



TECHNOLOGY
ART
LIVING

2015 Interim Report

東鵬控股股份有限公司

Dongpeng Holdings Company Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 3386



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Financial Highlights

	For the six months ended June 30,		Change %
	2015 Unaudited	2014 Unaudited	
Income Statement items			
(Expressed in RMB'000 unless otherwise stated)			
Sales	1,652,402	1,623,945	1.8%
Gross Profit	595,597	579,473	2.8%
Profit attributable to owners of the Company	230,770	179,095	28.9%
EBITDA	377,727	335,209	12.7%
Earnings per share (RMB)			
Basic	0.18	0.14	28.6%
Diluted	0.18	0.14	28.6%
Selected financial ratios			
Gross profit margin (%)	36.0%	35.7%	0.3%
Margin of profit attributable to owners of the Company (%)	14.0%	11.0%	3.0%
EBITDA margin (%)	22.9%	20.6%	2.3%
Annualized return on average equity attributable to owners of the Company (%) (Note 1)	19.1%	18.7%	0.4%
Gearing ratio (net debt to total equity) (%)	Net cash	24.7%	N/A

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

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

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

JOINT COMPANY SECRETARIES

Mr. Bao Jianyong
Ms. Yuen Wing Yan, Winnie

AUTHORISED REPRESENTATIVES

Mr. Bao Jianyong
Ms. Yuen Wing Yan, Winnie

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPLIANCE COMMITTEE

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

AUDITORS

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

REGISTERED OFFICE

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



**A SMALL STEP FORWARD FOR DONGPENG CERAMICS
IS A GIANT LEAP FOR THE WHOLE INDUSTRY.**



90's
The exterior of Dongpeng Ceramic Central Factory



1994
The 3rd anniversary of the establishment of Shiwang Dongpeng Ceramic Group (石湾东平陶瓷集团)



1997
The official establishment of Dongpeng Ceramic Group, and the inauguration of the exhibition hall of the headquarters in the same year



2005
The exterior of Dongpeng Building (东鹏大厦)



2013
Dongpeng Holdings was successfully listed in Hong Kong on 9 December

Corporate Information

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

Stock code: 3386
Board Lot: 1,000

WEBSITE

www.dongpeng.net



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The exterior of Dongpeng Ceramic Central Factory



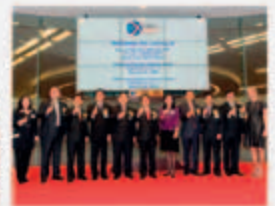
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The 3rd anniversary of the establishment of Shiwang Dongpeng Ceramic Group (石灣東平陶瓷集團)



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The official establishment of Dongpeng Ceramic Group, and the inauguration of the exhibition hall of the headquarters in the same year



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The exterior of Dongpeng Building (東鵬大廈)



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DONGPENG CERAMICS: PERSISTANCE IN CREATION

2015 Beauty of the World

In 2015, Dongpeng gathered the power of original creation with the stunning launch of the "Beauty of the World" pure original product series, depicting the grand beauty of the boundless world with the four chapters of "Beauty of Tao", "Beauty of the Sky", "Beauty of Water" and "Beauty of Human".

2011 Crystal Porcelain

In 2011, it was created by integrating crystal and ceramics seamlessly using the "crystal-porcelain composite" technology. With the luxury temperament of polished tiles, it has the real texture of rustic tiles and the bright and clean texture of glazed tiles. By launching the fourth product category in the industry, Dongpeng leads the industry trend again.

2009

Pininfarina

In 2009, it was designed by Pininfarina of Italy, the official design firm for Ferrari, and inherits the genuine bloodline of Italy. The product incorporates the updated elements of arts, technology and fashion and opens a new era of rustic tiles. Both Obama and Putin have chosen the series.

Carrara Stone

In 2006, Dongpeng took the lead in launching "Carrara Stone" which inherits the bloodline of famous stones in Italy. Carrara Stone exists specially for distinguished villas, restoring natural Carrara stones in Italy. While only three master similar technology in the world, Dongpeng is the only one in China.

2006

2008 Navona Stone

In 2008, the Navona hole-free travertine was successfully launched. This was a legend, which witnessed the revolutionary change of ceramic tiles from without holes to with holes and then from with holes to without holes. Navona was honoured by the Ceramic Weekly of the United States as the "vitrified tile that resembles stone most in the world".

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1998 Perlato Svevo

Perlato Svevo is the first series of products put into production under the Dongpeng brand and is the starting point for Dongpeng to develop towards a "well-known brand for building ceramics in China". Perlato Svevo has achieved instant fame upon its launch. This has established the leading position of Dongpeng in the field of research and development, thereby setting off a consumption wave of using yellow ceramic tiles throughout the country.

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PERSISTANCE IN CREATION

Chairman's Statement

Dear Shareholders,

On behalf of the Board, I am delighted to present to all shareholders (the “**Shareholders**”) of Dongpeng Holdings Company Limited (the “**Company**” or “**Dongpeng**”) and its subsidiaries (collectively, the “**Group**”) the 2015 interim report for the six months ended 30 June 2015.

Despite the difficulties faced by the real estate market and the intense competition within China's home improvement industry, the Group continued to achieve outstanding performance during the six months ended 30 June 2015. The Group's revenue, profit before tax and profit attributable to owners of the Company for the six months ended 30 June 2015 were RMB1,652.4 million, RMB283.1 million and RMB230.8 million, representing an increase of 1.8%, 19.1% and 28.9% over the corresponding period in 2014, respectively.

The Group's notable financial performance during the first half of 2015, is primarily attributable to the effective execution of our management strategy. We further strengthened our industry leading position with brand-building activities and launch of new product series - “Beauty of the World” (“世界之美”), which gained extensive recognition for its original and creative design. Meanwhile, we expanded our sales network by adding 577 retail outlets since the end of 2014, and achieved substantial growth in our direct corporate sales. In order to capitalize on e-commerce opportunities, the Group has allocated more resources into the development of our on-line sales channel. From February to July 2015, the Group ranked number one on T-mall in terms of ceramic tile sales for six consecutive months and became the only strategic partner with T-mall Home in the ceramic tile industry. As a result of our continuous investment in research and development, we have introduced 24 new product series and obtained 18 patents; including the “Beauty of The World” series (“世界之美”), the “Marble” series (“原石”) and the “Europe Impression” Series (“歐洲印象”) in 2015. Also, with the continued upgrading and optimization of our production and raw material consumption process, the Group managed to effectively control its cost.

For the six months ended 30 June 2015, China recorded a GDP growth of approximately 7.0%, a consequence of the continued slow down of economic growth in recent years. However, we noticed that the real estate market started to recover, especially in the second quarter of this year. The activities in home decoration and improvement usually have several months or over a year's time lag after property purchases, resulting in the home decoration and improvement industry to continue operating under a challenging market environment during the first half of 2015. Although we do not expect this market environment to improve dramatically in the second half of 2015, we are confident about the long-term prospect of the home decoration and improvement industry as the inelastic demand driven by Chinese consumer's pursuit of better living environment and the overall urbanization trend remains robust.

Looking forward, the Group will continue to strengthen its brand recognition and solidify its leading market position in the PRC ceramic tile and bathroom product market. The Group has signed an endorsement contract with Tao LIU, a famous artist in mainland China, to create a stronger affinity between the Dongpeng brand and end users. The Group will also strive to further penetrate into third and fourth-tier cities, explore online sales opportunities, improve sales network efficiency and enhance its product mix and operational efficiency. On 29 July 2015, the Group announced its “PRC Building Ceramics Industry 2025” strategy. The Group will upgrade and transform the existing Qingyuan production base to a “smart” factory, with the aim of improving the factories' production efficiency, and accelerating the Group's market response.

Chairman's Statement

The Group believes that its long-established operational mechanism and direct access to the capital market after its initial listing on the main board of The Stock Exchange of Hong Kong Limited will fuel the Group's business expansion, and prepare the Group for future market consolidation and generate higher returns for the Shareholders.

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

He Xinming

Chairman of the board

21 August 2015





Management Discussion and Analysis





 Strong abrasive resistance
强耐磨

 Anti-acid and alkali
耐酸碱

 High rigidity
高硬度

 No radiation
无辐射

As the stone material used in the Colosseum, Italian Roman Travertine is a species that should not be underestimated in the entire field of stone materials. Dongpeng's Roman Travertine perfectly restores the beauty of naturalness, vicissitude and history of the Italian Roman Travertine, having undergone the holes filling and copying process such that the Roman Travertine not only can be mounted on walls, but can also be used for paving grounds of large areas.

Management Discussion and Analysis

MARKET REVIEW

For the six months ended 30 June 2015, the People's Republic of China (the "PRC" or "China") recorded a GDP growth of approximately 7.0%, a consequence of the continued slow down of economic growth in recent years. While the GDP growth was right on target for China's government, it is worth to note that stock market related GDP growth from finance industry in the first half of 2015 made the larger contribution to the overall GDP growth than that in last year, whereas the real economy continued to be under the pressure of slow down.

Since late last year, China's central government has proactively loosened monetary and fiscal policy by cutting interest rates several times and increasing infrastructure investment to counter the pressure of decelerating economic growth. Meanwhile, Chinese government lifted almost all restrictive policies on the real estate market. As a result, the real estate market started to recover from a sharp decline, especially in the second quarter of this year. According to the National Bureau of Statistics of China, the total area of commodity house sold in the first half of this year increased 3.9% from the same period last year, a first time positive growth since 2014.

The activities in home decoration and improvement usually have several months or over a year's time lag after property purchases. Therefore, the home decoration and improvement industry continued to operate under a challenging market environment in the first half of this year. While mid-to-small size ceramic tile manufacturers and low-end industry players found themselves in the very difficult situation in recent years, the industry leader like our Group weathered the industry downturn better comparably. With increasing disposable income, the Chinese consumers are upgrading their purchases towards branded high quality goods. Companies such as ours with superior brand names will continue to gain market share on the back of consumers trading up. Furthermore, by penetrating into third and fourth-tier cities, top brands are also taking up the market share from regional or low-end industry players.

We believe that the Group as the market leader in the ceramic tiles and bathroom products markets is poised to capitalize on this, and with its strong competitive advantages on marketing, logistic and operational efficiencies, we will continue to further consolidate our leading market position in the ceramic tile and bathroom product markets.

BUSINESS REVIEW

Despite the difficulties faced by the real estate market and the intense competition within China's home improvement industry, the Group continued to achieve solid performance during the six months ended 30 June 2015. The Group's revenue, profit before tax and profit attributable to owners of the Company for the six months ended 30 June 2015 were RMB1,652.4 million, RMB283.1 million and RMB230.8 million, representing an increase of 1.8%, 19.1% and 28.9% over the corresponding period in 2014, respectively. Further, the gross profit of the Group for the six months ended 30 June 2015 was RMB595.6 million, representing an increase of over 2.8% over the corresponding period in 2014, and the overall gross margin increased by 0.3 percentage point to 36.0% for the six months ended 30 June 2015 as compared to 35.7% for the corresponding period in 2014. This increase in gross margin was primarily attributable to the product mix optimization and production efficiency improvement.

Management Discussion and Analysis

Solidifying the Group's Leading Position

The Group is the largest ceramic tile company in China in terms of 2012 retail sales value, and is also the largest industry participant in the high-end ceramic tile segment, according to an independent market research report prepared by Frost & Sullivan in Oct 2013. The Group has continued to solidify its leading position within the ceramic tile industry and enhanced its brand through effective marketing strategies. During the six months ended 30 June 2015, the Group has launched a nation-wide marketing campaign titled "Originality Collective" ("凝聚原創力量"), in which more than 300 top interior designers were gathered to endorse the importance of originality in designs. Further, the Group's new product series named "Beauty of the World" ("世界之美") has gained great recognition for its originality and creative design during the campaign.

In order to further increase the brand awareness, the Group has invested in billboard advertisement in the arrival halls of 10 airports, and 14 high speed rail station of major cities within China. In addition, the Group has collaborated with Haier Kitchen and Bath ("海爾集團廚衛部") to sponsor rock music concerts to better capture growing young generation markets.

Implementation of Effective Sales Strategies

For the six months ended 30 June 2015, the Group has continued to implement the proven marketing strategies, including (i) enhancing productivity at the store-level, (ii) expanding sales network coverage and (iii) further penetration into the third and fourth-tier cities of China.

As of 30 June 2015, the Group had 2,556 retail outlets selling the Dongpeng brand ceramic tiles (mostly owned by third-party), covering over 600 cities across China. This represents an increase of 577 retail outlets from the end of 2014. Among the new retail outlets, 130 are "Exclusive Stores" located in major home decoration markets, 126 "Community Stores" with smaller scale located in newly launched apartment buildings, and 321 "Satellite Stores" located in small towns. With the comprehensive channel coverage, it enables the Group to increase its brand awareness, penetrate into a larger customer base, and provide tailored customer services. Meanwhile, in order to improve the brand retailers' competitiveness and efficiency, the Group has implemented intensive training tours across the country.

As of 30 June 2015, the total revenue from corporate sales of the Group has reached approximately RMB221.7 million, substantially increased by 15.5% on a year-on-year basis, due to establishment of the strategic partnership with Suzhou Gold Mantis, CR Home, and etc.

Management Discussion and Analysis

Nationwide Coverage



Development of E-commerce Business

Online shopping has become more popular, particularly among the young working population, due to the rapid development of internet and the growing sophistication of online selling platforms. In order to capitalize these opportunities, the Group has allocated more resources into the development of on-line sales channel. From February to July 2015, the Group ranked number one on T-mall in terms of ceramic tile sales for six consecutive months after the establishment of the e-commerce business unit, and became the only strategic partner with T-mall Home in the ceramic tile industry.

With such intensive distribution network across China, the e-commerce business has become a competitive advantage of the Group providing enhanced shopping experience to on-line users. As of 30 June 2015, 143 of our distributors have entered into an offline service agreement with us to deliver standardized customer services in their corresponding regions, including sales consultation, product delivery and after-sales services. Besides, the Group has established an O2O experience showroom "Togetu" in its Foshan headquarter and developed online exclusive product lines to prevent potential conflict between our online and offline retailers.

Management Discussion and Analysis

Research and Development

The Group continues to devote significant resources in its technological innovation and, new product design and development. As of 30 June 2015, the Group's research and development team consisted of 383 professional staff.

With the collaboration of international product designers and advanced chemical suppliers, the Group has continuously developed and brought to market popular new products, which continuously influence industry trends in China. Meanwhile, the Group's research and development team maintains close contact with our consumers and the marketing team to respond quickly to changes in consumer demand and product trends. For the six months ended 30 June 2015, we have introduced 24 new product series and obtained 18 patents; including the "Beauty of The World" series ("世界之美"), the "Marble" series ("原石") and the "Europe Impression" Series ("歐洲印象").

Operational Excellence

Enhanced operational efficiency and effective cost control continued to be the major drivers for our increased profitability. Firstly, the Group continued to excel in maintaining strategic relationships with high quality suppliers while obtaining competitive pricing through the economy of scale. In addition, during the year of 2014, we have completed the construction of five new production lines in the ceramic tile segment and one new production line in the bathroom segment. In first half 2015, these new production lines has been fully utilized, bringing down the unit costs. As of 30 June 2015, the total production capacity in ceramic tile reached 26.5 million sqm², representing an increase of 28.9% on a year-on year basis while the utilization rate reached 87.2%. With the continuing production upgrade and optimizing raw material process, the Group managed to maintain effective cost control.

Management Discussion and Analysis

FINANCIAL REVIEW

Overview

The key financial indicators of the Group are as follows:

	For the six months ended June 30,		
	2015 Unaudited	2014 Unaudited	Change %
Income Statement items			
(Expressed in RMB'000 unless otherwise stated)			
Sales	1,652,402	1,623,945	1.8%
Gross Profit	595,597	579,473	2.8%
Profit attributable to owners of the Company	230,770	179,095	28.9%
EBITDA	377,727	335,209	12.7%
Earnings per share (RMB)			
Basic	0.18	0.14	28.6%
Diluted	0.18	0.14	28.6%
Selected financial ratios			
Gross profit margin (%)	36.0%	35.7%	0.3%
Margin of profit attributable to owners of the Company (%)	14.0%	11.0%	3.0%
EBITDA margin (%)	22.9%	20.6%	2.3%
Annualized return on average equity attributable to owners of the Company (%) (Note 1)	19.1%	18.7%	0.4%
Gearing ratio (net debt to total equity) (%)	Net cash	24.7%	N/A

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

Revenue

The revenue of the Group increased by 1.8% from RMB1,623.9 million for the six months ended 30 June 2014 to RMB1,652.4 million for the corresponding period in 2015, primarily reflecting an increase in the sales of our glazed tile products.

Management Discussion and Analysis

Revenue by Product Category

Revenue from glazed tile products increased by 12.4% from RMB754.5 million for the six months ended 30 June 2014 to RMB848.5 million for the corresponding period in 2015. The increase is primarily reflected by (i) an increased of the Group's new product series in the glazed tile category, such as Beauty of the World series (世界之美系列), Europe Impression series (歐洲印象系列) and Balsa Wood series (雅木系列); and (ii) glossy glazed tiles became more popular on the retail market.

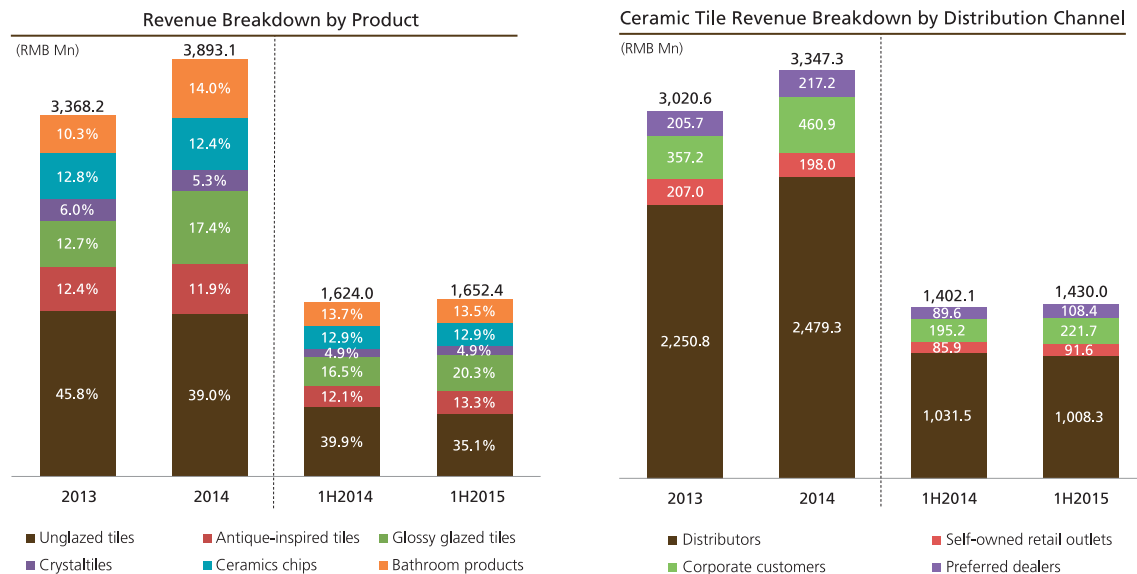
Revenue from unglazed tile products decreased by 10.2% from RMB647.6 million for the six months ended 30 June 2014 to RMB581.6 million for the corresponding period in 2015. The decrease is mainly attributable to the decrease in average selling price to corporate customers.

After the Group acquired the bathroom business in May 2013, bathroom product sales remained stable. Revenue from the bathroom product increased by 0.3% from RMB221.8 million for the six months ended 30 June 2014 to RMB222.4 million for the corresponding period in 2015.

Revenue by Sales Channels

The Group's ceramic tile revenue from preferred dealers and corporate customers increased by 21.0% and 13.5% from RMB89.6 million and RMB195.2 million for the six months ended 30 June 2014 to RMB108.4 million and RMB221.7 million for the corresponding period in 2015, respectively, due to the implementation of effective sales strategy.

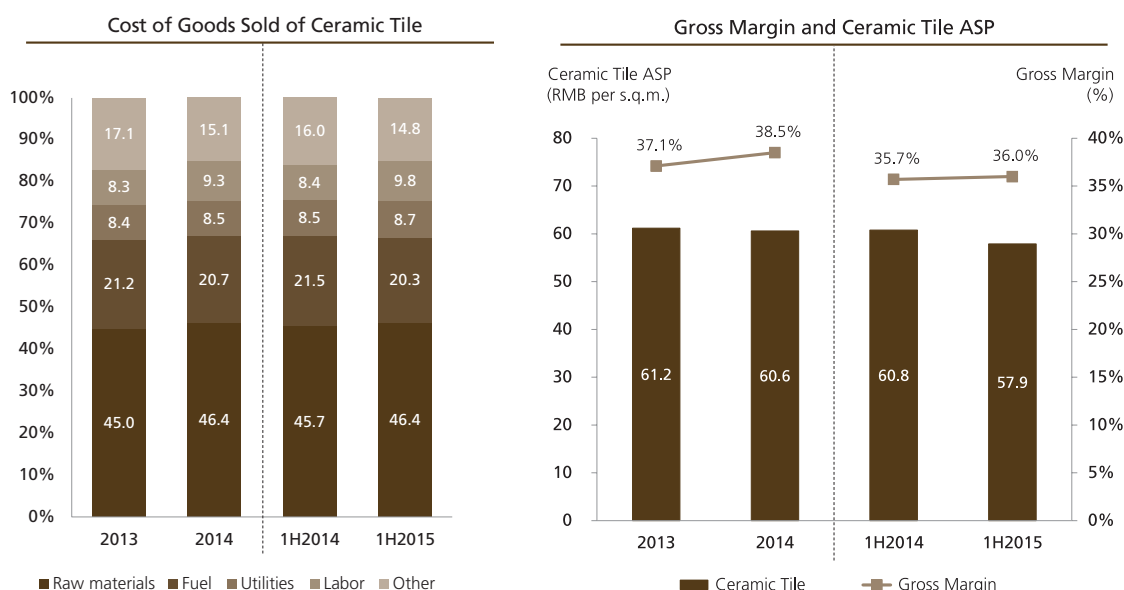
Revenue from distributor channel declined 2.3% mainly because we lowered certain products' selling price to distributors to encourage more aggressive promotion at end market.



Management Discussion and Analysis

Cost of Sales

The Group's cost of sales increased by 1.2% from RMB1,044.5 million for the six months ended 30 June 2014 to RMB1,056.8 million for the corresponding period in 2015. The increase primarily reflected an increased sales volume of ceramic tile and bathroom products.



Gross Profit and Gross Margin

As a result of the foregoing, the Group's gross profit increased by 2.8% from RMB579.5 million for the six months ended 30 June 2014 to RMB595.6 million for the corresponding period in 2015. The gross margin increased by 0.3 percentage points from 35.7% for the six months ended 30 June 2014 to 36.0% for the corresponding period in 2015. The increase in gross margin was primarily attributable to the product mix optimization and production efficiency improvement.

Other Income

Other income increased by 11.0% from RMB78.2 million for the six months ended 30 June 2014 to RMB86.7 million for the corresponding period in 2015. The increase was primarily due to an increase in government grants of RMB9.5 million.

Distribution and Selling Expenses

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

Management Discussion and Analysis

The Group's selling and distribution expenses increased by 12.2% from RMB217.5 million for the six months ended 30 June 2014 to RMB243.9 million for the corresponding period in 2015. This increase was mainly due to the increase of staff and transportation costs.

Administrative Expenses

The administrative expenses increased by 2.3% from RMB117.0 million for the six months ended 30 June 2014 to RMB119.7 million for the corresponding period in 2015. This increase was mainly due to the increase in staff cost, rental and depreciation expenses. Administrative expenses as a percentage of Group's revenue remained at 7.2% during the six months ended 30 June 2015.

Other Expenses

Other expenses increased by 45.7% from RMB16.4 million for the six months ended 30 June 2014 to RMB23.8 million for the corresponding period in 2015. The increase is primarily due to increased research and development on new products and technology.

Research and Development Expenses

Research and development expenses increased by 43.5% from RMB11.8 million for the six months ended 30 June 2014 to RMB17.0 million for the corresponding period in 2015.

Finance Cost

Finance cost decreased by 62.7% from RMB25.1 million for the six months ended 30 June 2014 to RMB9.4 million for the corresponding period in 2015. This decrease was mainly due to the decrease of the interest bearing bank borrowings as at 30 June 2015 compared with the balance as at 30 June 2014.

Income Tax Expense

Income tax expenses decreased by 5.2% from RMB59.0 million for the six months ended 30 June 2014 to RMB56.0 million for the corresponding period in 2015. Our effective tax rate decreased from 24.8% for the six months ended 30 June 2014 to 19.8% for the corresponding period in 2015 owing to the Groups effective tax planning.

Profit for the Period

As a result of the foregoing factors, profit for the period increased significantly by 27.1% from RMB178.7 million for the six months ended 30 June 2014 to RMB227.2 million for the corresponding period in 2015. The Group's net profit margin was 11.0% and 13.7% for the six months ended 30 June 2014 and for the corresponding period in 2015, respectively. The increase of the Group's net profit margin was primarily due to the increase of its gross profit and the decrease of share-based payment expenses and finance expenses.

Management Discussion and Analysis

Profit before Taxation

The profit before tax increased by 19.1% for the six months ended 30 June 2014 from RMB237.7 million to RMB283.1 million for the corresponding period in 2015, mainly due to increase in gross profit.

Profit for The Year Attributable to Owners of The Company

Due to the foregoing reasons, profit attributable to owners of the Company increased from RMB179.1 million for the six months ended 30 June 2014 to RMB230.8 million for the corresponding period in 2015.

Net Profit Margin

Net profit margin increased by 2.7 percentage points from 11.0% for the six months ended 30 June 2014 to 13.7% for the corresponding period in 2015. The increase in net profit margin was mainly attributable to an increase in net profits, an increase in gross profit and a lower finance expense and share-based payment expenses as a percentage of the revenue.

FINANCIAL AND LIQUIDITY POSITION

Trade and Other Receivables

Trade receivables increased from RMB332.4 million as of 31 December 2014 to RMB376.4 million as of 30 June 2015 primarily due to increase in corporate sales. More details about trade and other receivable and the ageing analysis of trade receivable are set out in note 15 of the financial statements.

Inventories

Inventories increased by 3.8% from RMB984.0 million as of 31 December 2014 to RMB1,021.1 million as of 30 June 2015, primarily due to the increase of the bathroom products capacity.

Borrowings

As of 30 June 2015, our Group's total bank borrowings were RMB475.6 million.

The Group's average cost of bank borrowings (calculated by dividing total interest expenses by average bank borrowings during the relevant year) was 4.9% for the six months ended 30 June 2015, versus 6.9% for the corresponding period in 2014. All of the bank borrowings are in RMB currency.

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

Management Discussion and Analysis

Gearing Ratio

The gearing ratio is measured by net debt (aggregate of current and non-current borrowings and, current and non-current obligations under a finance lease less cash and cash equivalents) divided by total equity attributable to owners of the Company. For the six months ended 30 June 2015, the Group was at net-cash position, hence the gearing ratio is not applicable. For the corresponding period in 2014, the gearing ratio was 24.7%.

Capital and Other Commitments

Capital commitment as of 30 June 2015 amounted to approximately RMB169.3 million (as of 31 December 2014: RMB192.4 million), which were mainly related to acquisitions of property, plant and equipment.

Significant Investments

As of 30 June 2015, the Group's short-term investment of RMB203.4 million represented the financial products issued by the bank in the PRC, with expected but not guaranteed return from 2.0% to 3.8% per annum, depending on the market price of its underlying financial instruments, mainly comprising of bonds and debentures. The short-term investment amounting to RMB53.3 million was redeemed in July 2015 at the principal amount together with the expected return. Except as disclosed in this announcement, the Group does not hold any other significant investment.

All short-term investments were made in RMB denominated assets.

Contingent Liabilities

As of 30 June 2015, the Group did not have any material contingent liability.

Pledge of Assets/Off Balance Sheet Transactions

The following assets were pledged to secure bank borrowings and banking facilities granted to the Group and related parties as at 30 June 2015:

	30 June 2015 RMB'000	31 December 2014 RMB'000
Buildings	118,819	119,521
Prepaid lease payments	142,754	143,182
Notes receivables	—	14,920
Pledged bank deposits	284,762	37,085
Total	546,335	314,708

Management Discussion and Analysis

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

Working Capital and Financial Resources

As of 30 June 2015, the carrying amount of the Group's cash and cash equivalents was RMB540.3 million (as of 31 December 2014: RMB387.7 million).

As of 30 June 2015, the Group has a variable-rate borrowing amounting to RMB32.0 million (as of 31 December 2014: RMB50.0 million), and a fixed-rate borrowings amounting to RMB443.6 million (as of 31 December 2014: RMB157.6 million).

Material Acquisitions

The Group has no material investment, acquisition or disposal during the six months ended 30 June 2015.

FUTURE PROSPECTS

Looking ahead, the Group will continue to strengthen its brand recognition and solidify its leading market position in the PRC ceramic tile market. The group has signed an endorsement contract with Tao LIU, a famous artist in mainland China, to create a stronger affinity between the Dongpeng brand and end users. The Group will also strive to further penetrate into third and fourth-tier cities, improve sales network efficiency and enhance its product mix and operational efficiency.

The Group will continue to explore online sales opportunities on more sophisticated online sales platforms, such as VIP Shop, Wechat Mall, and JD.com. Meanwhile, the Group will seek to cooperate with more offline service providers to improve the Group's logistic and after-sale services.

Furthermore, the Group has launched and operated a comprehensive and eco-friendly one-stop decoration services under the brand name of Dongpeng Home (東鵬家居). Under this brand name we will be able to provide for both individual customers and real estate developers. We will also be able to provide a greater variety of decoration materials, furniture and home appliances to its customers.

Management Discussion and Analysis

On 29 July 2015, the Company announced its “PRC Building Ceramics Industry 2025” strategy. The Group will upgrade and transform the existing Qingyuan production base, in order to establish a platform to facilitate interconnectedness between equipment within a factory and in the process, realizing the creation of a “smart” factory within PRC. Meanwhile, the Group plans to construct a central database from the whole operational process from production to sales, with the aim of improving the factories’ production efficiency, accelerating the Group’s market response and enhancing the Group’s operational efficiency. With the Completion of the “smart” factory, it is expected that the aggregate energy consumption of the Group’s production bases will decrease.


The Group believes that its long-established operational mechanism and direct access to the capital market after its initial listing on the main board of The Stock Exchange of Hong Kong Limited will fuel the Group’s business expansion, and prepare the Group for future market consolidation and generate higher returns for its shareholders.

EVENTS AFTER THE REPORTING PERIOD

The Group has no significant events after the reporting period up to the date of this announcement.

EMPLOYEES

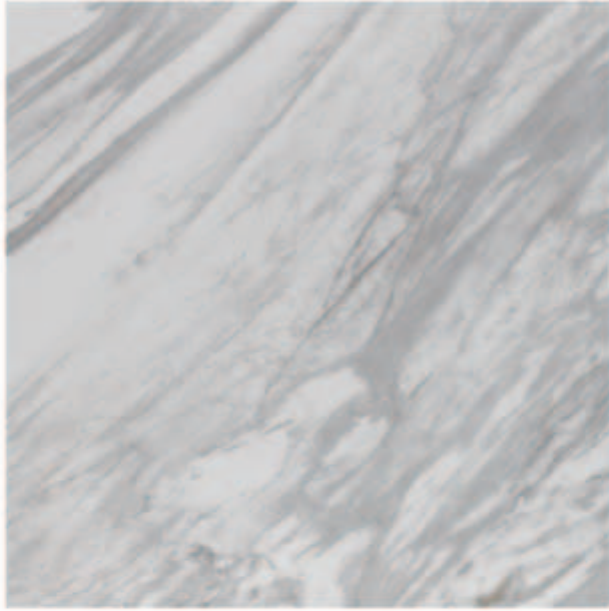
As at 30 June 2015, the Group had a total of approximately 9,003 employees (31 December 2014: 9,043 employees) (30 June 2014: 8,744). The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits, and liabilities for breaches and grounds for termination. Remuneration of the Group’s employees includes basic salaries, allowances, bonus and other employee benefits, that are determined with reference to their experience, qualifications and general market conditions.



**Corporate
Governance and
Other Information**







 Strong abrasive resistance
强耐磨

 Anti-acid and alkali
耐酸碱

 High rigidity
高硬度

 No radiation
无辐射

In-depth excavation is conducted on Italian ancestry Carrara stone to increase its elegant split pattern, so that more solid and stunning visual effects can be achieved when Carrara is paved on large areas. As a stone having nine facets, it can be paved in any way to naturally integrate with and look exactly like natural stones, achieving the borderless visual effects of original ecology.

Corporate Governance and Other Information

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

During the six months ended 30 June 2015, neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

RESULTS AND DIVIDEND

The Directors do not recommend any payment of any interim dividend for the six month period ended 30 June 2015.

USE OF NET PROCEEDS FROM IPO

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

Purpose	Percentage to total amount	Net Proceeds from the Company's IPO		
		Net Proceeds RMB'000	Utilised amount (as at 30 June 2015) RMB'000	Unutilised amount (as at 30 June 2015) RMB'000
For the expansion and upgrade of production facilities	40%	208,120.0	208,120.0	—
For the distribution network (including opening of additional self-owned retail outlets and product showrooms), the setting up of additional local sales management offices, and the hiring of additional sales and marketing personnel	10%	52,030.0	16,250.0	35,780.0
For research and development, including the opening of a new research and development center (primarily consisting of proceeds used for the construction of the center and the purchase of production and testing equipment for prototypes)	10%	52,030.0	52,030.0	—
For the repayment of loans	10%	52,030.0	52,030.0	—
For mergers and acquisitions to complement our existing product lines and sales channels	25%	130,075.0	15,000.0	115,075.0
Additional working capital and other general corporate purposes	5%	26,015.0	26,015.0	—
Total	100%	520,300.0	369,445.0	150,855.0

Corporate Governance and Other Information

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE PRACTICES

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

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

In the opinion of the Directors, the Company has complied with the relevant code provisions contained in the Code for the six months ended 30 June 2015 with the exception of Code Provision A.6.7 as addressed below:

Pursuant to the Code Provision A.6.7, the non-executive Directors and the independent non-executive Directors of the Company should attend general meetings and develop a balanced understanding of the views of shareholders. At the extraordinary general meeting held on 31 March 2015, Mr. Sun Qian, Ms. Sun Limei, Ms. Hsieh H., Lily and Mr. Wu Haibing did not attend the meeting due to other business commitments. At the annual general meeting held on 23 June 2015, Mr. Sun Qian, Mr. Yin Hong and Mr. Wu Haibing did not attend the meeting due to other business commitments.

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

Corporate Governance and Other Information

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during the six months ended 30 June 2015. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during the six months ended 30 June 2015.

REVIEW OF FINANCIAL INFORMATION

Audit Committee

The audit committee of the Company (the “**Audit Committee**”) (being Mr. Wu Haibing, Ms. Hsieh H., Lily, and Mr. Su Sen) has discussed with the Group’s management and reviewed the unaudited interim financial information of the Group for the six months ended 30 June 2015 and recommended its adoption by the Board.

In addition, the Company’s external auditor, Deloitte Touche Tohmatsu, has reviewed but not audited the Group’s interim condensed consolidated financial statements for the six months ended 30 June 2015 in accordance with Hong Kong Standards on Review Engagements 2410 “Review of Interim Financial Information performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

INTERNAL CONTROL

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

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

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

Corporate Governance and Other Information

CHANGE OF EMOLUMENTS OF DIRECTORS

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

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

INTEREST OF DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

As of 30 June 2015, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, are as follows:

Corporate Governance and Other Information

Long Position in Shares of the Company

Name of Director/ Chief Executive	Capacity/Nature of Interest	Number of Shares	Approximate percentage of the Company's issued share capital as of 30 June 2015
Mr. He Xinming ⁽¹⁾	Beneficial owner; Interest of a controlled corporation	395,330,963	31.28%
Mr. Chen Kunlie ⁽²⁾	Beneficial owner; Interest of a controlled corporation	161,888,325	12.81%
Mr. Su Sen ⁽³⁾	Interest of a controlled corporation	33,074,966	2.61%
Mr. Bao Jianyong ⁽⁴⁾	Beneficial owner; Interests of a controlled corporation	46,300,268	3.66%
Mr. Cai Chuyang	Beneficial owner	1,624,750	0.12%

Corporate Governance and Other Information

Long Position in the Underlying Shares

Name of Director/ Chief Executive	Capacity	Nature of Interest	Number of underlying Shares	Approximate percentage of the Company's issued share capital as of 30 June 2015
Mr. He Xinming ⁽⁵⁾	Beneficial owner	Long position	3,750,000	0.29%
Mr. Chen Kunlie ⁽⁵⁾	Beneficial owner	Long position	1,500,000	0.11%
Mr. Bao Jianyong ⁽⁵⁾	Beneficial owner	Long position	1,500,000	0.11%
Mr. Cai Chuyang ⁽⁵⁾	Beneficial owner	Long position	3,125,000	0.24%

Notes:

- (1) Shares owned by Mr. He Xinming consist of (i) 392,518,463 Shares held by Profit Strong Investment Limited ("**Profit Strong**"), a company wholly owned by Mr. He Xinming, and (ii) 2,812,500 Shares beneficially owned by Mr. He Xinming.
- (2) Shares owned by Mr. Chen Kunlie consist of (i) 160,763,325 Shares held by Superb Idea Investments Limited ("**Superb Idea**"), a company wholly owned by Mr. Chen Kunlie, and (ii) 1,125,000 Shares beneficially owned by Mr. Chen Kunlie.
- (3) Shares owned by Mr. Su Sen consist of 33,074,966 Shares held by Cosmo Ray Investments Limited ("**Cosmo Ray**"), a company wholly owned by Mr. Su Sen.
- (4) Shares owned by Mr. Bao Jianyong consist of (i) 45,025,268 Shares held by Rich Blossom Investments Limited ("**Rich Blossom**") in which Mr. Bao Jianyong is deemed to be interested since he holds approximately 31.82% of the equity interest of Rich Blossom and (ii) 1,275,000 Shares beneficially owned by Mr. Bao Jianyong.
- (5) Mr. He Xinming, Mr. Chen Kunlie, Mr. Bao Jianyong and Mr. Cai Chuyang are interested in the underlying shares of the Company by virtue of the options granted to them under the Pre-IPO Share Option Scheme of the Company.

Corporate Governance and Other Information

Long position in the shares of associated corporations

Name of Director	Name of associated corporations	Nature of Interest	Number of Shares	Approximate percentage of Interest as of 30 June 2015
Mr. He Xinming ^{(1), (2)}	Qingyuan Nafuna Ceramics Co., Ltd (“ Qingyuan Nafuna ”)	Interests in controlled corporation	N/A	9.65%
	Foshan Dongpeng Development Co., Ltd (“ Foshan Dongpeng Development ”)	Interests in controlled corporation	N/A	7.69%
Mr. Chen Kunlie ^{(1), (2)}	Qingyuan Nafuna	Interests in controlled corporation	N/A	9.65%
	Foshan Dongpeng Development	Interests in controlled corporation	N/A	7.69%
Mr. Bao Jianyong ^{(1), (2)}	Qingyuan Nafuna	Interests in controlled corporation	N/A	9.65%
	Foshan Dongpeng Development	Interests in controlled corporation	N/A	7.69%
Mr. Su Sen ^{(1), (2)}	Qingyuan Nafuna	Interests in controlled corporation	N/A	9.65%
	Foshan Dongpeng Development	Interests in controlled corporation	N/A	7.69%
Ms. Sun Limei ⁽³⁾	High Ride Investments Limited	Interests in controlled corporation	1,271,787	5.51%

Notes:

- (1) Mr. He Xinming, Mr. Chen Kunlie, Mr. Bao Jianyong and Mr. Su Sen own an aggregate of 77.81% equity interests in Foshan Yuanheng, which in turn owns 9.65% equity interest in Qingyuan Nafuna, a majority-owned subsidiary of our Company, and are therefore deemed to be indirectly interested in 9.65% equity interest in Qingyuan Nafuna.
- (2) Mr. He Xinming, Mr. Chen Kunlie, Mr. Bao Jianyong and Mr. Su Sen own an aggregate of 77.81% equity interests in Foshan Yuanheng, which in turn owns 7.69% equity interest in Foshan Dongpeng Development, a majority-owned subsidiary of our Company, and are therefore deemed to be indirectly interested in 7.69% equity interest in Foshan Dongpeng Development.
- (3) On July 13, 2015, High Ride Investment Limited (“**High Ride**”), our associate corporation, repurchased all shares in which Ms. Sun Limei, our non-executive Director, held in High Ride. As such, Ms. Sun Limei no longer has any deemed interest in the Shares through High Ride since July 13, 2015.

Corporate Governance and Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

The register of substantial Shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, as of 30 June 2015, the following Shareholders had notified the Company of its interests and/or short positions in the Shares and underlying Shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Long positions in the Shares and underlying Shares

Name	Nature of interests	Number of Shares held	Approximate percentage of the Company's issued share capital as of 30 June 2015
Mr. He Xinming ⁽¹⁾	Beneficial owner; interest of a controlled corporation	395,330,963	31.28%
Profit Strong ⁽¹⁾	Beneficial owner	392,518,463	31.06%
Ms. Zhong Qinhu ⁽²⁾	Interest of spouse	395,330,963	31.28%
Mr. Chen Kunlie ⁽³⁾	Beneficial owner; interest of a controlled corporation	161,888,325	12.81%
Superb Idea ⁽³⁾	Beneficial owner	160,763,325	12.72%
Ms. Chen Haihong ⁽⁴⁾	Interest of spouse	161,888,325	12.81%
High Ride	Beneficial owner	188,617,978	14.92%
Sequoia ⁽⁵⁾	Beneficial owner	97,552,800	7.72%
FIL Limited	Investment manager	79,754,000	6.31%

Corporate Governance and Other Information

Notes:

- (1) Shares in which Mr. He Xinming is interested consist of (i) 392,518,463 Shares held by Profit Strong, a company wholly owned by Mr. He Xinming and (ii) 2,812,500 Shares beneficially owned by Mr. He Xinming. Mr. He Xinming is also the sole director of Profit Strong.
- (2) Ms. Zhong Qinhuo is the spouse of Mr. He Xinming. Under the SFO, Ms. Zhong Qinhuo is deemed to be interested in the same number of Shares in which Mr. He Xinming is interested.
- (3) Shares in which Mr. Chen Kunlie is interested consist of (i) 160,763,325 Shares held by Superb Idea, a company wholly owned by Mr. Chen Kunlie and (ii) 1,125,000 Shares beneficially owned by Mr. Chen Kunlie. Mr. Chen Kunlie is also the sole director of Superb Idea.
- (4) Ms. Chen Haihong is the spouse of Mr. Chen Kunlie. Under the SFO, Ms. Chen Haihong is deemed to be interested in the same number of Shares in which Mr. Chen Kunlie is interested.
- (5) Sequoia refers to Sequoia Capital China Growth Fund I, L.P., Sequoia Capital China Growth Partners Fund I, L.P., and Sequoia Capital China GF Principals Fund I, L.P, which hold approximately 6.73%, 0.16% and 0.82%, respectively, of the outstanding shares.

Substantial Shareholders of Other Member of the Group

Name	Name of other member of our Group	Percentage of interest
Mr. Jiang Yuehua	Foshan Gaoming Wenchang Furniture Co., Ltd.	20%
Mr. Tang Bo	Foshan Gaoming Wenchang Furniture Co., Ltd.	10%
Innoci International L.L.C	Guangzhou Yinai Products Co., Ltd.	38%
Mr. Ren Baicheng	Innoci Germany GmbH	38%
Mr. Pan Weiguo	Guangdong Dongpeng Home Co., Ltd.	5%
Guilin Hemei Decoration Engineering Co., Ltd.	Guangdong Dongpeng Home Co., Ltd.	33%

Corporate Governance and Other Information

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the Pre-IPO Share Option Scheme and the Share Option Scheme, at no time during the six months ended 30 June 2015 under review was the Company, its holding company, or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities including debentures of the Company or any other body corporate.

PRE-IPO SHARE OPTION SCHEME AND SHARE OPTION SCHEME

Pre-IPO Share Option Scheme

The Company conditionally approved and adopted the pre-IPO share option scheme (the “**Pre-IPO Share Option Scheme**”) pursuant to the resolutions of the Shareholders passed on 31 October 2013. An extraordinary general meeting was held on 31 March 2015 to approve the amendments to the terms of options granted under the Pre-IPO Share Option Scheme.

The options have been conditionally granted based on the performance of the grantees who have made important contributions or are important to the long term growth and profitability of the Group. The purpose of the Pre-IPO Share Option Scheme is to attract, retain and motivate employees and Directors, and to provide a means of compensating them through the grant of options for their contribution to the growth and profits of the Group, and to allow such employees and Directors to participate in the growth and profitability of the Group.

The offer (the “**Offer**”) of the options under the Pre-IPO Share Option Scheme have been accepted, granted and to have taken effect when the duplicate letter dated 31 October 2013 comprising acceptance of the Offer was duly signed by each grantee, with the number of Shares in respect of which such offer is accepted clearly stated therein, together with a remittance in favor of our Company of HK\$1.00 by way of consideration for the grant thereof was received by our Company on or before 8 November 2013.

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

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

Corporate Governance and Other Information

The options under the Pre-IPO Share Option Scheme shall be vested on the following dates (each a “Vesting Date” and collectively, the “Vesting Dates”) and subject to the following conditions. Further, notwithstanding the failure to meet any particular target for revenue under the Vesting conditions below, if the corresponding profit for the year exceeds the stipulated target profit for the year by 3%, 50% of the options granted to the relevant grantee(s) for the corresponding period shall be vested in relation to him/her on such corresponding Vesting Date. The remaining 50% of the options not granted to the relevant grantee(s) for the corresponding period shall lapse.

The principal terms of the Pre-IPO Share Option Scheme are substantially the same as the terms of the Share Option Scheme (as defined below) except that:

- (a) the subscription price per Share of the options granted under the Pre-IPO Share Option Scheme has been set at HK\$0.01;
- (b) save the Options which have been granted before the Listing Date, no further options would be granted under the Pre-IPO Share Option Scheme on or after the Listing Date; and
- (c) each Option granted under the Pre-IPO Share Option Scheme is exercisable subject to the vesting conditions set out in the vesting schedule which are summarized below.

Corporate Governance and Other Information

The Options shall be vested on the following dates (each a “Vesting Dates”, and collectively the “Vesting Dates”) and subject to the following conditions:

Vesting Dates	Percentage of an option vested	Conditions for vesting
1. The first month of the Listing Date or April 1, 2014, whichever is later	25%	<p>In relation to our executive Directors, our chief financial officer and the Group’s president:</p> <ul style="list-style-type: none"> (a) Our Company records a Revenue of at least RMB3,270 million in 2013; and (b) Our Company records a Profit for the Year of at least RMB345 million in 2013. <p>In relation to the senior management members of our ceramic tiles segment, excluding the Group’s president:</p> <ul style="list-style-type: none"> (a) Our ceramic tiles segment records a Revenue of at least RMB2,960 million in 2013; and (b) Our ceramic tiles segment records a Profit for the Year of at least RMB324 million in 2013. <p>In relation to the senior management members of our bathroom products segment:</p> <ul style="list-style-type: none"> (a) Our bathroom products segment records a Revenue of at least RMB360 million in 2013; and (b) Our bathroom products segment records a Profit for the Year of at least RMB0.2 million in 2013.

Corporate Governance and Other Information

Vesting Dates	Percentage of an option vested	Conditions for vesting
2. The first anniversary of the Listing Date or April 1, 2015, whichever is later	25%	<p>In relation to our executive Directors, our chief financial officer and the Group's president:</p> <ul style="list-style-type: none"> (a) Our Company records (i) a 24% increase in its Revenue in 2014 as compared to 2013, or (ii) a Revenue of at least RMB4,050 million in 2014; and (b) Our Company records (i) a 36% increase in its Profit for the Year in 2014 as compared to 2013, or (ii) a Profit for the Year of at least RMB470 million in 2014. <p>In relation to the senior management members of our ceramic tiles segment, excluding the Group's president:</p> <ul style="list-style-type: none"> (a) Our ceramic tiles segment records (i) a 17% increase in its Revenue in 2014 as compared to 2013, or (ii) a Revenue of at least RMB3,460 million in 2014; and (b) Our ceramic tiles segment records (i) a 34% increase in its Profit for the Year in 2014 as compared to 2013, or (ii) a Profit for the Year of at least RMB440 million in 2014. <p>In relation to the senior management members of our bathroom products segment:</p> <ul style="list-style-type: none"> (a) Our bathroom products segment records (i) a 86% increase its Revenue in 2014 as compared to 2013, or (ii) a Revenue of at least RMB670 million in 2014; and (b) Our bathroom products segment records (i) a 81% increase in its Profit in 2014 as compared to 2013, or (ii) a Profit for the Year of at least RMB38 million in 2014.

Corporate Governance and Other Information

Vesting Dates	Percentage of an option vested	Conditions for vesting
3. The second anniversary of the Listing Date or April 1, 2016, whichever is later	25%	<p>In relation to our executive Directors, our chief financial officer and the Group's president:</p> <ul style="list-style-type: none"> (a) Our Company records (i) a 19% increase in its Revenue in 2015 as compared to 2014 or (ii) a Revenue of at least RMB4,850 million in 2015; and (b) Our Company records (i) a 20% increase in its Profit for the Year in 2015 as compared to 2014, or (ii) a Profit for the Year of at least RMB570 million in 2015. <p>In relation to the senior management members of our ceramic tiles segment, excluding the Group's president:</p> <ul style="list-style-type: none"> (a) Our ceramic tiles segment records (i) a 17% increase in its Revenue in 2015 as compared to 2014, or (ii) a Revenue of at least RMB4,060 million in 2015; and (b) Our ceramic tiles segment records (i) a 15% increase in its Profit for the Year in 2015 as compared to 2014, or (ii) a Profit for the Year of at least RMB500 million in 2015. <p>In relation to the senior management members of our bathroom products segment:</p> <ul style="list-style-type: none"> (a) Our bathroom products segment records (i) a 30% increase its Revenue in 2015 as compared to 2014, or (ii) a Revenue of at least RMB870 million in 2015; and (b) Our bathroom products segment records (i) a 92% increase in its Profit in 2015 as compared to 2014, or (ii) a Profit for the Year of at least RMB73 million in 2015.

Corporate Governance and Other Information

Vesting Dates	Percentage of an option vested	Conditions for vesting
4. The third anniversary of the Listing Date or April 1, 2017, whichever is later	25%	<p>In relation to our executive Directors, our chief financial officer and the Group's president:</p> <ul style="list-style-type: none"> (a) Our Company records (i) a 19% increase in its Revenue in 2016 as compared to 2015, or (ii) a Revenue of at least RMB5,790 million in 2016; and (b) Our Company records (i) a 20% increase in its Profit for the Year in 2016 as compared to 2015, or (ii) a Profit for the Year of at least RMB685 million in 2016. <p>In relation to the senior management members of our ceramic tiles segment, excluding the Group's president:</p> <ul style="list-style-type: none"> (a) Our ceramic tiles segment records (i) a 17% increase in its Revenue in 2016 as compared to 2015, or (ii) a Revenue of at least RMB4,740 million in 2016; and (b) Our ceramic tiles segment records (i) a 18% increase in its Profit for the Year in 2016 as compared to 2015, or (ii) a Profit for the Year of at least RMB586 million in 2016. <p>In relation to the senior management members of our bathroom products segment:</p> <ul style="list-style-type: none"> (a) Our bathroom products segment records (i) a 29% increase its Revenue in 2016 as compared to 2015, or (ii) a Revenue of at least RMB1,120 million in 2016; and (b) Our bathroom products segment records (i) a 36% increase in its Profit in 2016 as compared to 2015, or (ii) a Profit for the Year of at least RMB100 million in 2016.

Corporate Governance and Other Information

For the purpose of determining whether the conditions mentioned above are fulfilled:

“Revenue” shall mean the revenue recorded in the audited consolidated financial statements of the Company for the relevant year.

“Profit for the Year” shall mean the profit for the year recorded in the audited consolidated financial statements of the Company for the relevant year provided that (i) any and all expenses or costs to our Company as a result, arising from or in connection with this scheme, or the grant, vesting or exercise of any option under this scheme, (ii) all the costs and expenses relating to the Listing, and (iii) the change in fair value of the redeemable convertible preferred shares issued by the Company to Sequoia shall be excluded and disregarded for the purpose of calculation of the profit for year.

Any resolution of the Board on whether the above-mentioned conditions for vesting is fulfilled for each respective Vesting Date, shall be conclusive. Any proportion of any option under the Pre-IPO Share Option Scheme which has already vested on any prior Vesting Date(s) shall continue to be vested and shall be exercisable by the relevant grantee of such option. In the event that our Company fails to fulfill any of the conditions for vesting any proportion of an option granted under the Pre-IPO Share Option Scheme, such proportion of the relevant option due to be vested on the relevant Vesting Date had the conditions been fulfilled, shall neither be vested nor be exercisable on such Vesting Date and shall lapse automatically on the relevant Vesting Date.

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

Corporate Governance and Other Information

Movements of the share options granted under the Pre-IPO Share Option Scheme for the six months ended 30 June 2015 are as follows:

Name of Grantee	Date of grant and exercisable period	Number of shares subject to share options					Exercise price per share (HK\$)
		Outstanding as at 1 January 2015	Granted during the period	Lapsed or cancelled during the period	Exercised during the period	Outstanding as at 30 June 2015	
Directors of our Company							
He Xinming	31 October 2013 for 10 years subject to vesting schedule as set out in the grant letter	5,625,000	—	937,500	937,500	3,750,000	0.01
Chen Kunlie	same as above	2,250,000	—	375,000	375,000	1,500,000	0.01
Bao Jianyong	same as above	2,250,000	—	375,000	375,000	1,500,000	0.01
Senior Management of our Group ^{Note}							
Cai Chuyang	31 October 2013 for 10 years subject to vesting schedule as set out in the grant letter	4,687,500	—	781,250	781,250	3,125,000	0.01
Shao Yu	same as above	3,937,500	—	656,250	656,250	2,625,000	0.01
Liang Huicai	same as above	2,250,000	—	375,000	375,000	1,500,000	0.01
Lin Hong	same as above	2,250,000	—	375,000	375,000	1,500,000	0.01
Shi Yufeng	same as above	2,250,000	—	375,000	375,000	1,500,000	0.01
Jin Guoting	same as above	2,250,000	—	375,000	375,000	1,500,000	0.01
Other Employees of our Group ^{Note}							
Wan Zhengyu	31 October 2013 for 10 years subject to vesting schedule as set out in the grant letter	2,250,000	—	2,250,000	—	—	0.01
Yang Lixin	same as above	2,250,000	—	750,000	—	1,500,000	0.01
Chen Junfeng	same as above	1,125,000	—	375,000	—	750,000	0.01
Lin Chifeng	same as above	1,125,000	—	375,000	—	750,000	0.01
Feng Chu	same as above	1,125,000	—	375,000	—	750,000	0.01
Total		35,625,000	—	8,750,000	4,625,000	22,250,000	

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

As at 30 June 2015, a total of 22,250,000 shares (representing approximately 1.76% of the Company's existing issued shares) may be issued by the Company if all share options which had been granted under the Pre-IPO Share Option Scheme have been exercised.

Corporate Governance and Other Information

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

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

Share Option Scheme

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

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

An offer of the grant of an option shall be deemed to have been accepted and the option to which such offer relates shall be deemed to have been granted and to have taken effect when the duplicate letter comprising acceptance of offer duly signed by the Participant with the number of Shares in respect of which such offer is accepted clearly stated therein, together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof is received by the Company.

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

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

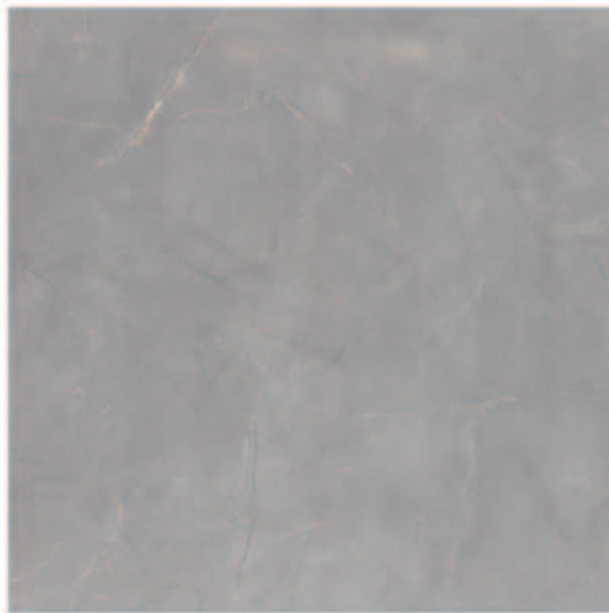
No share options have been granted by the Company under the Share Option Scheme since its adoption and up to the date of this interim report.





**Independent
Auditor's
Report**





 Strong abrasive resistance
强耐磨

 Anti-acid and alkali
耐酸碱

 High rigidity
高硬度

 No radiation
无辐射

With natural Bobi marble as the design blueprint, this stone has nine facets which give exhaustive expression of the natural and random textures of Bobi stone, with interwoven white and black lines distributed on the product surface which increases the traces of natural weathering, so that the product processes more real and vicissitude material textures.

Report on Review of Condensed Consolidated Financial Statements

To the Board of Directors of Dongpeng Holdings Company Limited

(incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Dongpeng Holdings Company Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 54 to 90, which comprise the condensed consolidated statement of financial position as of 30 June 2015 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

Report on Review of Condensed Consolidated Financial Statements

CONCLUSION

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
21 August 2015

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2015

	NOTES	Six months ended 30 June	
		2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Revenue	4	1,652,402	1,623,945
Cost of sales		(1,056,805)	(1,044,472)
Gross profit		595,597	579,473
Other income	5	86,741	78,170
Other gains and losses	6	(1,763)	(9,094)
Distribution and selling expenses		(243,929)	(217,502)
Administrative expenses		(119,684)	(117,046)
Share-based payment expenses		(656)	(34,889)
Other expenses		(23,837)	(16,361)
Finance costs	7	(9,359)	(25,063)
Profit before tax		283,110	237,688
Income tax expense	8	(55,960)	(59,027)
Profit and total comprehensive income for the period	9	227,150	178,661
Attributable to:			
Owners of the Company		230,770	179,095
Non-controlling interests		(3,620)	(434)
		227,150	178,661
Earnings per share (RMB)			
– Basic	11	0.18	0.14
– Diluted	11	0.18	0.14

Condensed Consolidated Statement of Financial Position

At 30 June 2015

	NOTES	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
Non-current Assets			
Property, plant and equipment	12	1,382,079	1,345,124
Prepaid lease payments	13	421,844	374,310
Deferred tax assets	21	54,548	56,731
Deposits for leasehold land		—	10,290
Deposits for acquisition of property, plant and equipment		30,422	3,783
Goodwill		3,850	3,850
Other intangible assets		637	670
		1,893,380	1,794,758
Current Assets			
Inventories	14	1,021,081	983,971
Trade and other receivables	15	624,352	648,078
Tax recoverable		15,758	9,748
Amounts due from related parties	19	290	78
Amounts due from shareholders	19	11	11
Prepaid lease payments	13	9,767	8,708
Short-term investment	16	203,416	125,993
Pledged bank deposits	17	284,762	37,085
Restricted bank deposits	17	162,980	205,720
Bank balances and cash	17	540,312	387,676
		2,862,729	2,407,068
Current Liabilities			
Trade and other payables	18	1,418,910	1,356,508
Amounts due to related parties	19	20,017	12,122
Amounts due to shareholders	19	169,381	—
Amounts due to non-controlling shareholders of a subsidiary	19	1,650	1,650
Obligation under a finance lease		5,228	4,896
Bank borrowings	20	443,600	157,588
Tax liabilities		30,627	48,459
		2,089,413	1,581,223
Net Current Assets		773,316	825,845
Total Assets Less Current Liabilities		2,666,696	2,620,603

Condensed Consolidated Statement of Financial Position

At 30 June 2015

	NOTES	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
Non-current Liabilities			
Obligation under finance lease		22,490	25,270
Bank borrowings	20	32,000	50,000
Deferred taxation liabilities	21	65,149	56,738
		119,639	132,008
Net Assets		2,547,057	2,488,595
Capital and Reserves			
Share capital	22	15	15
Reserves		2,442,721	2,380,639
Equity attributable to owners of the Company		2,442,736	2,380,654
Non-controlling interests		104,321	107,941
Total Equity		2,547,057	2,488,595

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015

	Attributable to owners of the Company						Total	Non-controlling interests	Total
	Share capital	Share premium	Share option reserve	Statutory surplus reserve	Other reserve	Retained profits			
	RMB'000	RMB'000	RMB'000	RMB'000 (note i)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2015 (audited)	15	639,628	30,585	184,434	715,043	810,949	2,380,654	107,941	2,488,595
Profit and total comprehensive income for the period	—	—	—	—	—	230,770	230,770	(3,620)	227,150
Recognition of equity-settled share-based payments	—	—	656	—	—	—	656	—	656
Transfer to statutory surplus reserve	—	—	—	23,138	—	(23,138)	—	—	—
Dividend	—	(169,381)	—	—	—	—	(169,381)	—	(169,381)
Issue of ordinary shares under share option scheme	—	10,439	(10,402)	—	—	—	37	—	37
At 30 June 2015 (unaudited)	15	480,686	20,839	207,572	715,043	1,018,581	2,442,736	104,321	2,547,057
At 1 January 2014 (audited)	15	682,803	16,971	125,927	715,043	305,745	1,846,504	100,878	1,947,382
Profit and total comprehensive income for the period	—	—	—	—	—	179,095	179,095	(434)	178,661
Recognition of equity-settled share-based payments	—	—	34,889	—	—	—	34,889	—	34,889
Dividend	—	—	—	—	—	(69,288)	(69,288)	—	(69,288)
Issue of ordinary shares under share option scheme	—	26,804	(26,709)	—	—	—	95	—	95
At 30 June 2014 (unaudited)	15	709,607	25,151	125,927	715,043	415,552	1,991,295	100,444	2,091,739

Notes:

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

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

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
OPERATING ACTIVITIES		
Profit before tax	283,110	237,688
Adjustments for:		
Interest income	(12,989)	(16,091)
Finance costs	9,359	25,063
Depreciation of property, plant and equipment	80,842	68,287
Allowance for doubtful receivables	5,100	4,899
Allowance for obsolete inventories	2,892	7,034
Share-based payment expense	656	34,889
Amortisation of prepaid lease payments	4,383	4,171
Amortisation of other intangible assets	33	—
Net (gain) loss on disposal of property, plant and equipment	(2,047)	129
Effect of foreign exchange rate changes	114	(2,761)
Operating cash flows before movements in working capital	371,453	363,308
(Increase) decrease in inventories	(40,002)	51,013
Increase in trade and other receivables (Note)	(54,462)	(61,283)
Increase in amounts due from related parties	(212)	(12,815)
Increase (decrease) in trade and other payables	74,977	(77,490)
Increase in amounts due to related parties	3,636	—
Net cash generated from operations	355,390	262,733
Income tax paid	(69,208)	(84,882)
Interest paid	(9,359)	(25,063)
NET CASH FROM OPERATING ACTIVITIES	276,823	152,788

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
INVESTING ACTIVITIES		
Interest received	12,989	16,091
Proceeds from short-term investments	3,724,269	14,200
Payments for short-term investments	(3,801,692)	(123,600)
Proceeds from disposal of property, plant and equipment	5,229	250
Payments for property, plant and equipment	(160,193)	(137,411)
Payments for prepaid lease payments	(42,686)	—
Advances to related parties	—	(242)
Withdrawal of pledged bank deposits	43,154	45,338
Placement of pledged bank deposits	(290,831)	(450,020)
Withdrawal of restricted bank deposits	456,070	—
Placement of restricted bank deposits	(413,330)	(381,900)
NET CASH USED IN INVESTING ACTIVITIES	(467,021)	(1,017,294)
FINANCING ACTIVITIES		
New bank borrowings raised	451,100	721,438
Repayments of bank borrowings	(110,000)	(95,000)
Repayments of obligations under a finance lease	(2,448)	(2,297)
Advances from related parties	4,259	7,934
Dividend paid	—	(17,654)
Proceeds from issue of shares	37	95
NET CASH FROM FINANCING ACTIVITIES	342,948	614,516

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	152,750	(249,990)
Effect of foreign exchange rate changes on the balance of cash held in foreign currencies	(114)	2,761
CASH AND CASH EQUIVALENTS AT 1 January 2015	387,676	803,394
CASH AND CASH EQUIVALENTS AT 30 June 2015, represented by bank balances and cash	540,312	556,165

Note: During the six months ended 30 June 2015, the banks directly received the contractually entitled cash flows of RMB73,088,000 upon maturity of the discounted bills receivable from the Group's debtors as settlement of the related bank borrowings granted to the Group. It was treated as non-cash transaction and the net cash flow from operating activities decreased RMB73,088,000 and net cash from financing activities increased RMB73,088,000 respectively (For the six months ended 30 June 2014: RMB47,967,000).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

1. GENERAL AND GROUP REORGANISATION AND BASIS OF PRESENTATION

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

The principal activity of the Company is investment holding company.

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

2. BASIS OF PREPARATION

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

3. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014.

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

- ¹ Effective for annual periods beginning on or after 1 January 2018
- ² Effective for annual periods beginning on or after 1 January 2018
- ³ Effective for annual periods beginning on or after 1 January 2017
- ⁴ Effective for annual periods beginning on or after 1 January 2016

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

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

4. REVENUE AND SEGMENT INFORMATION

(a) Segment results

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

For the six months ended 30 June 2015 (unaudited)

	Ceramic tile products RMB'000	Bathroom products RMB'000	Total RMB'000
SEGMENT REVENUE			
External sales	1,430,049	222,353	1,652,402
Inter-segment sales	—	16,459	16,459
Segment revenue	1,430,049	238,812	1,668,861
Eliminations			(16,459)
Group revenue			1,652,402
SEGMENT RESULT			
	544,691	50,906	595,597
Eliminations			—
			595,597
Unallocated income			86,741
Unallocated expenses			
Other gains and losses			(1,763)
Distribution and selling expenses			(243,929)
Administrative expenses			(119,684)
Share-based payment expenses			(656)
Other expenses			(23,837)
Finance costs			(9,359)
Profit before tax			283,110

Other segment information included in the measurement of segment results:

	Ceramic tile products RMB'000	Bathroom products RMB'000	Total RMB'000
Depreciation	51,482	5,948	57,430
Allowance for obsolete inventories	1,931	961	2,892

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

4. REVENUE AND SEGMENT INFORMATION (continued)

(a) Segment results (continued)

For the six months ended 30 June 2014 (unaudited)

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

Other segment information included in the measurement of segment results:

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

4. REVENUE AND SEGMENT INFORMATION (continued)

(a) Segment results (continued)

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

(b) Revenue from major products and services

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

	Six months ended 30 June	
	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Unglazed tiles	581,583	647,609
Glazed tiles	848,466	754,540
Bathroom products	222,353	221,796
	1,652,402	1,623,945

(c) Geographic information

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

	Six months ended 30 June	
	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Revenue from external customers based on the location of customers:		
PRC	1,548,509	1,493,023
The United States of America	43,544	58,370
Mexico	18,647	18,966
Other countries	41,702	53,586
	1,652,402	1,623,945

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

4. REVENUE AND SEGMENT INFORMATION *(continued)*

(d) Information about major customers

No major customer contributed over 10% of the total revenue of the Group for six months ended 30 June 2014 and 2015.

(e) Segment assets and liabilities

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

5. OTHER INCOME

	Six months ended 30 June	
	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Bank interest income	10,885	12,645
Interest income on credit sales (note i)	2,104	3,446
Processing income	5,368	5,139
Sales of raw material	1,913	—
Sales of advertising brochures	2,164	4,280
Conference charge	2,285	293
Government grants (note ii)	59,319	49,861
Sundry income	2,703	2,506
Total	86,741	78,170

Notes:

- (i) The Group normally requires advance or immediate payment when goods are delivered. Credit sales were granted to distributors on request basis and interests ranging from 8% to 10% per annum were charged in both periods.
- (ii) The government grants mainly represent incentive subsidies received from PRC government for business development. There are no specific conditions attached to the grants.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

6. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Net (gain) loss on disposal of property, plant and equipment	(2,047)	(129)
Allowance for doubtful receivables	5,100	(4,899)
Net foreign exchange (gain) loss	(1,290)	(4,066)
Total	(1,763)	(9,094)

7. FINANCE COSTS

	Six months ended 30 June	
	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Interest on:		
Bank borrowings wholly repayable within five years	8,371	23,925
Finance lease	988	1,138
	9,359	25,063

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Current tax		
PRC Enterprise Income Tax ("EIT")	46,301	57,902
Over provision in respect of prior years	(935)	(515)
	45,366	57,387
Deferred tax (note 21)	10,594	1,640
	55,960	59,027

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

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

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

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

Pursuant to Zang Zheng Fa No. 51 (2014) Notice in relation to Taxation Policies in support of enterprises located in Tibet (《西藏自治區企業所得稅政策實施方法》) promulgated by the People's Government of Tibet autonomous region, Linzhi Yuhe, Deqing Heying and Deqing Yuwei, which are registered and located in Tibet, can enjoy a preferential enterprise income tax rate of 9% from 2015 to 2017.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

8. INCOME TAX EXPENSE (continued)

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

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

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

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

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

	Six months ended 30 June	
	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Profit before tax	283,110	237,688
Tax at the applicable income tax rate of 25%	70,778	59,422
Effect of preferential tax rates granted to certain subsidiaries	(28,226)	(21,830)
Tax effect of expenses not deductible for tax purpose (Note 1)	876	9,282
Under provision in respect of prior years	(935)	(515)
Tax effect of tax losses not recognised	8,654	3,521
Tax effect of deductible temporary differences not recognised	2,257	1,803
Deferred withholding tax on undistributed profits of PRC subsidiaries	8,510	8,881
Utilisation of deductible temporary differences previously not recognised	(4,183)	(877)
Tax effect of income tax credit granted to subsidiaries for research and development costs	(1,771)	(660)
Income tax expense for the period	55,960	59,027

Note:

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

9. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Profit for the period has been arrived at after charging:		
Depreciation for property, plant and equipment	80,842	68,287
Amortisation for prepaid lease payments	4,383	4,171
Auditors' remuneration	1,255	1,000
Amortisation of other intangible assets	33	—
Research and development costs (included in other expenses)	16,953	11,810
Cost of inventories recognised as expenses	1,056,805	1,044,472
Allowance for obsolete inventories (included in cost of inventories)	2,892	7,034
Staff costs:		
Directors' remuneration	2,035	11,021
Employees' salaries	208,204	175,850
Employees' welfare benefits	8,700	14,008
Share-based payments to employees	(80)	24,973
Employees' retirement benefit schemes contributions	23,102	17,539
	241,961	243,391
Operating lease payments in respect of		
– land and buildings	31,188	29,819
– plant and machinery	14,510	14,754

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

10. DIVIDENDS

During the current interim period, a final dividend of HK\$0.17 per share in respect of the year ended 31 December 2014 was declared to the shareholders of the Company. The aggregate amount of the final dividend declared in the interim period amounted to HK\$214,787,000, equivalent to RMB169,381,000.

No dividends were paid, declared or proposed in respect of current 2015 interim period. The directors have determined that no dividend will be paid in respect of the interim period.

11. EARNINGS PER SHARE

	Six months ended 30 June	
	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Earnings		
Earnings for the purpose of basic earnings per share		
Profit attributable to owners of the Company	230,770	179,095
Earnings for the purpose of dilutive potential ordinary shares	230,770	179,095
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousands)	1,258,853	1,247,279
Dilutive potential ordinary shares relating to share options	19,300	22,665
Weighted average number of ordinary shares for the purpose of diluted earnings per share (in thousands)	1,278,153	1,269,944

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Equipment and machinery RMB'000	Leasehold im- provement RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2014 (audited)	426,941	23,605	18,789	894,971	56,351	174,998	1,595,655
Additions	7,733	3,860	2,629	27,423	3,830	90,686	136,161
Disposals	(6)	(226)	(125)	(977)	—	—	(1,334)
Transfer from construction in progress	81,229	14,016	—	93,565	—	(188,810)	—
At 30 June 2014 (unaudited)	515,897	41,255	21,293	1,014,982	60,181	76,874	1,730,482
At 1 January 2015 (audited)	621,142	32,543	27,932	1,142,288	68,332	68,870	1,961,107
Additions	—	4,211	729	32,150	13,790	70,099	120,979
Disposals	—	(407)	(369)	(42,616)	(21,442)	—	(64,834)
Transfer from construction in progress	7,005	—	—	3,962	—	(10,967)	—
At 30 June 2015 (unaudited)	628,147	36,347	28,292	1,135,784	60,680	128,002	2,017,252
DEPRECIATION							
At 1 January 2014 (audited)	(55,639)	(9,917)	(8,616)	(383,182)	(43,352)	—	(500,706)
Provided for the period	(12,015)	(3,295)	(1,396)	(44,819)	(6,762)	—	(68,287)
Eliminated on disposals	—	39	121	795	—	—	955
At 30 June 2014 (unaudited)	(67,654)	(13,173)	(9,891)	(427,206)	(50,114)	—	(568,038)
At 1 January 2015 (audited)	(83,629)	(17,089)	(11,275)	(448,119)	(55,871)	—	(615,983)
Provided for the period	(15,593)	(4,644)	(2,586)	(50,725)	(7,294)	—	(80,842)
Eliminated on disposals	—	312	356	39,542	21,442	—	61,652
At 30 June 2015 (unaudited)	(99,222)	(21,421)	(13,505)	(459,302)	(41,723)	—	(635,173)
CARRYING AMOUNTS							
At 30 June 2014 (unaudited)	448,243	28,082	11,402	587,776	10,067	76,874	1,162,444
At 30 June 2015 (unaudited)	528,925	14,926	14,787	676,482	18,957	128,002	1,382,079

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

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

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

The Group has pledged certain buildings, equipment and machinery with a carrying value of RMB118,819,000 (31 December 2014: RMB119,521,000) to secure general banking facilities granted to the Group.

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

Buildings with carrying amount of RMB275,644,000 as at 30 June 2015 (31 December 2014: RMB289,319,000), are without property certificates. The Group is in the process of obtaining the property certificates.

The carrying amount of plant and machinery included amounts of RMB20,482,000 (31 December 2014: RMB22,939,000) in respect of assets held under a finance lease.

13. PREPAID LEASE PAYMENTS

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
Leasehold land in the PRC under medium-term lease	431,611	383,018
Analysed for reporting purposes as:		
Non-current asset	421,844	374,310
Current asset	9,767	8,708
	431,611	383,018

The Group has pledged certain prepaid lease payments with a carrying amount of RMB142,754,000 (31 December 2014: RMB143,182,000), to secure general banking facilities granted to the Group.

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

As at 30 June 2015, a parcel of land with carrying amount of Nil (31 December 2014: RMB576,000) is still in the process of obtaining the land use right certificate.

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14. INVENTORIES

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
Raw materials	197,831	219,887
Work in progress	83,005	56,837
Finished goods	740,245	707,247
	1,021,081	983,971

As at 30 June 2015, the allowance for obsolete inventories is RMB100,301,000 (31 December 2014: RMB97,409,000).

15. TRADE AND OTHER RECEIVABLES

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
Trade receivables	376,356	332,438
Less: allowance for doubtful debts	(42,468)	(39,875)
	333,888	292,563
Advances to suppliers	26,776	28,498
Deposits to suppliers	14,272	16,285
Bills receivables	140,416	206,150
Other receivables	27,412	18,188
Less: allowance for doubtful debts	(6,301)	(8,057)
Other tax recoverable	6,883	6,737
Prepaid rentals	5,850	9,300
Other receivables from property developers	8,532	6,878
Value-added tax recoverable	66,624	71,536
Total trade and other receivables	624,352	648,078

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

15. TRADE AND OTHER RECEIVABLES (continued)

The Group normally requires advance or immediate payment when goods are delivered except for (i) sales to certain property developers which are allowed a credit period of 90 days to 180 days or some may be allowed to repay in full upon completion of construction projects or some may have 5% to 10% retention money due at the end of warranty period of one to two years and (ii) sale to certain distributors with a maximum credit period of 90 days and interest bearing. As at 30 June 2015, the retention money held by the property developers amounted to RMB14,726,000 (31 December 2014: RMB19,816,000). The following is an ageing analysis of trade receivables presented based on the invoice date, which approximated the respective revenue recognition date:

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
0 - 30 days	119,977	124,380
31 - 90 days	96,101	75,197
91 - 180 days	29,757	37,610
181 - 365 days	50,433	23,261
Over 1 year	37,620	32,115
	333,888	292,563

The bills receivables are aged within 180 days and have not yet been matured at 30 June 2015 and 31 December 2014 respectively.

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

16. SHORT-TERM INVESTMENT

As at 30 June 2015, the Group's short-term investment mainly represents financial products issued by banks in the PRC, with expected but not guaranteed return ranging from 2.0% to 3.8% per annum, depending on the market prices of its underlying financial instruments, mainly comprised of bonds and debentures. The financial product is measured at fair value at the end of the reporting periods. The directors of the Company consider the fair value of the financial product approximate to its principal amount as at 30 June 2015. No fair value change is recognised during the period ended 30 June 2015. The short-term investments amounting to RMB53,330,000 were redeemed in July 2015 at the principal amount together with return which approximated the expected return and the remaining amount has not been redeemed yet.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

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

Bank balances carry interest at market rates ranging from 0.35% to 0.38% (31 December 2014: 0.35% to 0.38%) per annum. The pledged bank deposits carry interest rates ranging from 0.35% to 2.75% (31 December 2014: 0.35%) per annum.

Pledged bank deposits amounting to RMB266,782,000 (31 December 2014: RMB20,560,000) have been pledged to secure bills payable repayable within six months. Pledged bank deposits amounting to RMB17,980,000 (31 December 2014: RMB16,525,000) as at 30 June 2015 have been pledged to secure deposits for purchase of goods and services.

Restricted bank deposits amounting to RMB162,980,000 represent a financial product issued by a bank in the PRC, with fixed return ranging from 4.6% to 4.8% per annum. The bank deposits are irredeemable from 16 March 2015 to 16 July 2015.

18. TRADE AND OTHER PAYABLES

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
Trade payables	645,671	644,404
Bills payable	55,126	16,980
Other payables	49,228	37,052
Other tax payables	75,723	61,389
Payroll and welfare payables	47,839	56,763
Advances from distributors	146,477	119,476
Deposits from distributors	99,013	85,814
Deferred income	23,698	30,039
Payables for acquisition for property, plant and equipment	186,346	198,921
Accrued expenses	89,789	105,670
	1,418,910	1,356,508

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

18. TRADE AND OTHER PAYABLES (continued)

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

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
0 - 30 days	349,251	377,742
31 - 90 days	201,399	216,216
91 - 180 days	40,186	41,890
181 - 365 days	46,185	1,857
Over 1 year	8,650	6,699
	645,671	644,404

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

Bills payable at 30 June 2015 and 31 December 2014 were aged within 180 days.

19. AMOUNTS DUE FROM/TO RELATED PARTIES AND SHAREHOLDERS

As at 30 June 2015, the trade portion of amounts due from related parties amounting to RMB290,000 (31 December 2014: RMB78,000). The non-trade balance is unsecured, interest-free and repayable on demand.

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

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
0 - 30 days	290	78

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

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

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

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

As at 30 June 2015, the trade portion of amounts due to related parties amounting to RMB5,848,000 (31 December 2014: RMB2,212,000). There is no specific credit term granted by the related parties. The non-trade balances are unsecured, interest-free and repayable on demand.

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

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
0 - 30 days	2,417	1,290
31 - 90 days	3,427	918
91 - 180 days	—	—
181 - 365 days	4	4
	5,848	2,212

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
Amounts due from shareholders	11	11
Amounts due to shareholders	169,381	—
Amounts due to non-controlling shareholders of a subsidiary	1,650	1,650

The amounts due to shareholders represent dividend payable to shareholders.

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

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20. BANK BORROWINGS

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
Bank borrowings, secured	475,600	207,588
Carrying amount repayable:		
Within one year	443,600	157,588
More than one year, but not exceeding two years	—	—
More than two years but not more than five years	32,000	50,000
	475,600	207,588
Less: Amount due within one year shown under current liabilities	(443,600)	(157,588)
	32,000	50,000

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

	30 June 2015 RMB'000	31 December 2014 RMB'000
Fixed-rate borrowings	2.48% - 5.6%	5.6% - 6.9%
Variable-rate borrowings	6.77%	7.21%

At 30 June 2015, variable-rate borrowings amounted to RMB32,000,000 (31 December 2014: RMB50,000,000). The borrowings bear interest rates based on benchmark interest rate from the People's Bank of China ("Benchmark Rate") plus, if applicable, a premium and expose the Group to cash flow interest rate risk. At 30 June 2015, fixed-rate borrowings amounted to RMB443,600,000 (31 December 2014: RMB157,588,000).

At 30 June 2015, secured bank borrowings include the discounting of (i) bills receivables from external trade customers amounted to RMB18,600,000 (31 December 2014: RMB35,588,000), and (ii) intra-group bills receivables amounted to RMB250,000,000 (31 December 2014: Nil), to banks with recourse.

All bank borrowings are denominated in RMB.

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

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21. DEFERRED TAXATION

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

Deferred tax assets	Impairment on inventories and receivables RMB'000	Tax losses RMB'000	Deferred income RMB'000	Options expense RMB'000	Total RMB'000
At 1 January 2014 (audited)	31,524	26,436	5,091	—	63,051
Credit (charge) to profit or loss	478	8,761	(2,357)	—	6,882
At 30 June 2014 (unaudited)	32,002	35,197	2,734	—	69,933
At 1 January 2015 (audited)	33,680	16,053	6,998	—	56,731
Credit (charge) to profit or loss	1,545	(3,732)	(1,872)	1,876	(2,183)
At 30 June 2015 (unaudited)	35,225	12,321	5,126	1,876	54,548

Deferred tax liabilities	Fair value adjustment on acquisition of subsidiaries RMB'000	Accelerated tax depreciation RMB'000	Undistributed profits of subsidiaries RMB'000	Total RMB'000
At 1 January 2014 (audited)	(5,046)	(2,141)	(30,140)	(37,327)
Credit (charge) to profit or loss	74	285	(8,881)	(8,522)
At 30 June 2014 (unaudited)	(4,972)	(1,856)	(39,021)	(45,849)
At 1 January 2015 (audited)	(4,918)	(943)	(50,877)	(56,738)
Credit (charge) to profit or loss	(49)	148	(8,510)	(8,411)
At 30 June 2015 (unaudited)	(4,967)	(795)	(59,387)	(65,149)

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For the six months ended 30 June 2015

21. DEFERRED TAXATION (continued)

The Group is not subject to PRC dividend withholding tax on the dividends paid prior to the completion of the Corporate Reorganization. Upon the completion of the Corporate Reorganisation, Dongpeng International (Hong Kong) Holdings Co.,Ltd. became a group entity and the immediate holding company of Foshan Hua Sheng Chang Ceramics Co.,Ltd.. Under the EIT Law of PRC, withholding tax of 10% is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. As at the end of the current interim period, the aggregate amount of taxable temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised amounted to RMB610,739,000 (31 December 2014: RMB483,093,000).

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

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

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
Unused tax losses	99,235	63,235

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

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
Expiry date		
31 December 2016	2,171	2,171
31 December 2017	5,504	5,504
31 December 2018	15,734	15,734
31 December 2019	39,826	39,826
31 December 2020	36,000	—
Total	99,235	63,235

Other than the above amounts, other unrecognised deductible temporary differences amounting to approximately RMB19,443,000 (31 December 2014: RMB27,150,000) as at 30 June 2015 mainly represent certain accrued rental expenses, accrued employees' and directors' emoluments. Due to the uncertainty on the availability of future profits, deferred tax assets are not recognised on these temporary differences. The Group had no other significant unrecognised deferred taxation.

Notes to the Condensed Consolidated Financial Statements

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22. SHARE CAPITAL

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

	Notes	Number of shares	Amount in US\$
Ordinary shares			
Authorised:			
At 31 December 2013, 30 June 2014, 31 December 2014 and 30 June 2015		49,700,000,000	49,700
Issued:			
31 December 2013 at US\$0.000002 each		1,246,952,800	2,494
Issue of new shares on 25 June 2014 pursuant to the exercise of share options under Pre-IPO Share Option Scheme adopted on 31 October 2013 by directors		3,375,000	7
Issue of new shares on 25 June 2014 pursuant to the exercise of share options under Pre-IPO Share Option Scheme adopted on 31 October 2013 by employees		8,500,000	17
30 June 2014 at US\$0.000002 each		1,258,827,800	2,518
		Equivalent to	RMB 15,000
31 December 2014 at US\$0.000002 each		1,258,827,800	2,518
Issue of new shares on 29 June 2015 pursuant to the exercise of share options under Pre-IPO Share Option Scheme adopted on 31 October 2013 by directors		1,687,500	3
Issue of new shares on 29 June 2015 pursuant to the exercise of share options under Pre-IPO Share Option Scheme adopted on 31 October 2013 by employees		2,937,500	6
30 June 2015 at US\$0.000002 each		1,263,452,800	2,527
		Equivalent to	RMB 15,000

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23. SHARE-BASED PAYMENTS

(a) Pre-IPO share option scheme

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

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

	Number of share options
Outstanding as at 1 January 2015	28,375,000
Exercised during the period	4,625,000
Cancelled during the period	1,500,000
Outstanding as at 30 June 2015	22,250,000

During the period, the Group recognised the expense of RMB656,000 in relation to the grant of the options by the Company.

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

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

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

The Group recognised the share-based payments of RMB656,000 for the period ended 30 June 2015 and RMB34,889,000 for the period ended 30 June 2014 respectively, in relation to share options granted by the Company.

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

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For the six months ended 30 June 2015

23. SHARE-BASED PAYMENTS (continued)

(b) Share option scheme

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

- (i) The exercise price of the share options shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant option (and shall be stated in the letter containing the offer of the grant of the option), but in any case the exercise price shall not be less than the higher of (a) the closing price of the Shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a Business Day ("Offer Date"), (b) the average closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the five (5) Business Days immediately preceding the date of grant, and (c) the nominal value of a Share; and
- (ii) the maximum number of shares in respect of which options may be granted shall not exceed 10% of the total number of shares in issue at the date of listing of the shares of the Company on the Main Board of the Stock Exchange; and
- (iii) the maximum entitlement of each eligible participant in any 12-month period up to the date of offer to grant shall not exceed 1% of the shares in issue as at the date of offer to grant.

As at 30 June 2015, no options have been granted or agreed to be granted pursuant to the share option scheme. The share option scheme will expire on 5 November 2023.

24. PLEDGE OF ASSETS

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

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
Buildings	118,819	119,521
Prepaid lease payments	142,754	143,182
Note receivables	—	14,920
Pledged bank deposits	284,762	37,085
	546,335	314,708

At 30 June 2015, secured bank borrowings include the discounting of (i) bills receivables from external trade customers amounted to RMB18,600,000 (31 December 2014: RMB35,588,000), and (ii) intra-group bills receivables amounted to RMB250,000,000 (31 December 2014: Nil), to banks with recourse.

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For the six months ended 30 June 2015

25. OPERATING LEASES

At 30 June 2015, the Group had future minimum lease payments under non-cancellable operating leases in respect of leased properties and plant and equipment as follows:

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
Within one year	66,950	77,094
In the second to fifth years inclusive	137,189	189,909
After five years	51,078	36,708
	255,217	303,711

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

26. CAPITAL COMMITMENTS

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided	169,282	192,426

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

27. RELATED PARTY TRANSACTIONS

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

Name of related party	Relationship	Six months ended 30 June	
		2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Purchases			
佛山華盛昌陶藝文化傳播有限公司 Foshan Huashengchang Cultural Transmission Co., Ltd.	Controlled by certain members of Controlling Shareholders	426	195
Sales			
佛山華盛昌陶藝文化傳播有限公司 Foshan Huashengchang Cultural Transmission Co., Ltd.	Controlled by certain members of Controlling Shareholders	348	220
Rental expenses			
廣東東鵬陶瓷股份有限公司 Guangdong Dongpeng Ceramics	Controlled by Controlling Shareholders	2,320	2,320
山東嘉麗雅陶瓷股份有限公司 Shandong Jialiya Ceramics Co., Ltd.	Controlled by certain members of Controlling Shareholders	5,220	5,220
湖南金鵬新型建材有限公司 Hunan Jinpeng New Building Materials Co., Ltd.	Controlled by certain members of Controlling Shareholders	5,789	5,789

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

27. RELATED PARTY TRANSACTIONS (continued)

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

	Six months ended 30 June	
	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Directors' fee	197	198
Salaries and other benefits	2,784	2,457
Bonus	—	—
Retirement benefits scheme contribution	112	108
Share-based payments	656	34,889
	3,749	37,652

- (c) The Group had used some relevant trademarks owned by Guangdong Dongpeng Ceramics for free during the six months ended 30 June 2015 and 2014.
- (d) At 30 June 2015, future maximum lease payments to related parties whereby the Group acts as a lessee is as follows:

	30 June	31 December
	2015 RMB'000 (unaudited)	2014 RMB'000 (audited)
Shandong Jialiya Ceramics Co., Ltd.		
Within one year	5,220	10,440
In the second to fifth years inclusive	—	—
	5,220	10,440

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

27. RELATED PARTY TRANSACTIONS (continued)

(d) (continued)

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
Hunan Jinpeng New Building Materials Co., Ltd.		
Within one year	11,576	11,576
In the second to fifth years inclusive	44,047	49,836
After five years	—	—
	55,123	61,412
Guangdong Dongpeng Ceramics		
Within one year	4,650	4,650
In the second to fifth years inclusive	2,325	4,650
	6,975	9,300

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

28. EVENTS AFTER THE END OF THE REPORTING PERIOD

The Group has no significant events after the reporting period up to the report date.