair value gains on forward currency contracts	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013	1,375	18,959	–	–	20,334
Deferred tax charged to the statement of profit or loss during the year (note 7)	458	11,015	145	–	11,618
At 31 December 2013 and at 1 January 2014	1,833	29,974	145	–	31,952
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 7)	458	(8,237)	(145)	620	(7,304)
At 31 December 2014	2,291	21,737	–	620	24,648

27. SHARE CAPITAL

	Number of ordinary shares of HK$0.01	Nominal value of ordinary shares	Nominal value of ordinary shares
		HK$'000	RMB'000
Authorised:			
As at 31 December 2014 and 2013	2,000,000,000	20,000	16,612

27. SHARE CAPITAL (continued)

	Number of ordinary shares of HK$0.01	Nominal value of ordinary shares RMB'000	Share premium RMB'000
Issued:			
As at 31 December 2013	1,014,700,000	8,274	360,808
Repurchase of shares	(5,834,000)	(48)	(13,193)
As at 31 December 2014	1,008,866,000	8,226	347,615

As at 31 December 2014, all issued shares are registered, fully paid and divided into 1,008,866,000 shares (31 December 2013: 1,014,700,000 shares) of HK$0.01 each.

The Company repurchased on the Hong Kong Stock Exchange a total of 5,834,000 shares of HK$0.01 each of the Company for an aggregate consideration of HK$16,617,000 (RMB13,193,000 equivalent). The repurchased shares were cancelled on 30 April 2014 and 22 August 2014.

28. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein for the years ended 31 December 2014 and 2013 are presented in the consolidated statement of changes in equity.

(i) Discretionary reserve fund

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

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

(ii) Statutory reserve

Pursuant to the relevant PRC rules and regulations, those PRC subsidiaries which are domestic enterprises in the PRC as mentioned in note 37 to the financial statements are required to transfer no less than 10% of their profits after taxation, as determined under PRC accounting regulations, to the statutory reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before the distribution of dividends to shareholders.

28. RESERVES (continued)

(a) Group (continued)

(iii) Exchange fluctuation reserve

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

(b) Company

	Contributed surplus* RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2013	170,886	360,808	–	(2,453)	2,714	531,955
Total comprehensive income for the year	–	–	–	(9,446)	92,461	83,015
Interim 2013 dividend	–	–	–	–	(36,372)	(36,372)
Proposed final 2013 dividend	–	–	–	–	(55,843)	(55,843)
At 31 December 2013 and 1 January 2014	170,886	360,808	–	(11,899)	2,960	522,755
Total comprehensive income for the year	**–**	**–**	**–**	**1,343**	**69,635**	**70,978**
Repurchase of shares	**–**	**(13,193)**	**48**	**–**	**–**	**(13,145)**
Final 2013 dividend declared	**–**	**–**	**–**	**–**	**(420)**	**(420)**
Interim 2014 dividend	**–**	**–**	**–**	**–**	**(48,020)**	**(48,020)**
Proposed final 2014 dividend	**–**	**–**	**–**	**–**	**(23,877)**	**(23,877)**
At 31 December 2014	**170,886**	**347,615**	**48**	**(10,556)**	**278**	**508,271**

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

29. FINANCIAL INSTRUMENTS BY CATEGORY

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

2014

Financial assets

	Group		
	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Trade receivables	120,192	–	120,192
Available-for-sale investments	–	2,500	2,500
Financial assets included in prepayments, deposits and other receivables	4,994	–	4,994
Pledged bank balances	130,979	–	130,979
Cash and cash equivalents	969,208	–	969,208
	1,225,373	2,500	1,227,873

Financial liabilities

	Group		
	Financial liabilities held for trading at fair value through profit or loss RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade payables	–	94,895	94,895
Derivative financial instruments	2,264	–	2,264
Financial liabilities included in other payables and accruals	–	38,987	38,987
Interest-bearing bank and other borrowings	–	357,899	357,899
	2,264	491,781	494,045

29. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2013

Financial assets

	Group			
	Financial assets held for trading at fair value through profit or loss RMB'000	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Trade receivables	–	86,494	–	86,494
Available-for-sale investments	–	–	2,500	2,500
Financial assets included in prepayments, deposits and other receivables	–	2,804	–	2,804
Derivative financial instruments	583	–	–	583
Pledged bank balances	–	129,824	–	129,824
Cash and cash equivalents	–	887,855	–	887,855
	583	1,106,977	2,500	1,110,060

Financial liabilities

	Group		
	Financial liabilities held for trading at fair value through profit or loss RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade payables	–	65,120	65,120
Derivative financial instruments	1,102	–	1,102
Financial liabilities included in other payables and accruals	–	40,924	40,924
Interest-bearing bank and other borrowings	–	315,867	315,867
	1,102	421,911	423,013

29. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial assets

	Company	
	Loans and receivables	
	2014	2013
	RMB'000	RMB'000
Amounts due from subsidiaries	**356,325**	367,673
Cash and cash equivalents	**61**	3,458
	356,386	371,131

Financial liabilities

	Company	
	Financial liabilities at amortised cost	
	2014	2013
	RMB'000	RMB'000
Amounts due to subsidiaries	**11,398**	11,359

30. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged bank balances, trade receivables, financial assets included in prepayments, deposits and other receivables, trade payables, financial liabilities included in other payables, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

30. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The fair values of the non-current portion of pledged deposits, interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2014 was assessed to be insignificant.

The Group enters into derivative financial instruments with various counterparties, principally credit worthy financial institutions. Derivative financial instruments, including forward currency contracts and interest rate swaps, are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of forward currency contracts and interest rate swaps are the same as their fair values.

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

Group

	Fair value measurement using significant observable inputs (Level 2)	
	31 December 2014	31 December 2013
	RMB'000	RMB'000
Derivative financial instruments		
Forward currency contract	**–**	583

Liabilities measured at fair value:

Group

	Fair value measurement using significant observable inputs (Level 2)	
	31 December 2014	31 December 2013
	RMB'000	RMB'000
Derivative financial instruments		
Interest rate swaps	**1,823**	1,102
Forward currency contract	**441**	–
	2,264	1,102

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2013: Nil).

31. CONTINGENT LIABILITIES

As at 31 December 2014, neither the Group nor the Company had any significant contingent liabilities (31 December 2013: Nil).

32. COMMITMENTS

(a) Capital commitments

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

	2014 RMB'000	2013 RMB'000
Contracted, but not provided for:		
Property, plant and equipment	**10,786**	16,181
Prepaid land lease payments	**64,500**	–
	75,286	16,181
Authorised, but not contracted for:		
Property, plant and equipment	**82,769**	268,677
	158,055	284,858

(b) Operating lease commitments

At 31 December 2014, the Group and the Company had total future minimum lease payments under non-cancellable operating leases as follows:

Group

	2014 RMB'000	2013 RMB'000
Within 1 year	**15,908**	19,039
After 1 year but within 5 years	**36,162**	45,239
After 5 years	**4,333**	12,333
	56,403	76,611

Company

	2014 RMB'000	2013 RMB'000
Within 1 year	**726**	723
After 1 year but within 5 years	**393**	1,085
	1,119	1,808

33. PLEDGE OF ASSETS

Details of the Group's interest-bearing bank and other borrowings, which are secured by the assets of the Group, are included in note 24 to the financial statements. The time deposit of RMB1,011,000 is pledged for issuance of letter of guarantee.

34. RELATED PARTY TRANSACTIONS AND BALANCES

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

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

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

(a) Transactions with related parties

The following transactions were carried out with related parties during the years ended 31 December 2014 and 2013:

	2014	2013
	RMB'000	RMB'000
(i) Advances from the Controlling Shareholder:	**7,801**	–

(ii) The Group's bank borrowings which amounted to RMB5,000,000 as at 31 December 2014 (31 December 2013: RMB5,000,000) were guaranteed by the Controlling Shareholder.

(b) Balances with related parties

The Group had the following significant balances with its related parties as at 31 December 2014:

(i) Due to the Controlling Shareholder:

	2014	2013
	RMB'000	RMB'000
Non-trade related		
– Mr. Xiao Zhiyong	**7,801**	–

Balances with the Controlling Shareholder were unsecured and non-interest-bearing and had no fixed repayment terms.

34. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

	2014 RMB'000	2013 RMB'000
Salaries and short-term employee benefits	**3,348**	2,422
Pension scheme contributions and social welfare	**30**	27
Total compensation paid to key management personnel	**3,378**	2,449

The emoluments of the senior management fell within the following bands:

	Number of individuals	
Emoluments bands	**2014**	2013
Nil to HK$1,000,000	**4**	4
HK$2,500,001 to HK$3,000,000	**–**	1
HK$3,500,001 to HK$4,000,000	**1**	–

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

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

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Group also enters into derivative transactions, including principally interest rate swaps and forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk

The Group has no significant interest-bearing assets other than the cash and bank balances (note 20).

The Group's interest rate risk arises from bank loans and other borrowings denominated in US$ with a floating interest rate. The Group has used interest rate swaps to manage its exposure to interest rate risk.

Foreign currency risk

The Group has transactional currency exposures. These exposures arise from sales denominated in US$ by operating units whose the functional currency is the RMB. Approximately 41% and 37% of the Group's sales for the years ended 31 December 2014 and 2013, respectively, were denominated in US$ and undertaken by these operating units.

The Group used forward currency contracts to manage its foreign currency risk.

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

	Increase/ (decrease) in basis points	Increase/(decrease) in profit before tax	
		2014	2013
		RMB'000	RMB'000
If RMB weakens against the US$	(100)	**(58)**	27
If RMB strengthens against the US$	100	**58**	(27)
If RMB weakens against the HK$	(100)	**9**	86
If RMB strengthens against the HK$	100	**(9)**	(86)

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

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

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

As at 31 December 2014 and 2013, all bank balances were deposited in creditworthy financial institutions without significant credit risk.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty. As at 31 December 2014, the Group had certain concentrations of credit risk as 39% (31 December 2013: 48%) and 97% (31 December 2013: 95%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively. As the major customers of the Group are all companies with world-famous brands, and long-term business relationship have been established by both parties and insurance was purchased to protect the Group against the potential losses from unrecovered trade receivables, the concentrations of credit risk are well managed by the Group.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 18 to the financial statements.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

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

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

Group

	2014					
	On demand RMB'000	**Less than 3 months RMB'000**	**3 to 12 months RMB'000**	**1 to 5 years RMB'000**	**Over 5 years RMB'000**	**Total RMB'000**
Interest-bearing bank and other borrowings	**–**	**66,599**	**219,693**	**82,241**	**–**	**368,533**
Trade payables	**11,028**	**83,867**	**–**	**–**	**–**	**94,895**
Derivative financial instruments	**–**	**–**	**441**	**1,823**	**–**	**2,264**
Other payables	**12,769**	**14,174**	**5,900**	**6,144**	**–**	**38,987**
	23,797	**164,640**	**226,034**	**90,208**	**–**	**504,679**

	2013					
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	72,956	250,264	–	–	323,220
Trade payables	1,232	63,888	–	–	–	65,120
Derivative financial instruments	–	–	1,102	–	–	1,102
Other payables	7,419	21,528	10,317	1,660	–	40,924
	8,651	158,372	261,683	1,660	–	430,366

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2014.

The Group monitors capital using a gearing ratio, which is calculated by bank loans and other borrowings divided by the equity attributable to owners of the parent. The gearing ratio as at 31 December 2014 is 35.8% (31 December 2013: 33.1%).

36. EVENTS AFTER THE REPORTING PERIOD

(a) On 24 September 2014, Zhangzhou Wanhui Sanitary Ware Co., Ltd. ("Wanhui") filed a lawsuit in the State of Illinois, United States, in Cook County Circuit Court for breach of contract against Gerber Plumbing Fixtures, LLC ("Gerber") and Globe Union Industrial Corp. ("GUIC"), the indirect parent company of Gerber, with the Circuit Court of Cook County of the State of Illinois, United States. In the complaint, Wanhui sought an award of damages in an amount of up to US$18 million against Gerber and GUIC in connection with an alleged breach of an Original Equipment Manufacturing Agreement ("OEM Agreement") entered into between Wanhui and Gerber, and the alleged failure to pay for goods sold, improper cancellation of orders and anticipatory repudiation of the OEM Agreement. The complaint also asserted an additional claim for tortious interference with contract against GUIC.

On 9 February 2015, the Company received a counterclaim and impleader complaint ("Counterclaim") which was filed by Gerber and GUIC, with the Circuit Court of Cook County of the State of Illinois, United States. The counterclaim was served upon the Company at its corporate offices in Hong Kong on 9 February 2015 in accordance with the rules of the Hague Convention.

On or about 15 December 2014, Gerber and GUIC filed the Counterclaim in relation to the lawsuit filed by Wanhui, alleging (a) breach of written contract for non-delivery of accepted orders; (b)breach of written contract for losses through 2016, if the courts find an enforceable contract through 2016 (a contingent claim); and (c) tortious interference with contract by the Company, and seeking, inter alia, a total monetary damages of approximately US$93 million.

Having preliminarily consulted its legal adviser, the Company is of the view that the allegations and claims for damages made by Gerber and GUIC in the Counterclaim are unreasonable, ungrounded and cannot be substantiated by facts.

Up to the report date, the Company is in the process of seeking legal advice as to the appropriate course of action in respect of the Counterclaim so as to protect the Group's legal and business interests. The Court has not yet ordered a trial date and no determination that an unfavorable outcome is either probable or remote can be made at this time. Similarly, no accurate estimate of the range of potential loss can be made at this time.

36. EVENTS AFTER THE REPORTING PERIOD (continued)

(b) On 30 January 2015, the Group entered into a sale and purchase agreement with a related party, Wanhui Investment to acquire a 70% interest in Fujian Yudeyuan Property Company Limited at a cash consideration of RMB172,217,500, which is engaged in property development and leasing services.

37. INVESTMENTS IN SUBSIDIARIES

Company

	2014 **RMB'000**	2013 RMB'000
Unlisted shares, at cost	**170,886**	170,886

As at 31 December 2014, the amounts due from and to subsidiaries included in the Company's non-current assets and current liabilities of RMB356,325,000 (31 December 2013: RMB367,673,000) and RMB11,398,000 (31 December 2013: RMB11,359,000), respectively, are unsecured and interest-free.

Particulars of the subsidiaries are as follows:

Name	Place and date of incorporation/ registration and operations and type of legal entity	Authorised/registered/ paid-in/issued capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
漳州萬佳陶瓷工業有限公司 (Zhangzhou Wanjia Ceramic Industry Co., Ltd.)	Zhangzhou, the PRC 2002, limited liability company	Registered and paid-in capital of RMB30,000,000	–	100%	Manufacture and sale of sanitary ware and accessories
漳州萬暉潔具有限公司 (Zhangzhou Wanhui Sanitary Ware Co., Ltd.)	Zhangzhou, the PRC 2005, foreign invested company	Registered and paid-in capital of RMB273,500,000	–	100%	Investment holding, manufacture and sale of sanitary ware and accessories
Nelson Marketing International Limited	Hong Kong 2004, limited liability company	Registered and paid-in capital of HK$10,000	–	100%	Investment holding
Bolina (China) Holding Co., Ltd.	BVI 2011, limited liability company	Issued capital of US$10	100%	–	Investment holding

37. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place and date of incorporation/ registration and operations and type of legal entity	Authorised/registered/ paid-in/issued capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
天津市航標倉儲有限公司 (Tianjin Bolina Storage Co., Ltd.)	Tianjin, the PRC 2012, limited liability company	Registered and paid-in capital of RMB1,000,000	–	100%	Warehousing service, labor service, enterprise management service
西安航標廚衛有限公司 (Xi'an Bolina Kitchen & Bathroom Wares Co., Ltd.)	Xi'an, the PRC 2013, limited liability company	Registered and paid-in capital of RMB1,010,000	–	100%	Various services for sanitary ware, cabinets and accessories, research and development, technical
佛山市航標衛廚服務有限公司 (Foshan Bolina Kitchen & Bathroom Wares Service Co., Ltd.)	Foshan, the PRC 2013, limited liability company	Registered and paid-in capital of RMB1,010,000	–	100%	Various services for sanitary ware, cabinets and accessories
武漢萬暉航標衛廚服務有限公司 (Wuhan Wanhui Bolina Kitchen & Bathroom Wares Service Co., Ltd.)	Wuhan, the PRC 2013, limited liability company	Registered and paid-in capital of RMB1,000,000	–	100%	Various services for sanitary ware, cabinets and accessories
納爾遜(中國)衛廚有限公司 (Nelson (China) Bathroom and Kitchen Wares Co., Ltd.)	Zhangzhou, the PRC 2014, limited liability company	Registered and paid-in capital of RMB240,000,000	–	100%	Various services for sanitary ware, cabinets and accessories
漳州易佰通商務服務有限公司 (Zhangzhou Yibaitong Business Service Co., Ltd.)	Zhangzhou, the PRC 2014, limited liability company	Registered capital of RMB10,000,000 and paid-in capital of RMB4,200,000	–	85%	Enterprise business planning and consulting services
福建富祥置業有限公司 (Fujian Fuxiang Property Co., Ltd.)	Zhangzhou, the PRC 2014, limited liability company	Registered capital of RMB50,000,000, no paid-in capital	–	100%	Real estate development and management

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 31 March 2015.

Five Years Financial Summary

RESULTS

	Year ended 31 December				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**865,613**	913,286	816,739	655,482	371,303
Gross profit	**376,837**	427,364	389,823	303,725	134,700
Profit before tax	**217,643**	280,685	282,709	215,155	93,326
Profit for the year attributable to the owners of the parent	**165,880**	211,274	246,246	160,394	82,146

ASSETS AND LIABILITIES

	As at 31 December				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**1,575,057**	1,449,592	1,147,227	584,883	505,832
Total liabilities	**574,291**	495,778	289,962	341,576	336,573

Note:

The summary of the consolidated results of the Group for each of the two years ended 31 December 2010 and 2011 and of the assets and liabilities as at 31 December 2010 and 2011 have been extracted from the Company's prospectus dated 29 June 2012. Such summary was prepared as if the current structure of the Group has been in existence throughout these financial years. The consolidated results of the Group for the years ended 31 December 2014, 2013 and 2012 and the consolidated assets and liabilities of the Group as at 31 December 2014, 31 December 2013 and 31 December 2012 are set out in the audited financial statements of current year and last year.