Bolina

BOLINA HOLDING CO., LTD.
航標控股有限公司

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

2015

INTERIM REPORT

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

Mr. Wong Wai Ming, *CPA & FRM®*

AUDITORS

Ernst & Young, Certified Public Accountants

LEGAL ADVISOR

Herbert Smith Freehills

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN PRC

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

PLACE OF BUSINESS IN HONG KONG

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

REGISTERED OFFICE

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

PRINCIPAL SHARE REGISTRAR

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

BRANCH SHARE REGISTRAR

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

STOCK CODE

The Stock Exchange of Hong Kong Limited: 1190

COMPANY WEBSITE

www.bolina.cc

Management Discussion and Analysis

BUSINESS REVIEW

For the six months ended 30 June 2015, the Group recorded revenue of RMB416.6 million, decreased by 4.6% as compared with the corresponding period last year, profit attributable to owners of the parent amounted to RMB78.1 million, decreased by 20.7% as compared with the corresponding period last year; basic earnings per share was RMB7.7 cents, decreased by 20.6% as compared with the corresponding period last year. The Board of Directors resolved not to distribute an interim dividend for the six months ended 30 June 2015.

Sales Performance

The Group is one of the largest manufacturers of ceramic sanitary ware products in China, with annual design capacity of 4.9 million units from 5 production lines to produce “Bolina” brand (own branded products) as well as ODM (original design manufacturing) and OEM (original equipment manufacturing) products for international well-known brands. For the six months ended 30 June 2015, the proportion of sales from the Group’s own brand, ODM and OEM were 64.2%, 33.3% and 2.5% respectively. At present, China is the largest sales market for the Group, accounting for 64.1%, followed by the Americas market, accounting for 33.9%.

Further to the slowdown of China’s economic growth in 2014, economic outlook for the first half of 2015 continued to remain stagnant. However according to the announcement published by the National Bureau of Statistics of the People’s Republic of China, macroeconomic statistics with respect to domestic production, investment, consumption and domestic income for the first half of 2015 demonstrated a relatively stable and positive signal. Following the persistent injection of liquidity into the banking system and the relaxation of tightened lending policies, some economists anticipate a better outlook of 2015 second half than of 2015 first half. On the other hand, the emphasis on maintaining a more sustainable and healthy development of the property market continues to be the main theme of the government’s policy adjustments. Regional governments are encouraged to reinforce its flexi-measures imposed on second-tier and third-tier cities so as to ensure a more healthy development of the countrywide property market whilst the existing control measures on first tier cities will not be halted. Policies of this kind are likely to drive the demand for our own branded products as well as the Group revenue grow. In the first half of 2015, the Group’s own brand sales during the period slightly dropped by 1.5% to RMB267.8 million. The average selling price of the own branded one-piece toilet fell by 1.7% to RMB511.7 as compared to the corresponding period last year.

As regards to the sales of ODM and OEM products. The business strategy of expanding the high value-added ODM business segment continues to prevail. During the reporting period of 2015, the Group successfully raised the revenue amount attributable to ODM business segment and the average selling price thereof which further strengthened the profitability of the Group. The Group’s ODM and OEM product sales accounted for 33.3% and 2.5% of total sales respectively (six months ended 30 June 2014: ODM and OEM product sales accounted for 30.7% and 7.0% of total sales respectively).

Sales Channels

The market of sanitary ware products in China is fragmented with low market share represented by every single major participant. In view of this, the Group’s own branded business in China was mainly carried out through third party distributor model with points of sale being operated by different distributors in different locations. At 30 June 2015, the Group’s distribution network included 515 points of sale operated by 197 distributors. Apart from relying on distributors to develop retail and local projects, the Group also established direct sales channels with a number of national property developers, including Gemdale, Wanda Group and Fusheng Group etc. Although new buildings in China are mostly dominated by “unfurnished flats”, we expect the proportion of furnished new flats will gradually increase especially in more developed regions.

In terms of the overseas market, the sanitary ware exhibitions in Thailand, Saudi Arabia and Australia told us the demand for high quality and reasonably priced sanitary ware products embedded in Asia is huge. The Group received positive feedback from the participation and has been liaising with a number of overseas distributors and dealers for business cooperation. Going forward the Group will continue to participate in more overseas exhibitions so as to uplift the brand awareness of Bolina in overseas market and broaden the Group’s export sales channels.

BUSINESS REVIEW *(continued)*

Sales Channels *(continued)*

The transformation of business model by merging traditional industry with the Internet world is new development trend of most corporations. The Group is of no exception and applies the Internet Plus notion to develop new sales channels. On top of traditional sales channels, the Group endeavours to establish sales channels through e-commerce platform, including Tmall, Gome, JD.com, Suning and Amazon, to promote and sell Bolina's own branded products.

Future Prospects

Notwithstanding the reflection of stabilized and positive signal with respect to certain macroeconomic statistics, i.e. domestic production, investment, consumption and domestic income etc. for the first half of 2015 as published by the National Bureau of Statistics of the People's Republic of China, the Group expects the outlook for the second half of 2015 to be neutral. Though demand for housing and transaction volume for the first half of 2015 increased notably following the rise in priority of stabilizing housing consumptions and the implementation of easing policies in regional property market, the Group expects the relevant positive impact on our branded products sales will be offset by certain unfavorable factors prevailing in the market. The significant fluctuation of the A shares market and the depreciation of Renminbi are expected to impair consumer confidence and sentiment of the global capital market. Amid the unfavorable factors prevailing in the market, the Group expects the domestic sales of own branded products will be uncertain in the second half of 2015.

As one of the strongest players in the industry, the Group has differentiated from other sanitary ware manufacturers in China by having a large scale of exporting ODM and OEM products to many well-known international brands, which contributed to the Group's stable revenue stream every year. Being the second largest market in terms of revenue by geographic locations, the outlook of our ODM and OEM products revenue derived from the U.S. should have been viewed as positive for the second half of 2015 given the recovery signal as seen from both economic and property market data in the U.S. However the positive impact is expected to be offset by the uncertainties resulted from the adverse market sentiment of global capital market, the slowdown of China's economic growth and the depreciation of Renminbi. Though the extent to which China factors are impacting the U.S. economy is yet to be accurately ascertained, the Group takes a neutral view on the outlook of the export business in the second half of 2015.

Despite the aforementioned negative factors, the Group remains positive and confidence with the long term prospect of the own branded products overseas. Riding on the innovative technology, distinguished product quality and competitive pricing of products, the Group is confident to achieve sustainable development of the business and accomplish good performance.

FINANCIAL REVIEW

For the six months ended 30 June 2015, revenue of the Group was RMB416.6 million, down by 4.6% as compared with the corresponding period last year; gross profit of the Group was RMB182.0 million, down by 3.9% as compared with the corresponding period last year; profit before tax of the Group was RMB110.7 million, down by 9.7% as compared to the corresponding period last year; profit attributable to the owners of the parent amounted to RMB78.1 million, down by 20.7% as compared to the corresponding period last year.

Revenue

The following table sets out the Group's revenue derived from its different product categories during the six months ended 30 June 2015 and 2014:

	Six months ended 30 June			
	2015		2014	
	RMB'000	**%**	**RMB'000**	%
Ceramic sanitary ware products				
One-piece toilets	**187,186**	**44.9**	192,697	44.1
Two-piece toilets (with water tanks)	**133,655**	**32.1**	150,447	34.5
Washbasins and stands	**24,776**	**5.9**	27,225	6.2
Other ceramic products including urinals and bidets	**13,256**	**3.2**	13,222	3.0
Sub-total	**358,873**	**86.1**	383,591	87.8
Non-ceramic sanitary products	**57,770**	**13.9**	53,169	12.2
Total	**416,643**	**100.0**	436,760	100.0

FINANCIAL REVIEW *(continued)*

Revenue *(continued)*

The following tables set out the breakdown of the Group's revenue by sale channels during the six months ended 30 June 2015 and 2014:

	Six months ended 30 June			
	2015		2014	
	RMB'000	**%**	RMB'000	%
Branded products				
Distributors	**243,016**	**58.3**	268,185	61.4
Direct sales in the PRC	**24,234**	**5.8**	2,300	0.5
Direct sales to overseas customers	**527**	**0.1**	1,414	0.4
Sub-total	**267,777**	**64.2**	271,899	62.3
Non-branded products				
ODM	**138,656**	**33.3**	134,152	30.7
OEM	**10,210**	**2.5**	30,709	7.0
Sub-total	**148,866**	**35.8**	164,861	37.7
Total	**416,643**	**100.0**	436,760	100.0

The following tables set out the breakdown of the Group's revenue by business nature and by product categories during the six months ended 30 June 2015 and 2014:

OEM products

	Six months ended 30 June 2015			Six months ended 30 June 2014		
Products	**Units**	**Average price**	**Revenue**	Units	Average price	Revenue
		RMB	**RMB'000**		RMB	RMB'000
Two-piece toilets (with water tanks)	**57,633**	**121.3**	**6,989**	223,831	123.3	27,598
Washbasins and stands	**9,624**	**69.8**	**672**	50,025	60.9	3,048
Other ceramic products including urinals and bidets	**9,991**	**211.4**	**2,112**	211	94.8	20
Non-ceramic sanitary products	**22,000**	**19.9**	**437**	3,050	14.1	43
Total	**99,248**	**102.9**	**10,210**	277,117	110.8	30,709

FINANCIAL REVIEW *(continued)*

Revenue *(continued)*

ODM products

Products	Six months ended 30 June 2015			Six months ended 30 June 2014		
	Units	Average price RMB	Revenue RMB'000	Units	Average price RMB	Revenue RMB'000
Two-piece toilets (with water tanks)	**980,950**	**128.5**	**126,019**	971,025	125.1	121,469
One-piece toilets	**21,380**	**439.9**	**9,405**	18,120	441.7	8,004
Washbasins and stands	**35,096**	**89.7**	**3,149**	63,233	73.8	4,667
Other ceramic products including urinals and bidets	**583**	**142.4**	**83**	170	70.6	12
Total	**1,038,009**	**133.6**	**138,656**	1,052,548	127.5	134,152

Own branded products

Products	Six months ended 30 June 2015			Six months ended 30 June 2014		
	Units	Average price RMB	Revenue RMB'000	Units	Average price RMB	Revenue RMB'000
Two-piece toilets (with water tanks)	**6,039**	**107.1**	**647**	13,839	102.7	1,421
One-piece toilets	**347,452**	**511.7**	**177,781**	354,799	520.6	184,693
Washbasins and stands	**196,749**	**106.5**	**20,955**	201,121	97.0	19,510
Other ceramic products including urinals and bidets	**85,136**	**129.9**	**11,061**	114,594	115.1	13,190
Non-ceramic sanitary products	**505,078**	**113.5**	**57,333**	322,570	164.6	53,085
Total	**1,140,454**	**234.8**	**267,777**	1,006,923	270.0	271,899

FINANCIAL REVIEW *(continued)*

Gross Profit and Gross Profit Margin

For the six months ended 30 June 2015 and 2014, the Group's gross profit and gross profit margin by business segment was as follows:

	Six months ended 30 June			
	2015		2014	
	Gross profit RMB'000	**Gross profit margin %**	Gross profit RMB'000	Gross profit margin %
Branded products	**132,182**	**49.4**	135,896	50.0
ODM	**45,812**	**33.0**	44,475	33.2
OEM	**3,995**	**39.1**	9,010	29.3
Total	**181,989**	**43.7**	189,381	43.4

Selling and Distribution Expenses

Selling and distribution expenses increased by RMB2.4 million, or 6.9%, from RMB34.2 million for the six months ended 30 June 2014 to RMB36.5 million for the six months ended 30 June 2015. The increase was mainly attributable to the increase in advertising and marketing expenses for brand building purpose.

Administrative Expenses

Administrative expenses increased by RMB1.2 million, or 4.2%, from RMB29.1 million for the six months ended 30 June 2014 to RMB30.3 million for the six months ended 30 June 2015. The increase was mainly attributable to the write-down of inventories to net realisable value.

Finance Costs

Finance costs represent interest expense on bank and other borrowings of the Group. For the six months ended 30 June 2015, finance costs increased by RMB2.4 million, or 30.0%, from RMB7.9 million for the six months ended 30 June 2014 to RMB10.2 million for the six months ended 30 June 2015. The increase was mainly attributable to the increased loan balance.

Income Tax Expense

Income tax expense increased by RMB9.5 million, or 39.4% from RMB24.1 million for the six months ended 30 June 2014 to RMB33.6 million for the six months ended 30 June 2015. The increase was mainly attributable to the fact that income tax expense for the first half of 2014 included the reversal of withholding tax provisions previously provided for dividend declared. In accordance with the tax treaty between Mainland China and Hong Kong, the Group adopted a lower concessionary withholding tax rate for tax provision on dividend declared starting from the six months ended 30 June 2014 and reversed the excess portion previously provided for at a higher tax rate in prior years. As there was no such reversal for the six months ended 30 June 2015, the amount of income tax expense and the effective tax rate were higher as compared with the corresponding period last year.

Net Profit and Net Profit Margin

For the six months ended 30 June 2015, profit attributable to owners of the parent amounted to RMB78.1 million, representing a decrease of 20.7% as compared to the corresponding period last year. Net profit margin for the six months ended 30 June 2015 was 18.5%.

FINANCIAL REVIEW *(continued)*

Gearing Ratio

Gearing ratio is calculated by dividing total interest-bearing debts by total equity. The Group's gearing ratio as at 30 June 2015 was 36.7% (31 December 2014: 35.8%). The increase in gearing ratio was mainly due to the increase in loan balance.

Capital Expenditure

The Group's capital expenditures were incurred primarily in connection with purchases of property, plant and equipment. The Group's capital expenditures, represented by the cash used for the purchase of property, plant and equipment, were RMB5.2 million for the six months ended 30 June 2015, mainly in connection with the construction of production facilities.

Operating Lease Arrangements

(a) As lessor

The Group leases out its investment properties under operating lease arrangements on terms ranging from ten to twenty one years and with an option for renewal after the expiry dates, at which time all terms will be renegotiated.

At 30 June 2015, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As at 30 June 2015 RMB'000	As at 31 December 2014 RMB'000
Within 1 year	**1,681**	–
After 1 year but within 5 years	**22,060**	–
After 5 years	**82,401**	–
	106,142	–

(b) As lessee

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

	As at 30 June 2015 RMB'000	As at 31 December 2014 RMB'000
Within 1 year	**16,728**	15,908
After 1 year but within 5 years	**34,630**	36,162
After 5 years	**1,000**	4,333
	52,358	56,403

FINANCIAL REVIEW *(continued)*

Commitments

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

	As at 30 June 2015 RMB'000	As at 31 December 2014 RMB'000
Contracted, but not provided for property, plant and equipment	**8,160**	10,786
Contracted, but not provided for land lease payments	**–**	64,500
Contracted, but not provided for investment properties and properties under development	**195,439**	–
Authorised, but not contracted for property, plant and equipment	**268,677**	82,769
Authorised, but not contracted for investment properties and properties under development	**500,898**	–
	973,174	158,055

Financial Resources and Liquidity

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

As at 30 June 2015, cash and cash equivalents of the Group amounted to RMB822.5 million, which was mainly denominated in RMB and US dollar.

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

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Net cash flows from operating activities	**122,746**	122,823
Net cash flows used in investing activities	**(181,033)**	(10,680)
Net cash flows used in financing activities	**(88,657)**	(19,875)
Net (decrease)/increase in cash and cash equivalents	**(146,944)**	92,268
Cash and cash equivalents at beginning of period	**969,208**	887,855
Effect of foreign exchange rate changes, net	**197**	(2,489)
Cash and cash equivalents at end of period	**822,461**	977,634

FINANCIAL REVIEW *(continued)*

Financial Resources and Liquidity *(continued)*

Set out below is an analysis of borrowings of the Group:

	As at 30 June 2015 RMB'000	As at 31 December 2014 RMB'000
Secured	**328,501**	272,304
Guaranteed	**19,000**	25,000
Unsecured	**60,568**	60,595
Total	**408,069**	357,899
Fixed interest rate	**268,808**	178,078
Floating interest rate	**139,261**	179,821
Total	**408,069**	357,899

Trade Receivables Turnover Days

Trade receivables primarily comprise amounts to be received from the sale of sanitary ware products to customers. The Group's trade receivables amounted to RMB123.9 million and RMB120.2 million as at 30 June 2015 and 31 December 2014, respectively.

The Group's average trade receivable turnover days were 53 days and 44 days for the six months ended 30 June 2015 and the year ended 31 December 2014 respectively. The increase in trade receivable turnover days was mainly due to the increase in receivables from certain oversea customers with relatively longer credit period.

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

As at 30 June 2015 and 31 December 2014, there was no material provision for doubtful debts.

Trade and bills Payables Turnover Days

The Group's trade and bills payables primarily arose from the purchases of toilet lids and water tank fittings, packaging material and raw materials for its production activities. For the six months ended 30 June 2015, the Group also started procurement of building materials for the construction work of the investment properties and properties under development. The Group had trade payables of RMB310.3 million and RMB94.9 million as at 30 June 2015 and 31 December 2014, respectively.

The Group's average trade and bills payables turnover days were 157 days and 60 days for the six months ended 30 June 2015 and the year ended 31 December 2014, respectively. The increase in trade payable turnover days was mainly due to the longer credit period offered by certain suppliers and the increase in period end trade and bills payables resulted from the procurement activities of the property development and leasing segment.

FINANCIAL REVIEW *(continued)*

Inventory Turnover Days

The Group's inventories decreased from RMB98.8 million as at 31 December 2014 to RMB94.7 million as at 30 June 2015.

The Group's average inventory turnover days were 75 days and 71 days for the six months ended 30 June 2015 and the year ended 31 December 2014, respectively.

Bank Borrowings and Other Borrowings

As at 30 June 2015, the balance of the Group's bank loans and other borrowings, was RMB408.1 million, up by RMB50.2 million or 14.0% from that of RMB357.9 million as at 31 December 2014.

Certain of the Group's bank loans and other loans are secured by: (i) mortgages over the Group's prepaid land lease payments situated in Mainland China, which had aggregate carrying values of approximately RMB11.7 million and RMB11.8 million as at 30 June 2015 and 31 December 2014, respectively; (ii) mortgages over the Group's buildings, which had aggregate carrying values of approximately RMB74.8 million and RMB75.7 million as at 30 June 2015 and 31 December 2014, respectively; (iii) mortgages over the Group's forward letters of credit which amounted to RMB27.1 million and RMB21.8 million as at 30 June 2015 and 31 December 2014, respectively; (iv) mortgages over the Group's pledged bank balances which amounted to RMB129.9 million as at 30 June 2015 (31 December 2014: RMB130.0 million); and (v) mortgages over the Group's properties under development which amounted to RMB182.7 million as at 30 June 2015 (31 December 2014: Nil).

Risks of Foreign Exchange

The Group has transactional currency exposure. Such exposure mainly arises from sales transactions denominated in United States dollars. The Group regularly monitors its foreign exchange exposure and will consider the need to hedge against significant foreign currency exposure where appropriate. The Group entered into one foreign currency forward contract during the six months ended 30 June 2015 to hedge against fluctuations in the foreign currency.

Major Investments and Disposal

On 30 January 2015, the Group entered into the Sale and Purchase Agreement with Fujian Wanhui Investment Company Limited ("Wanhui Investment") to acquire the Sale Interest in Yudeyuan at the consideration of RMB172.2 million. Yudeyuan holds the land use right of the Yudeyuan Property. After the Completion, the Group holds 70% of the total equity interest in Yudeyuan and therefore Yudeyuan becomes the subsidiary of the Company. For details of this acquisition, please refer to the announcement made by the Company pursuant to the Listing Rules on 30 January 2015 and the circular pursuant to the Listing Rules issued on 17 February 2015. The acquisition had been resolved and approved by the shareholders in the Extraordinary General Meeting held on 10 March 2015.

Contingent Liabilities

As the end of the reporting period, contingent liabilities not provided for in the financial statement were as follows:

	As at 30 June 2015 RMB'000	As at 31 December 2014 RMB'000
Guarantees given to banks in connection with facilities granted to customers for mortgage loan	**1,794**	–

FINANCIAL REVIEW *(continued)*

Subsequent Events

On 5 August 2015, the Company, Wanhui, Gerber and GUIC entered into an final settlement agreement ("Final Settlement Agreement") in relation to the litigations ("Litigation") involving claims in relation to the OEM Agreement filed by the Company and Wanhui and the Counterclaim filed by Gerber and GUIC. For details of the Final Settlement Agreement, please refer to the announcement made by the Company pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") on 17 August 2015.

EMPLOYEES AND REMUNERATION

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

As at 30 June 2015, the Group employed 2,224 full-time employees, and their remuneration is determined with reference to market rates. No individual employee shall have the right to determine his/her own remuneration.

In addition to the basic remuneration, the Group also provided certain non-monetary benefits, such as training, to its employees.

INTERIM DIVIDEND

The Directors resolved not to distribute an interim dividend for the six months ended 30 June 2015.

Other Information

DIRECTORS' INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2015, the interests of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO), as recorded in the register maintained by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, were as follows:

(a) Long position in ordinary shares of HK$0.01 each of the Company

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

Notes:

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

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

(b) Interests in share options of the Company

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

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

SHARE OPTIONS

Pursuant to a resolution passed on the general meeting of shareholders held on 25 June 2012, the Company adopted a share option scheme (the "Share Option Scheme"). According to the Share Option Scheme, the maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme of our Company shall not, in the absence of Shareholders' approval, in aggregate exceed 10% in nominal amount of the aggregate of Shares in issue on the Listing Date (not taking into account any Shares which may be allotted and issued under the Over-allotment Option) (i.e. 100,000,000 shares), representing approximately 9.91% of the total issued shares of the Company at the date of this report. As at the date of this report, no share options had been granted by the Company pursuant to the Share Option Scheme, therefore the total number of shares of the Company available for issue under the Share Option Scheme is nil and accordingly the percentage of the issued shares that it represents is also nil.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2015, other than the interests disclosed in the section "Directors' interest in Shares, underlying Shares and debentures", the register of substantial shareholders maintained by the Company under Section 336 of the SFO showed that the following person(s)/corporation(s) held interests or short positions in 5% or more of the issued shares capital of the Company:

Name	Long/Short position	Type of interest	Number of Shares	Percentage of shareholding in the Company
Ms. Xiao Xiuyu ("Ms. Xiao")	Long position	Interest in a controlled corporation[1]	102,700,000	10.18%
Grand York Holdings Limited ("Grand York")	Long position	Beneficial owner	102,700,000	10.18%
Asia Equity Value Ltd.	Long position	Beneficial owner	55,476,768	5.50%
Asia Equity Value Ltd.	Long position	Person having a security interest in shares	55,057,000	5.46%

Note:

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

CORPORATE GOVERNANCE

Compliance with the Corporate Governance Code

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

The Board is of the view that the Company has complied with the Code Provisions set out in the Corporate Governance Code ("CG Code") as contained in Appendix 14 to the Listing Rules during the six months period ended 30 June 2015, except for the following deviation:

Code Provision A.2.1

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

Other Information

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

In accordance with Rule 13.51B(1) of the Listing Rules, other than the appointment of Prof. Raymond So Wai-man and the resignation of Mr. Leung Ka Man (please refer to the announcement published by the Company on 15 December 2014 and 12 January 2015, respectively), there was no change to information required to be disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) during the reporting period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the directors. Having made specific enquiry to all the directors, all the directors confirmed that they had complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2015.

DEED OF NON-COMPETITION

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

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

(a) The Covenantors signs and delivers to the board of the Company an annual confirmation letter confirming their compliance with the Deed of Non-Competition and that they did not have any interest in the Restricted Business during the preceding financial year of the Company;

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

(c) A special committee, comprising of Mr. Wong Wai Ming (the Company Secretary and CFO of the Company) and Mr. Yang Qingyun (the executive director of the Company), monitor and ensure the compliance with the Deed of Non-Competition by way of communicating and enquiring with each of the Covenantors on a regular (at least monthly) basis as to whether each of the Covenantors engages, participates or holds any right or interest in or otherwise be involved in the Restricted Business.

The Company has followed and complied with the abovementioned procedures since its listing on the Hong Kong Stock Exchange, and will make relevant disclosures with respect to the Covenantors' compliance with the Deed of Non-Competition in its annual reports in due course.

PURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities during the six months ended 30 June 2015.

PUBLIC FLOAT

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

AUDIT COMMITTEE

The Board has formed an Audit Committee in accordance with the Listing Rules to fulfill the functions of reviewing and monitoring the financial reporting procedure and internal control of the Company. The Audit Committee members currently comprise all the independent non-executive directors of the Company. The Audit Committee has reviewed and approved the Company's unaudited consolidated interim financial results for the six months ended 30 June 2015.

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

Zhangzhou, 29 September 2015

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2015

	Notes	Six months ended 30 June **2015** RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
REVENUE	4(a)	**416,643**	436,760
Cost of sales	5(b)	**(234,654)**	(247,379)
Gross profit		**181,989**	189,381
Other income and gains, net	4(b)	**6,675**	4,232
Selling and distribution expenses		**(36,542)**	(34,182)
Administrative expenses		**(30,285)**	(29,057)
Other expenses		**(964)**	–
Profit from operations		**120,873**	130,374
Finance costs	6	**(10,211)**	(7,856)
Profit before tax	5	**110,662**	122,518
Income tax expense	7	**(33,614)**	(24,106)
PROFIT FOR THE PERIOD		**77,048**	98,412
Attributable to:			
Owners of the parent		**78,059**	98,412
Non-controlling interests		**(1,011)**	–
		77,048	98,412
Earnings per share attributable to ordinary equity holders of the parent			
Basic – For profit for the period	9	**RMB7.7cents**	RMB9.7cents
Diluted – For profit for the period	9	**RMB7.7cents**	RMB9.7cents

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

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**77,048**	98,412
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**197**	(2,489)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	**197**	(2,489)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**197**	(2,489)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**77,245**	95,923
Attributable to:		
Owners of the parent	**78,256**	95,923
Non-controlling interests	**(1,011)**	–
	77,245	95,923

Interim Condensed Consolidated Statement of Financial Position

30 June 2015

	Notes	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	**204,162**	208,829
Properties under development	11	**409,364**	–
Investment properties	12	**280,139**	–
Prepaid land lease payments		**11,683**	11,830
Goodwill		**35,915**	–
Intangible assets		**258**	302
Available-for-sale investments		**2,500**	2,500
Long term prepayment		**4,215**	–
Deferred tax assets		**6,238**	6,792
Pledged bank balances	15	**–**	90,000
Total non-current assets		**954,474**	320,253
CURRENT ASSETS			
Inventories	13	**94,744**	98,813
Trade receivables	14	**123,862**	120,192
Prepayments, deposits and other receivables		**38,314**	25,612
Derivative financial instruments		**171**	–
Pledged bank balances	15	**144,531**	40,979
Cash and cash equivalents	15	**822,461**	969,208
Total current assets		**1,224,083**	1,254,804
CURRENT LIABILITIES			
Trade and bills payables	16	**310,268**	94,895
Advances from customers		**94,899**	–
Other payables and accruals		**124,399**	77,379
Derivative financial instruments		**491**	441
Dividends payable		**23,877**	–
Amount due to the Controlling Shareholder	23(c)	**2,840**	7,801
Amount due to a related party	23(c)	**3,970**	–
Interest-bearing bank and other borrowings	17	**408,069**	276,715
Tax payable		**21,314**	9,405
Total current liabilities		**990,127**	466,636
NET CURRENT ASSETS		**233,956**	788,168
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,188,430**	1,108,421

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Interim Condensed Consolidated Statement of Financial Position

30 June 2015

	Note	**30 June 2015 RMB'000 (Unaudited)**	31 December 2014 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Derivative financial instruments		**–**	1,823
Interest-bearing bank borrowings	17	**–**	81,184
Deferred tax liabilities		**75,881**	24,648
Total non-current liabilities		**75,881**	107,655
Net assets		**1,112,549**	1,000,766
EQUITY			
Equity attributable to owners of the parent			
Share capital	18	**8,226**	8,226
Reserves		**1,046,919**	968,663
Proposed final dividend		**–**	23,877
		1,055,145	1,000,766
Non-controlling interests		**57,404**	–
Total equity		**1,112,549**	1,000,766

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015

		Attributable to owners of the parent											
	Note	Share capital RMB'000	Share premium* RMB'000	Capital redemption reserve* RMB'000	Dis-cretionary reserve fund* RMB'000	Statutory reserve * RMB'000	Capital reserve* RMB'000	Exchange fluctuation reserve * RMB'000	Retained profits* RMB'000	Proposed final dividend RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total Equity RMB'000
At 1 January 2015 (audited)		**8,226**	**347,615**	**48**	**21,894**	**42,866**	**101,081**	**4,779**	**450,380**	**23,877**	**1,000,766**	**-**	**1,000,766**
Profit for the period		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**78,059**	**-**	**78,059**	**(1,011)**	**77,048**
Exchange differences on translation of foreign operations		**-**	**-**	**-**	**-**	**-**	**-**	**197**	**-**	**-**	**197**	**-**	**197**
Total comprehensive income for the period		**-**	**-**	**-**	**-**	**-**	**-**	**197**	**78,059**	**-**	**78,256**	**(1,011)**	**77,245**
Acquisition of a subsidiary	19	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**58,415**	**58,415**
2014 final dividend declared		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(23,877)**	**(23,877)**	**-**	**(23,877)**
At 30 June 2015 (unaudited)		**8,226**	**347,615**	**48**	**21,894**	**42,866**	**101,081**	**4,976**	**528,439**	**-**	**1,055,145**	**57,404**	**1,112,549**
At 1 January 2014 (audited)		8,274	360,808	–	21,894	34,729	101,081	6,231	364,954	55,843	953,814	–	953,814
Profit for the period		–	–	–	–	–	–	–	98,412	–	98,412	–	98,412
Exchange differences on translation of foreign operations		–	–	–	–	–	–	(2,489)	–	–	(2,489)	–	(2,489)
Total comprehensive income for the period		–	–	–	–	–	–	(2,489)	98,412	–	95,923	–	95,923
Repurchase of shares		(20)	(5,611)	20	–	–	–	–	–	–	(5,611)	–	(5,611)
2013 final dividend declared		–	–	–	–	–	–	–	(420)	(55,843)	(56,263)	–	(56,263)
At 30 June 2014 (unaudited)		8,254	355,197	20	21,894	34,729	101,081	3,742	462,946	–	987,863	–	987,863

* These reserve accounts comprise the consolidated reserves of RMB1,046,919,000 (30 June 2014: RMB979,609,000) in the condensed consolidated statement of financial position.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

	Notes	Six months ended 30 June 2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**110,662**	122,518
Adjustments for:			
Depreciation	10	**9,821**	12,500
Recognition of prepaid land lease payments		**148**	179
Amortization of intangible assets		**44**	44
Write-down of inventories to net realizable value		**2,355**	–
Interest income	4(b)	**(4,102)**	(3,428)
Loss on disposal of items of property, plant and equipment		**149**	–
Net fair value (gains)/losses on derivative instruments		**(1,944)**	484
Finance costs	6	**10,211**	7,856
Decrease/(Increase) in inventories		**1,714**	(969)
Increase in trade receivables		**(3,670)**	(18,364)
Decrease/(Increase) in prepayments, deposits and other receivables		**1,765**	(758)
Increase in properties under development		**(11,338)**	–
Increase in long term prepayment		**(2,895)**	–
Increase in trade and bills payables		**13,464**	19,269
Increase in advances from customers		**27,107**	–
(Decrease)/Increase in other payables and accruals		**(6,374)**	6,733
Cash generated from operations		**147,117**	146,064
Tax paid		**(24,371)**	(23,241)
Net cash flows from operating activities		**122,746**	122,823

continued/...

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

	Notes	Six months ended 30 June 2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		**(4,819)**	(13,074)
Proceeds from disposal of items of property, plant and equipment		**108**	–
Increase in investment properties		**(7,785)**	–
Acquisition of a subsidiary, net off cash acquired		**(170,175)**	–
Advances to third parties		**(41,000)**	(20,000)
Collection of advances to third parties		**41,000**	20,000
Cash flows from other investing activities		**1,638**	2,394
Net cash flows used in investing activities		**(181,033)**	(10,680)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repurchase of shares		**–**	(5,611)
Proceeds from bank loans and other borrowings		**213,937**	189,181
Repayment of bank loans and other borrowings		**(163,767)**	(139,094)
Increase in pledged bank balances		**(12,619)**	(733)
Advances from a related party		**2,000**	–
Repayment of advances from a related party		**(114,400)**	–
Repayment of advances from the Controlling Shareholder		**(4,961)**	–
Dividends paid		**–**	(56,263)
Interest paid		**(8,847)**	(7,355)
Net cash used in financing activities		**(88,657)**	(19,875)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(146,944)**	92,268
Cash and cash equivalents at beginning of period		**969,208**	887,855
Effect of foreign exchange rate changes, net		**197**	(2,489)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**822,461**	977,634
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	15	**822,461**	977,634
Time deposits	15	**144,531**	130,557
Less: Pledged bank balances	15	**144,531**	130,557
Cash and cash equivalents as stated in the statement of cash flows		**822,461**	977,634

1. CORPORATE INFORMATION

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

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

The principal activity of the Company is investment holding. The subsidiaries of the Company are principally engaged in the manufacture and sale of sanitary ware and accessories. During the period, the Group acquired 70% interest of Fujian Yudeyuan Real Estate Limited ("Yudeyuan") from a related party, which is engaged in property development and leasing services.

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

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2015 have been prepared in accordance with Hong Kong Accounting Standards 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention, except for derivative financial instruments, which have been measured at fair value.The interim condensed consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise stated.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2014.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") and interpretations as of 1 January 2015, noted below:

HKAS 19 Amendments	*Defined Benefit Plans: Employee Contributions*[1]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs[1]

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

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

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

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

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

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2017
3 Effective for annual periods beginning on or after 1 January 2018
4 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at historical cost less accumulated depreciation and provision for any impairment in value. Depreciation is calculated on the straight-line basis over the expected useful life of 10 to 50 years.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the statement of profit or loss during the financial period in which they are incurred.

Any gains or losses on the retirement on disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its carrying amount at the date of reclassification becomes its cost for accounting purposes. If an item of property, plant and equipment becomes an investment property because its use has changed, the carrying amount of this item at the date of transfer is recognised as the cost of an investment property for accounting purposes. Property being constructed or developed for future as an investment property is classified as an investment property.

Properties under development

Properties under development are stated at the lower of cost and net realisable value and comprise land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

Properties under development which are intended to be held for sale and expected to be completed within 12 months from the end of the reporting period are classified as current assets.

Properties under development which are intended to be held for sale and expected to be completed beyond 12 months from the end of the reporting period are classified as non-current assets.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group's business is divided into business units based on the type of products and services that the segment is engaged to provide. The Group has two reportable operating segments as follows:

(a) the sanitary ware segment – production and distribution of ceramic and non-ceramic sanitary ware products;

(b) the property development and leasing segment – development, sale and lease of properties in Mainland China.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions with respect to resources allocation and performance assessment. Segment performance is evaluated based on the adjusted profit or loss of each reportable segment which is measured at the Group's profit before tax adjusted for interest income, finance costs, dividend income, fair value gains or losses from the Group's financial instruments as well as head office and corporate expenses that are not divisible into and assignable to different segments.

Segment assets exclude other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

3. OPERATING SEGMENT INFORMATION *(continued)*

The Group has no revenue generated from the property development and leasing segment during the six months ended 30 June 2015. The following tables present the Group's segment information in terms of assets and liabilities as at 30 June 2015.

Period ended 30 June 2015	**Sanitary ware RMB'000**	**Property development and leasing RMB'000**	**Total RMB'000**
Segment assets	**1,666,281**	**746,793**	**2,413,074**
Reconciliation:			
Elimination of intersegment receivables			**(236,909)**
Corporate and other unallocated assets			**2,392**
Total assets			**2,178,557**
Segment liabilities	**498,809**	**641,775**	**1,140,584**
Reconciliation:			
Elimination of intersegment payables			**(236,909)**
Corporate and other unallocated liabilities			**162,333**
Total liabilities			**1,066,008**

Geographical information

The following tables present the Group's revenue for the six months period ended 30 June 2015 and 2014, and the Group's non-current assets as at 30 June 2015 and 31 December 2014 respectively by geographic locations.

(a) Revenue from external customers

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Americas	**141,151**	152,005
Mainland China	**267,250**	270,485
Europe	**6,770**	4,864
Asia (excluding Mainland China)	**1,472**	9,406
	416,643	436,760

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

3. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information *(continued)*

(b) Non-current assets

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Mainland China	**948,236**	313,461

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

Information about major customers

For the six months ended 30 June 2015, revenue from one of the Group's customers, amounting to RMB86,601,470 (six months ended 30 June 2014: two of the Group's customers, amounting to RMB77,205,000 and RMB47,717,000) has individually accounted for over 10% of the Group's total revenue.

4. REVENUE, OTHER INCOME AND GAINS, NET

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after netting off sales rebates for the periods ended 30 June 2015 and 2014.

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

(a) Revenue

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Revenue from the sale of sanitary ware products	**416,643**	436,760

4. REVENUE, OTHER INCOME AND GAINS, NET *(continued)*

(b) Other income and gains, net

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other income		
Government grants*	**764**	916
Bank interest income	**4,102**	3,428
Others	**14**	372
	4,880	4,716
Gains/(losses), net:		
Loss on disposal of items of property,plant and equipment	**(149)**	–
Fair value gains/(losses),net:		
Derivative instruments	**1,944**	(484)
Other income and gains, net	**6,675**	4,232

* Various government grants have been received for conducting export sales and patent within Fujian Province, Mainland China. There were no unfulfilled conditions or contingencies relating to these grants as at 30 June 2015.

5. PROFIT BEFORE TAX

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

		Six months ended 30 June	
		2015	2014
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
(a)	**Employee benefit expense (including directors' and chief executive's remuneration)**		
	Wages and salaries	**46,698**	49,058
	Pension scheme contributions, social welfare and other welfare	**5,507**	5,442
		52,205	54,500
(b)	**Cost of sales**		
	Cost of inventories sold	**182,284**	181,757
	Others	**52,370**	65,622
		234,654	247,379
(c)	**Other items**		
	Depreciation of items of property, plant and equipment*	**9,821**	12,500
	Recognition of prepaid land lease payments	**148**	179
	Amortisation of intangible assets	**44**	44
	Operating lease expenses*	**11,183**	11,686
	Advertisement and promotion expenses	**12,687**	8,621
	Office expenses	**2,090**	1,195
	Logistics expenses	**5,846**	6,192
	Research and development expenses*	**8,867**	10,116
	Foreign exchange differences, net	**(2,238)**	442
	Write-down of inventories to net realisable value**	**2,355**	–
	Auditors' remuneration	**800**	800

* The depreciation amounts of property, plant and equipment of RMB5,452,000 (six months ended 30 June 2014: RMB5,234,000), the operating lease expenses of RMB5,590,000 (six months ended 30 June 2014: RMB5,465,000) and the research and development expenses of RMB5,391,000 (six months ended 30 June 2014: RMB5,543,000) are included in "Cost of sales" in the interim condensed consolidated statement of profit or loss.

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

6. FINANCE COSTS

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest expense on bank borrowings wholly repayable within five years	**8,497**	7,660
Interest expense on other borrowings wholly repayable within five years	**1,714**	196
	10,211	7,856

7. TAX

Tax in the interim condensed consolidated statement of profit or loss represents:

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current – Mainland China corporate income tax	**32,961**	27,813
Deferred tax	**653**	(3,707)
	33,614	24,106

Subsidiaries incorporated in Hong Kong were subject to income tax at the rate of 16.5% for the six months period ended 30 June 2015 (six months ended 30 June 2014: 16.5%). No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong for the six months period ended 30 June 2015 (six months ended 30 June 2014: Nil).

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

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

7. TAX *(continued)*

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

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

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

PRC land appreciation tax ("LAT") is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sale of properties less deductible expenditures including land costs, borrowing costs and other property development expenditures. Yudeyuan has prepaid 5% of the advances from customers for LAT according to the requirements set forth in the relevant PRC tax regulations. Prior to the actual cash settlement of the LAT liabilities, the LAT liabilities are subject to the final review/approval by the tax authorities.

8. INTERIM DIVIDEND

For the period ended 30 June 2015, the directors of the Company resolved not to distribute an interim dividend (six months ended 30 June 2014: HK$6.0 cents (approximately RMB4.8 cents)).

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to the ordinary equity holders of the parent of RMB78,059,000 (six months ended 30 June 2014: RMB98,412,000) and the weighted average number of ordinary shares of 1,008,866,000 (six months ended 30 June 2014: 1,013,518,000) during the six months ended 30 June 2015.

The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation.

10. PROPERTY, PLANT AND EQUIPMENT

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
At the beginning of the period/year, net of accumulated depreciation	**208,829**	215,393
Additions	**4,819**	15,418
Disposal	**(257)**	(83)
Acquisition of a subsidiary (note 19)	**592**	–
Depreciation provided during the period/year	**(9,821)**	(21,899)
At the end of the period/year, net of accumulated depreciation	**204,162**	208,829

11. PROPERTIES UNDER DEVELOPMENT

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
At the beginning of the period/year	**–**	–
Additions (from acquisition) (note 19)	**398,026**	–
Additions	**11,338**	–
At the end of the period/year	**409,364**	–

Properties under development are located in Mainland China.

The carrying amounts of the properties under development situated on the leasehold land in Mainland China are as follows:

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Leases of over 40 years	**299,385**	–
Leases of between 20 and 40 years	**109,979**	–
	409,364	–

12. INVESTMENT PROPERTIES

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
At the beginning of the period/year	**–**	–
Additions (from acquisition) (note 19)	**272,354**	–
Additions	**7,785**	–
At the end of the period/year	**280,139**	–

Investment properties are all situated in Mainland China and are held under the following lease terms:

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Leases between 10 and 50 years	**280,139**	–

13. INVENTORIES

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Raw materials	**6,350**	9,072
Accessories	**10,086**	6,988
Work in process	**18,020**	15,409
Finished goods	**56,922**	65,568
Wrappage	**3,366**	1,776
	94,744	98,813

14. TRADE RECEIVABLES

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Trade receivables	**125,477**	121,807
Impairment	**(1,615)**	(1,615)
	123,862	120,192

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

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

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Within 3 months	**79,077**	78,965
More than 3 months but less than 1 year	**44,750**	41,192
Over 1 year	**35**	35
	123,862	120,192

14. TRADE RECEIVABLES *(continued)*

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

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Neither past due nor impaired	**99,056**	105,787
Less than 3 months past due	**21,500**	14,370
3 to 12 months past due	**3,271**	–
Over 1 year past due	**35**	35
	123,862	120,192

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

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

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

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
At the beginning of the period/year	**1,615**	306
Impairment losses recognized	**–**	1,309
At the end of the period/year	**1,615**	1,615

Included in the above provision for impairment of trade receivables as at 30 June 2015 is a provision for individually impaired trade receivables of RMB1,615,000 (31 December 2014: RMB1,615,000).

15. CASH AND CASH EQUIVALENTS AND PLEDGED BANK BALANCES

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Cash and bank balances	**822,461**	969,208
Time deposits	**144,531**	130,979
	966,992	1,100,187
Less: Bank balances pledged for:		
Long-term bank loans (note 17(a)(iv))	**–**	(90,000)
Short-term bank loans (note 17(a)(iv))	**(129,933)**	(39,968)
Issuance of letter of guarantee (note 21)	**(12,000)**	(1,011)
Guarantee deposits for the mortgage to the customers (note 21)	**(1,794)**	–
Guarantee of bills payable (note 21)	**(804)**	–
Cash and cash equivalents	**822,461**	969,208

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

16. TRADE AND BILLS PAYABLES

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

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Within 3 months	**105,310**	56,016
3 to 6 months	**184,207**	27,851
6 to 12 months	**12,905**	9,017
Over 12 months	**7,846**	2,011
	310,268	94,895

The trade and bills payables are non-interest-bearing and are normally settled on terms of 15 to 180 days.

17. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2015		31 December 2014	
	Effective interest rate (%)	RMB'000 (Unaudited)	Effective interest rate (%)	RMB'000 (Audited)
Current				
Current bank borrowings	3 – 8	332,373	5 – 8	256,021
Other borrowings	3 – 18	75,696	3 – 4	20,694
		408,069		276,715
Non-current				
Long term bank borrowings	–	–	3	81,184
		408,069		357,899

Interest-bearing bank borrowings and other borrowings represent:

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
– Secured (note (a))	328,501	272,304
– Guaranteed (note (b))	19,000	25,000
– Unsecured	60,568	60,595
	408,069	357,899

Notes:

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

(i) mortgages over the Group's prepaid land lease payments situated in Mainland China, which had an aggregate carrying value of approximately RMB11,682,000 as at 30 June 2015 (31 December 2014: RMB11,830,000);

(ii) mortgages over the Group's buildings, which had an aggregate carrying value of approximately RMB74,812,000 as at 30 June 2015 (31 December 2014: RMB75,712,000);

(iii) mortgages over the Group's forward letters of credit which amounted to RMB27,090,000 as at 30 June 2015 (31 December 2014: RMB21,807,000);

(iv) mortgages over the Group's pledged bank balances which amounted to RMB129,933,000 as at 30 June 2015 (31 December 2014: RMB129,968,000); and

(v) mortgages over the Group's properties under development which amounted to RMB182,697,000 as at 30 June 2015 (31 December 2014: Nil).

(b) Certain of the Group's bank borrowings which amounted to RMB5,000,000 as at 30 June 2015 (31 December 2014: RMB5,000,000) were guaranteed by the Controlling Shareholder. Certain of the Group's bank borrowings which amounted to RMB14,000,000 as at 30 June 2015 (31 December 2014: RMB20,000,000) were guaranteed by certain third parties.

18. SHARE CAPITAL

	Number of ordinary shares of HK$0.01	Nominal value of ordinary shares HK$'000	Nominal value of ordinary shares RMB'000
Authorised:			
As at 30 June 2015 and 31 December 2014	2,000,000,000	20,000	16,612

	Number of ordinary shares of HK$0.01	Nominal value of ordinary shares RMB'000	Share premium RMB'000
Issued:			
As at 30 June 2015 and 31 December 2014	1,008,866,000	8,226	347,615

As at 30 June 2015, all issued shares are registered, fully paid and divided into 1,008,866,000 shares (31 December 2014: 1,008,866,000 shares) of HK$0.01 each.

19. BUSINESS COMBINATION

On 10 March 2015, the Group acquired a 70% interest in Yudeyuan from Fujian Wanhui Investment Co., Ltd. ("Wanhui Investment"),a related party of the Company, at a consideration of RMB172,218,000. Yudeyuan is engaged in property development and leasing services. The acquisition was made as part of the Group's strategy to broaden its income stream. The purchase consideration for the acquisition was in the form of cash and fully paid. The Group has elected to measure the non-controlling interest in Yudeyuan at the non-controlling interest's proportionate share of Yudeyuan's identifiable net assets.

19. BUSINESS COMBINATION *(continued)*

The fair values of the identifiable assets and liabilities of Yudeyuan as at the date of acquisition were as follows:

	Fair value recognized on acquisition RMB'000
Property, plant and equipment	592
Properties under development	398,026
Investment properties	272,354
Long term prepayment	1,320
Cash and bank balances	2,043
Pledged bank balances	932
Prepayments, deposits and other receivables	9,860
Trade payables	(201,909)
Tax payables	(1,174)
Accruals and other payables	(52,030)
Advances from customers	(67,792)
Amount due to related parties	(116,370)
Deferred tax liabilities	(51,134)
Total identifiable net assets at fair value	194,718
Non-controlling interests	(58,415)
Goodwill on acquisition	35,915
Satisfied by cash	172,218

The Group incurred transaction costs of RMB964,000 for this acquisition. These transaction costs have been expensed and are included in other expenses in the consolidated statement of profit or loss.

19. BUSINESS COMBINATION *(continued)*

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	(172,218)
Cash and bank balances acquired	2,043
Net outflow of cash and cash equivalents included in cash flows from investing activities	(170,175)
Transaction costs of the acquisition included in cash flows from operating activities	(964)
	(171,139)

Since the acquisition, Yudeyuan contributed RMB3,369,000 loss to the consolidated profit for the period ended 30 June 2015.

Had the combination taken place at the beginning of the period, the profit of the Group for the six months ended 30 June 2015 would have been RMB76,137,000.

20. CONTINGENT LIABILITIES

As the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Guarantees given to banks in connection with facilities granted to customers for mortgage loan	**1,794**	–

21. PLEDGE OF ASSETS

Details of the Group's interest-bearing bank and other borrowings, which are secured by the assets of the Group, are included in note 17 to the financial statements. The time deposit of RMB804,000 (2014: Nil) is pledged for guarantee for bills payable and RMB12,000,000 (2014: RMB1,011,000) is pledged for issuance of letter of guarantee.

The Group is required to place in designated bank accounts certain amounts of pre-sale proceeds of properties as guarantee deposits for the mortgage to the customers from the bank until the completion of real estate certificate for mortgage registration. As at 30 June 2015, such guarantee deposits amounted to approximately RMB1,794,000.

22. COMMITMENTS

(a) Capital commitments

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

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Contracted, but not provided for:		
Property, plant and equipment	**8,160**	10,786
Prepaid land lease payments	**–**	64,500
Investment properties and properties under development	**195,439**	–
	203,599	75,286
Authorised, but not contracted for:		
Property, plant and equipment	**268,677**	82,769
Investment properties and properties under development	**500,898**	–
	973,174	158,055

(b) Operating lease commitments

As lessor

The Group leases out its investment properties under operating lease arrangements on terms ranging from ten to twenty one years and with an option for renewal after the expiry dates, at which time all terms will be renegotiated.

At 30 June 2015, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Within 1 year	**1,681**	–
After 1 year but within 5 years	**22,060**	–
After 5 years	**82,401**	–
	106,142	–

22. COMMITMENTS *(continued)*

(b) Operating lease commitments *(continued)*

As lessee

At 30 June 2015, the Group had total future minimum lease payments under non-cancellable operating leases as follows:

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Within 1 year	**16,728**	15,908
After 1 year but within 5 years	**34,630**	36,162
After 5 years	**1,000**	4,333
	52,358	56,403

23. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Name and relationship of related parties

Name	**Relationship**
Mr. Xiao Zhiyong and Ms. Ye Xiaohong	Controlling Shareholder
Wanhui Investment	Controlled by the Controlling Shareholder

(b) Transactions with related parties

In addition to the transactions and balances detailed elsewhere in these consolidated financial statements, the Group had the following material transactions with related parties during the six months ended 30 June 2015 and 2014:

		Six months ended 30 June	
		2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
(i)	Repayment of advances from the Controlling Shareholder: – Mr. Xiao Zhiyong	**4,961**	–
(ii)	Advances from a related party: – Wanhui Investment	**2,000**	–
(iii)	Repayment of advances from a related party: – Wanhui Investment	**114,400**	–

(iv) The Group's bank borrowings which amounted to RMB5,000,000 as at 30 June 2015 (31 December 2014: RMB5,000,000) were guaranteed by the Controlling Shareholder.

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

(c) Balances with related parties

The Group had the following significant balances with its related parties as at 30 June 2015:

(i) Amount due to the Controlling Shareholder:

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Non-trade related		
– Mr. Xiao Zhiyong	**2,840**	7,801

(ii) Amount due to a related party:

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Non-trade related		
– Wanhui Investment	**3,970**	–

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

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

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Short-term employee benefits	**1,702**	1,344
Pension scheme contributions and social welfare	**21**	16
Total compensation paid to key management personnel	**1,723**	1,360

24. FINANCIAL INSTRUMENTS BY CATEGORY

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

30 June 2015

Financial assets

	Loans and receivables RMB'000 (Unaudited)	Available-for-sale financial assets RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Trade receivables	123,862	–	123,862
Available-for-sale investments	–	2,500	2,500
Financial assets included in prepayments, deposits and other receivables	10,066	–	10,066
Derivative financial instruments	171	–	171
Pledged bank balances	144,531	–	144,531
Cash and cash equivalents	822,461	–	822,461
	1,101,091	2,500	1,103,591

Financial liabilities

	Financial liabilities held for trading at fair value through profit or loss RMB'000 (Unaudited)	Financial liabilities at amortised cost RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Trade and bills payables	–	310,268	310,268
Amount due to the Controlling Shareholder	–	2,840	2,840
Amount due to a related party	–	3,970	3,970
Derivative financial instruments	491	–	491
Financial liabilities included in other payables and accruals	–	37,582	37,582
Interest-bearing bank and other borrowings	–	408,069	408,069
	491	762,729	763,220

24. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

31 December 2014

Financial assets

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

Financial liabilities

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

25. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The fair value of the Group's financial instruments approximate to their carrying amounts.

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

Assets measured at fair value:

	Fair value measurement using significant observable inputs (Level 2)	
	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Derivative financial instruments		
Forward currency contract	**171**	–

Liabilities measured at fair value:

	Fair value measurement using significant observable inputs (Level 2)	
	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Derivative financial instruments		
Interest rate swaps	**491**	1,823
Forward currency contract	**–**	441
	491	2,264

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2014: Nil).

26. EVENTS AFTER THE REPORTING PERIOD

On 5 August 2015, the Company, one of the subsidiary Zhangzhou Wanhui Sanitary Ware Co., Ltd. ("Wanhui") and Gerber Plumbing Fixtures, LLC ("Gerber") entered into an final settlement agreement ("Final Settlement Agreement") in relation to the litigations ("Litigation") involving claims in relation to the Original Equipment Manufacturing Agreement ("OEM Agreement") filed by the Company and Wanhui and the counterclaim and impleader complaint ("Counterclaim") filed by Gerber and Globe Union Industrial Corp ("GUIC").

Within 10 days after the execution of the Final Settlement Agreement, all parties mentioned above shall file in the Litigation a Stipulation of Dismissal with Prejudice so as to dismiss all the lawsuits filed by all parties.

Wanhui and the Company (and their affiliated entities), together with Gerber and GUIC (and their affiliated entities) shall release and discharge each other from all charges, claims, obligations and liabilities reciprocally.

Gerber shall pay Wanhui the amount of US$150,000 which will be applied against the accounts receivable of roughly US$213,000 claimed by Wanhui to be owed by Gerber, and Wanhui and the Company shall give up all claims to the remaining balance of roughly US$63,000.

Gerber shall purchase all "A" Grade and current Gerber-branded products and a specified number of "A" Grade non-current products. Wanhui may dispose the remaining inventory without violation of Gerber's requirements.

27. APPROVAL OF THE FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 28 August 2015.