



ALLEN 亚伦[®]

CHINA CREATIVE GLOBAL HOLDINGS LIMITED

中創環球控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 1678

INTERIM REPORT 2016

CONTENTS

Corporate Information	2
Financial Highlights	4
Management Discussion and Analysis	5
Other Information	12
Condensed Consolidated Statement of Comprehensive Income	16
Condensed Consolidated Statement of Financial Position	17
Condensed Consolidated Statement of Changes in Equity	19
Condensed Consolidated Statement of Cash Flows	20
Notes to the Condensed Consolidated Financial Information	21



CORPORATE INFORMATION

CORPORATE PROFILE

China Creative Global Holdings Limited (formerly known as China Creative Home Group Limited) (the “Company”) and its subsidiaries (collectively, the “Group” or “China Creative Global”) is one of the leading manufacturers of branded electric fireplaces and air purifiers, and home decor products in the People’s Republic of China (the “PRC”). The Group aims to create new and diversified products with artistic design and functionality to enhance the quality of users’ surroundings that reflect their furnishing styles. The Group sells its products under the “Allen (亚伦)” brand in the PRC and also exports products to overseas customers in the United States, Canada, Germany, France, the United Kingdom, etc on ODM/OEM basis. The shares of the Company (the “Shares”) were listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 20 December 2013.

BOARD OF DIRECTORS

Executive Directors

Mr. Chen Fanglin (*Chairman*)
Mr. Chen Hongming
Mr. Shen Jianzhong

Independent Non-executive Directors

Mr. Dai Jianping
Mr. Ng Wing Keung
Ms. Sun Kam Ching

AUDIT COMMITTEE

Mr. Ng Wing Keung (*Chairman*)
Mr. Dai Jianping
Ms. Sun Kam Ching

REMUNERATION COMMITTEE

Ms. Sun Kam Ching (*Chairman*)
Mr. Ng Wing Keung
Mr. Dai Jianping
Mr. Shen Jianzhong

NOMINATION COMMITTEE

Mr. Dai Jianping (*Chairman*)
Mr. Ng Wing Keung
Ms. Sun Kam Ching
Mr. Shen Jianzhong

COMPANY SECRETARY

Mr. Hui Hung Kwan, *CPA, FCCA*

AUTHORISED REPRESENTATIVES

Mr. Chen Hongming
Mr. Hui Hung Kwan

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince’s Building
Central, Hong Kong

PRINCIPAL BANKERS

China Merchants Bank, Quanxiu Branch
China Construction Bank, Licheng Branch
Industrial Bank

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 913
China Merchants Tower
168–200 Connaught Road Central
Sheung Wan
Hong Kong

HEAD OFFICE IN THE PRC

Allen Electronic Industrial Park
Heshi
Luojiang District
Quanzhou
Fujian Province
China

CORPORATE INFORMATION (CONTINUED)

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

WEBSITE

www.cchome.hk

STOCK CODE

1678

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

FINANCIAL HIGHLIGHTS

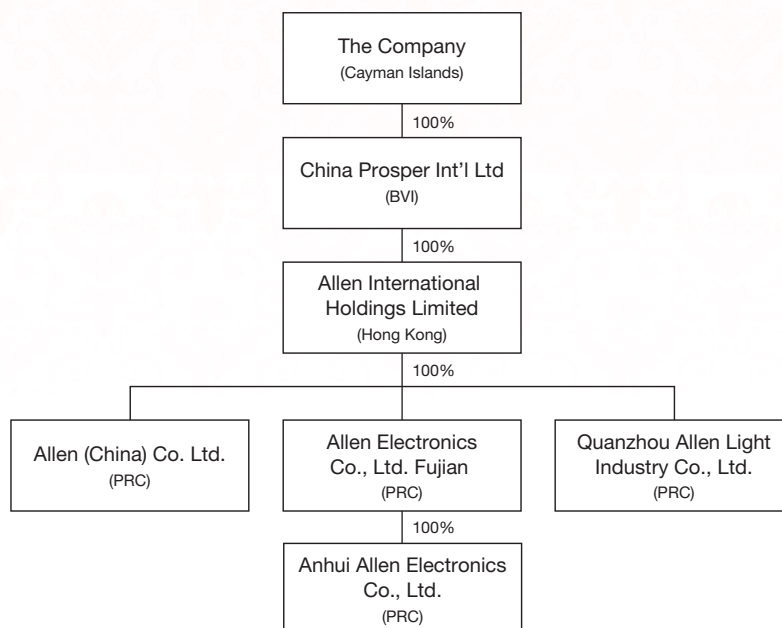
	Six months ended 30 June		Change %
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)	
Revenue	256,972	602,290	-57.3
Gross profit	75,984	225,794	-66.3
Profit before income tax	11,313	179,685	-93.7
Profit and total comprehensive income for the period attributable to owners of the Company	5,956	149,995	-96.0
Earnings per share-Basic (RMB) ¹	0.003	0.08	-96.3
Gross profit margin (%)	29.6%	37.5%	
Net profit margin (%)	2.3%	24.9%	
	As at 30 June 2016	As at 31 December 2015	
Current ratio ²	6.6	5.3	
Gearing ratio (%) ³	8.4%	2.1%	

Notes:

1. Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.
2. Current ratio is calculated based on the total current assets divided by the total current liabilities.
3. Gearing ratio calculated based on the total debts (being the bank borrowings) divided by the total equity.

MANAGEMENT DISCUSSION AND ANALYSIS

Set out below is an organisation chart of the Group as of 30 June 2016:



INDUSTRY REVIEW

China's GDP amounted to RMB34.06 trillion for the first half of 2016 as Chinese economy growth continues to slow down.

In the meantime, Chinese economy is gradually transitioning to a greater reliance on consumption while previously the emphasis was on manufacturing. Figures released by the National Bureau of Statistics of China show that the total retail sales of consumer goods in China in the first half of 2016 reached RMB15,613.8 billion, representing a year-on-year increase by 10.3%. Of the total, the retail sales of consumer goods of units above designated size was RMB7,107.5 billion, increasing by 7.5%.

Given the current trends, the demand for decorative and functional home decor products will continue to increase, thanks to the development of high-end real estate, increasing disposable income, and rising market demand. According to the National Bureau of Statistics of China, the total retail sales amount of furniture in China for the first half of 2016 was RMB1,249 million, representing a year-on-year growth by 15.6%.

BUSINESS REVIEW

China Creative Global is principally engaged in the business of design, development, manufacturing and sales of home decor products, electric fireplaces and air purifiers. We sell our products domestically in the PRC under our "Allen(亚伦)" brand and export our products on ODM/OEM basis to countries including the U.S., Canada, Germany, France and the United Kingdom.

To better reflect the Group's strategic business plan and its direction of future development, the English name of the Group has been changed from "China Creative Home Group Limited" to "China Creative Global Holdings Limited" and the dual foreign name in Chinese of the Group has been changed from "中國創意家居集團有限公司" to "中創環球控股有限公司" since 11 May 2016.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS REVIEW (Continued)

The revenue of the Group for the six months ended 30 June 2016 decreased by 57.3% to RMB257.0 million from RMB602.3 million for the corresponding period last year. The profit attributable to the owners of the Company significantly decreased by 96.0% to RMB6.0 million mainly due to (i) slowdown of economic growth in the PRC; (ii) an increase in operating expenses of the Group; and (iii) no fair value gain on derivative instruments was recognised.

Electric fireplaces and air purifiers, and home decor products are the two major categories of the Group's products, respectively accounting for 54.7% and 45.3% of the Group's revenue for the six months ended 30 June 2016, while the proportions were 59.0% and 41.0% respectively in the corresponding period last year.

PRC market is still the major revenue generator of the Group. The PRC domestic revenue was RMB214.3 million (2015: RMB548.9 million), 83.4%(2015: 91.1%) of the total revenue for the six months ended 30 June 2016. Our products are particularly popular in the eastern coastal provinces and municipality, including Fujian, Shanghai, Jiangsu and Zhejiang, which contributed RMB101.0 million or 39.3% to the total sales to the Group for the six months ended 30 June 2016.

Revenue from the international market amounted to RMB42.7 million (2015: RMB53.4 million) for the six months ended 30 June 2016, contributing to 16.6% (2015: 8.9%) of the total revenue.

The Group considers innovation as the core element of our development. Our growing design team consists of 93 staff as at 30 June 2016. We launched 2 product lines with a total of 11 new products for the six months ended 30 June 2016.

To grasp the trend of e-commerce in China and all over the world, the Group is also actively expanding its online sales channel on T-mall and tubatu.com with our e-commerce team.

PROSPECTS

Despite the overall slowdown of Chinese economic growth, which partly led to the decline of our net and gross profit, we are confident in our leading position in Chinese home furnishing market. Our electric fireplaces and air purifiers and home decor products have been the top choices for the consumers.

With an increasing concern about air pollution, people's demand for air purifiers is rising. To expand the source of the Group's revenue, the Group launched a new product – Allen fresh air system in July 2016. The fresh air system will be widely used in aged care and medical industry, and in schools, residential and office buildings. The Group's fresh air system has 6 main features, which are: (i) highly effective PM2.5 filtering; (ii) high energy efficiency; (iii) minimising pollution caused by renovation and preventing viruses and bacteria, (iv) smart system; (v) managing airflow to ventilate the whole room, and avoid mildew and unpleasant smell; and (vi) facilitating air circulation indoors to avoid noise interference.

Since there are fewer competitors in the fresh air system market and project-based on-site installation is required, the fresh air system faces less competition from the e-commerce. Thus, the Group believes that it can further enlarge the market share and expand fresh air system business.

The construction of the third phase with annual production capacity of 100,000 units of fireplaces of the Group's production facilities in Anhui Province is scheduled to be completed in the third quarter of 2016. By that time, the Group is capable of producing 627,500 units of fireplaces annually.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

PROSPECTS (Continued)

Targeting for growth and diversification of its business, on 24 March 2016, the Group entered into a framework agreement with MCC8 Group Company Limited (八冶建設集團有限公司), pursuant to which the Group would (i) transform to provide manufacturing service of precious metal and rare metal to take advantage of Hong Kong capital markets, and (ii) jointly establish a financial and operational management platform to improve the development, management and operation of international mining projects and broaden the overseas market share.

Riding on its rich history, outstanding product development capacity and the reputation of “Allen(亞倫)” brand, the Group aims to maintain its leading position in providing elegant electric fireplaces and distinctive home decor products.

FINANCIAL REVIEW

Revenue

During the reporting period, the Group’s revenue decreased by RMB345.3 million from RMB602.3 million to RMB257.0 million, represented a decrease of 57.3% compared with the corresponding period in 2015. The decrease was mainly driven by the decrease in sales in the PRC.

Revenue analysis by product type is as follows:

	Six months ended 30 June			
	2016		2015	
	RMB'000	% of revenue	RMB'000	% of revenue
Electric fireplaces and air purifiers				
Frame electric fireplaces				
– Wood series	85,462	33.2	149,992	24.9
– Natural stone series	1,534	0.6	37,839	6.3
– Inorganic series	33,852	13.2	55,686	9.2
	120,848	47.0	243,517	40.4
Non-framed electric fireplaces	6,900	2.7	31,764	5.3
Air purifiers	7,843	3.0	80,177	13.3
Others	5,059	2.0	–	–
	140,650	54.7	355,458	59.0
Home decor products				
– Polyresin series	81,615	31.8	121,119	20.1
– Porcelain series	11,875	4.6	68,219	11.3
– Inorganic series	22,832	8.9	57,494	9.6
	116,322	45.3	246,832	41.0
	256,972	100.0	602,290	100.0

Note:

Included in sales of porcelain series home decor products are sales of humidifiers of RMB0.2 million (2015: RMB27.8 million).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW (Continued)

Revenue (Continued)

The decrease in the sales of electric fireplaces and air purifiers, and home decor products was primarily due to the drop in sales volume, as a result of weak market demand. We have ceased the production of porcelain series home decor products since April 2016.

Gross Profit And Gross Profit Margin

The Group's gross profit decreased by RMB149.8 million from RMB225.8 million for the six months ended 30 June 2015 to RMB76.0 million for the six months ended 30 June 2016. The gross profit margin decreased from 37.5% for the six months ended 30 June 2015 to 29.6% for the six months ended 30 June 2016. The decrease was primarily due to the decrease in the selling prices and the loss of economies of scale led by drop of production volume.

Selling And Distribution Costs

The Group's selling and distribution costs decreased by RMB8.1 million, or approximately 33.1%, from RMB24.5 million for the six months ended 30 June 2015 to RMB16.4 million for the six months ended 30 June 2016 primarily due to decrease in (i) delivery expenses due to the decrease in sales; and (ii) advertising and promotion expenses.

Administrative Expenses

The Group's administrative expenses increased by RMB0.8 million, or approximately 1.9%, from RMB41.7 million for the six months ended 30 June 2015 to RMB42.5 million for the six months ended 30 June 2016. The increase was mainly due to (i) the increase in depreciation and amortisation expenses, primarily as a result of the completion of office facilities in Anhui in the second half of 2015; (ii) the increase in staff costs due to the general increase in staff wages and increase in staff responsible for administrative work. The increase was partly set off by the decrease in research and development costs.

Other Income

The Group's other income decreased by RMB7.3 million or approximately 91.7%, from RMB8.0 million for the six months ended 30 June 2015 to RMB0.7 million for the six months ended 30 June 2016 primarily due to the decrease in interest income and rental income.

Other (Losses)/Gains – Net

The Group's other losses for the six months ended 30 June 2016 represented net foreign exchange loss of RMB2.7 million. The gain for the six months ended 30 June 2015 represented gain on the derivative financial instrument of RMB14.1 million.

Finance Costs

The Group's finance costs increased by RMB1.8 million, or approximately 91.7%, from RMB2.0 million for the six months ended 30 June 2015 to RMB3.8 million for the six months ended 30 June 2016. The increase was mainly due to the increase in borrowings.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW (Continued)

Income Tax Expenses

The Group's income tax expenses decreased by RMB24.3 million, or approximately 82.0%, from RMB29.7 million for the six months ended 30 June 2015 to RMB5.4 million for the six months ended 30 June 2016, primarily as a result of the decrease in our profit.

The effective tax rate for the Group increased from 16.5% in the six months ended 30 June 2015 to 47.4% in the six months ended 30 June 2016, which is mainly attributable to the increase in losses in the holding company and a PRC subsidiary.

Profit for the Period Attributable To Owners of the Company

As a result of the foregoing factors, profit attributable to owners of the Company decreased by RMB144.0 million, or approximately 96.0%, from RMB150.0 million for the six months ended 30 June 2015 to RMB6.0 million for the six months ended 30 June 2016, primarily as a result of the decrease in revenue and other gains. Net profit margin decrease from 24.9% for the six months ended 30 June 2015 to 2.3% for the six months ended 30 June 2016.

Working Capital

The Group's net current assets increased from RMB1,040.8 million as at 31 December 2015 to RMB1,104.7 million as at 30 June 2016, representing a increase of RMB63.9 million or 6.1%. The increase in working capital is a result of the increase in cash and cash equivalents, and decrease in trade and other payables and current income tax liabilities, and partially offset by the decrease in trade receivables, and increase in dividend payable and bank and other borrowings.

The decrease in trade receivables and trade and other payables was mainly due to the decrease in the sales of our products and the purchases of raw materials. The decrease in current income tax liabilities was mainly due to the decrease in our profit. The dividend payable represented final dividend in respect of 2015.

The increase in cash and cash equivalents was mainly due to the cash inflow from our operating and financing activities during the six months ended 30 June 2016.

Financial Ratios

	At 30 June 2016	At 31 December 2015
Current ratio ⁽¹⁾	6.6	5.3
Gearing ratio (%) ⁽²⁾	8.4%	2.1%

⁽¹⁾ Current ratio is calculated based on our total current assets divided by our total current liabilities.

⁽²⁾ Gearing ratio calculated based on our total debts (being our bank borrowings) divided by our total equity.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW (Continued)

Financial Ratios (Continued)

Current ratio improved from 5.3 as at 31 December 2015 to 6.6 as at 30 June 2016 mainly attributable to our net cash inflow from our operating and financing activities. Gearing ratio increased from 2.1% as at 31 December 2015 to 8.4% as at 30 June 2016 mainly due to other borrowings drawn for potential acquisitions and working capital.

Use Of Proceeds

The Shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 20 December 2013. Net proceeds from the global offering were approximately HKD597.2 million (after deducting the underwriting commission and relevant expenses). As at 30 June 2016, the unused proceeds were deposited in licensed banks in Hong Kong and the PRC.

	Percentage to total amount	Net Proceeds HKD'million	Utilised Amount as at 30 June 2016 HKD'million	Unutilised Amount as at 30 June 2016 HKD'million
Establishing new production facilities	53.7%	320.7	320.7	–
Establishing seven creative home furnishing concept shops	16.0%	95.6	36.2	59.4
Expanding overseas sales network under our own brand overseas	7.3%	43.6	8.3	35.3
Own-brand promotion	7.0%	41.8	41.8	–
Increasing and enhancing our research and development activities	6.0%	35.8	35.8	–
General working capital	10.0%	59.7	59.7	–
		<u>597.2</u>	<u>502.5</u>	<u>94.7</u>

LIQUIDITY AND FINANCIAL RESOURCES

In order to achieve better cost control and minimise the costs of funds, the Group’s treasury activities are centralised and cash is generally deposited with banks and denominated mostly in RMB and HKD. As at 30 June 2016, the Group had net current assets of RMB1,104.7 million (31 December 2015: RMB1,040.8 million), of which cash and cash equivalents were RMB981.1 million (31 December 2015: RMB720.2 million).

The Group principally meets its working capital and other liquidity requirements through a combination of operating cash flows, capital contributions and borrowings. As at 30 June 2016, the Group’s borrowings amounted to RMB195.9 million (31 December 2015: RMB49.0 million) and these borrowings were denominated in RMB and HKD. As at 30 June 2016, the effective interest rate on the Group’s bank borrowings was 7.65% (31 December 2015: 6.51%).

The Group manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustment to the capital structure in light of changes in economic conditions affecting the Group.

The Group has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates during the six months ended 30 June 2016.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

CAPITAL EXPENDITURE

For the six months ended 30 June 2016, the capital expenditure of the Group amounted to RMB12.1 million. It was mainly comprised of purchases of property, plant and equipment.

MATERIAL ACQUISITION AND DISPOSALS AND SIGNIFICANT INVESTMENTS

The Group did not have any material investments or capital assets, or material acquisitions or disposals of subsidiaries or significant investments for the six months ended 30 June 2016.

MANAGING CURRENCY RISK

Our functional currency is RMB. Our Group's foreign exchange risk mainly relate to fluctuations in exchange rates of RMB against our bank balances in HKD and trade receivables denominated in USD, and these may affect our operation results. The Group does not have a hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

CHARGE ON ASSETS

At 30 June 2016, the Group had pledged its certain property, plant and equipment, land use rights, assets classified as held for sale with total net book value of RMB274.5 million mainly for the purpose of securing bank loans.

HUMAN RESOURCES

As at 30 June 2016, we employed a total of 781 (as at 31 December 2015: 1,520) full time employees in the PRC and Hong Kong with total staff costs of RMB53.2 million for the six months ended 30 June 2016 (six months ended 30 June 2015: RMB74.7 million). The Group's emolument policies are formulated based on the performance of individual employees, which will be reviewed periodically. Apart from the provident fund scheme (operation in accordance with the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees) or social insurance fund (including retirement pension insurance, medical insurance, unemployment insurance, injury insurance and maternity insurance for the PRC employees), discretionary bonuses and employee share options are also awarded to employees according to the assessment results of individual performance. Since the adoption of the share option scheme on 2 December 2013 and up to 30 June 2016, no options have been granted.

CONTINGENT LIABILITIES

As at 30 June 2016, the Group did not have any significant contingent liabilities.

OTHER INFORMATION

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2016, the interests and short positions of the Directors 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 ("SFO")) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listing Issuers (the "Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") will be as follows:

Name of Director	Capacity/Nature of interest	Number of Shares	Approximate Percentage of Shareholding Interest (%)
Mr. Chen Fanglin	Interest in controlled corporation/ Long position (Note 1)	1,061,271,180	53.6%
Mr. Chen Fanglin	Interest of spouse/ Long position (Note 2)	15,386,000	0.08%
		<u>1,076,657,180</u>	<u>53.68%</u>

Note 1: Mr. Chen Fanglin is deemed to be interested in the Shares held by China Wisdom Asia Limited in which Central Profit Group Limited holds entire interests. Central Profit Group Limited is his wholly-owned company. The details are set out as below:

Name of Director	Name of associated corporation	Capacity/ Nature of interest	Number of Shares	Approximate Percentage of Shareholding Interests (%)
Mr. Chen Fanglin	China Wisdom Asia Limited	Interest in controlled corporation	50,000 shares of US\$1.00 each	100%
Mr. Chen Fanglin	Central Profit Group Limited	Beneficial owner	one share of US\$1.00	100%

Note 2: Chen Fanglin is the spouse of Chen Xiangqun and he is deemed to be interested in the Shares interested by Chen Xiangqun.

Save as disclosed above, none of the Directors of the Company had interests or short positions in the Shares, underlying Shares of equity derivatives or debentures of the Company or any associated corporation defined under the SFO which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code as at 30 June 2016.

OTHER INFORMATION (CONTINUED)

INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2016, the following persons (other than a Director of the Company), who had interests or short positions in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, were as follows:

Name	Capacity/Nature of interest	Number of Shares	Approximate Percentage of Shareholding Interest (%)
China Wisdom Asia Limited	Beneficial owner/Long position (Note 1)	1,061,271,180	53.6%
Central Profit Group Limited	Interest in controlled corporation/ Long position (Note 1)	1,061,271,180	53.6%
Chen Xiangqun	Interest of spouse/Long position (Note 2)	1,061,271,180	53.6%
	Beneficial owner/Long position	15,386,000	0.08%

Notes:

1. The entire issued share capital of China Wisdom Asia Limited is held by Central Profit Group Limited, which is deemed to be interested in the Shares held by China Wisdom Asia Limited.
2. Chen Xiangqun is the spouse of Chen Fanglin and she is deemed to be interested in the Shares interested by Chen Fanglin.

Save as disclosed above, the Directors are not aware of any person, other than the Directors whose interests are set out in the section "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, who had an interest or short positions in the Shares or underlying Shares that were required to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded pursuant to Section 336 of Part XV of the SFO as of 30 June 2016.

OTHER INFORMATION (CONTINUED)

SHARE OPTION SCHEME

Pursuant to a resolution passed by all the shareholders on 2 December 2013, the Company has conditionally adopted the share option scheme (the “Share Option Scheme”) for the purpose of recognising and acknowledging the contributions the eligible participants had or may have made to the Group. The Board of Directors (the “Board”) may, at its discretion, grant options pursuant to the Share Option Scheme to the Directors (including executive Directors and independent non-executive Directors), the Directors of the Company’s subsidiaries and employees of the Group and any other persons (including consultants or advisers) whom the Board considers, in its absolute discretion, have contributed or will contribute to the Group. The Directors were authorised to grant options to subscribe for shares of the Company and to allot, issue and deal with the shares pursuant to the exercise of options granted under the Share Option Scheme and to take all such steps as may be necessary and/or desirable to implement and give effect to the Share Option Scheme. The maximum number of shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of shares in issue immediately following completion of the Global Offering, being 180,000,000 Shares, excluding any shares that may be issued under the options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of the Company), unless otherwise approved by the shareholders of the Company in general meeting and/or such other requirements prescribed under the Listing Rules from time to time.

Unless otherwise approved by the shareholders of the Company in general meeting, the number of shares that may be granted to an eligible participant under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) shall not exceed 1% of the shares in issue of the Company within any 12-month period. Any grant of options to a Director, or substantial shareholder (as defined in the Listing Rules) of the Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by our independent non-executive Directors. Unless otherwise approved by the shareholders of the Company in general meeting and/or such other requirements prescribed under the Listing Rules, the number of shares that may be granted to a substantial shareholder or any independent non-executive Director or their respective associates under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) shall not exceed 0.1% of the shares in issue, having an aggregate value in excess of HKD5 million, within any 12-month period.

There is no minimum period for which an option must be held before it can be exercised, and the period during which an option may be exercised will be determined by the Board in its absolute discretion, however, no options shall be exercised 10 years after they have been granted. The subscription price of a share in respect of a particular option shall be not less than the highest of (a) the official closing price of the Shares on the daily quotation sheet of the Stock Exchange; (b) the average official closing price of the shares on the daily quotation sheet of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of a share. The Share Option Scheme shall take effect from the date it is adopted and shall remain effective within a period of 10 years from that date.

From the date that the Share Option Scheme became effective and unconditional and up to the date of this interim report, no share options were granted under the Share Option Scheme.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of the shares during the six months ended 30 June 2016. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company’s securities during the six months ended 30 June 2016.

OTHER INFORMATION (CONTINUED)

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the six months ended 30 June 2016, the Company complied with the code provisions of the Corporate Governance Code (the “Code Provisions”) set out in Appendix 14 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct for dealing in securities of the Company by the Directors. Specific enquiries have been made with the Directors, and all Directors confirmed in writing that they have complied with the required standards set out in the Model Code regarding their securities transactions for the six months ended 30 June 2016.

AUDIT COMMITTEE

The Company has established the audit committee and adopted the written terms of reference in compliance with the Code Provisions. The primary duties of the audit committee are to review and approve the Group’s financial reporting process and internal control system. The audit committee comprises all independent non-executive Directors, namely, Mr. Ng Wing Keung, Mr. Dai Jianping and Ms. Sun Kam Ching. Mr. Ng Wing Keung is the chairman of the audit committee.

The Group’s interim results for the six months ended 30 June 2016 and this interim report have been reviewed by the audit committee of the Company.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

		(Unaudited)	
		Six months ended 30 June	
	Note	2016 RMB'000	2015 RMB'000
Revenue	6	256,972	602,290
Cost of sales	7	(180,988)	(376,496)
Gross profit		75,984	225,794
Selling and distribution costs	7	(16,367)	(24,492)
Administrative expenses	7	(42,515)	(41,733)
Other income	6	659	7,973
Other (losses)/gains – net	8	(2,674)	14,112
Operating profit		15,087	181,654
Finance costs		(3,774)	(1,969)
Profit before income tax		11,313	179,685
Income tax expense	9	(5,357)	(29,690)
Profit and total comprehensive income for the period attributable to owners of the Company		5,956	149,995
Earnings per share for profit attributable to owners of the Company			
– Basic and diluted (expressed in RMB per share)	10	0.003	0.08

The notes on pages 21 to 38 are an integral part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

		(Unaudited) As at 30 June 2016 RMB'000	(Audited) As at 31 December 2015 RMB'000
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment	12	689,158	688,961
Investment property	13	122,400	122,400
Land use rights		207,379	209,535
Prepayments	15	341,120	296,211
		1,360,057	1,317,107
Current assets			
Inventories		29,697	31,983
Trade receivables	14	186,105	401,262
Deposits, prepayments and other receivables	15	15,763	18,739
Pledged deposits		–	1,840
Cash and cash equivalents		981,067	720,178
		1,212,632	1,174,002
Assets classified as held for sale	16	89,752	109,552
		1,302,384	1,283,554
Total assets		2,662,441	2,600,661
EQUITY			
Equity attributable to owners of the Company			
Share capital	17	155	155
Share premium	17	665,621	665,621
Reserves		1,661,193	1,680,752
Total equity		2,326,969	2,346,528

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2016

	Note	(Unaudited) As at 30 June 2016 RMB'000	(Audited) As at 31 December 2015 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	18	128,888	–
Deferred tax liabilities		8,862	11,386
		137,750	11,386
Current liabilities			
Trade and other payables	19	98,502	173,420
Dividend payable		25,515	–
Bank borrowings	18	67,000	49,000
Current income tax liabilities		6,705	20,327
		197,722	242,747
Total liabilities		335,472	254,133
Total equity and liabilities		2,662,441	2,600,661

The notes on pages 21 to 38 are an integral part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Note	Share capital RMB'000	Share premium RMB'000	(Unaudited) Reserves			Retained earnings RMB'000	Total RMB'000
				Capital reserve RMB'000	Statutory reserve RMB'000	Revaluation reserve RMB'000		
As at 1 January 2015		141	483,413	406,736	121,981	1,642	907,560	1,921,473
Comprehensive income								
Profit for the period		-	-	-	-	-	149,995	149,995
Transactions with owners:								
Transfer to statutory reserve		-	-	-	1,978	-	(1,978)	-
Dividend related to 2014 declared in 2015	11	-	-	-	-	-	(56,160)	(56,160)
		-	-	-	1,978	-	(58,138)	(56,160)
As at 30 June 2015		141	483,413	406,736	123,959	1,642	999,417	2,015,308
As at 1 January 2016		155	665,621	406,736	143,183	1,642	1,129,191	2,346,528
Comprehensive income								
Profit for the period		-	-	-	-	-	5,956	5,956
Transactions with owners:								
Transfer to statutory reserve		-	-	-	1,804	-	(1,804)	-
Dividend related to 2015 declared in 2016	11	-	-	-	-	-	(25,515)	(25,515)
		-	-	-	1,804	-	(27,319)	(25,515)
As at 30 June 2016		155	665,621	406,736	144,987	1,642	1,107,828	2,326,969

The notes on pages 21 to 38 are an integral part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	(Unaudited)	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Cash flows from operating activities		
Cash generated from operations	185,215	183,966
Interest paid	(2,001)	(1,969)
Income tax paid	(21,503)	(56,081)
	161,711	125,916
Cash flows from investing activities		
Proceeds from disposal of assets classified as held for sale	9,900	–
Additions to land use rights	–	(14,661)
Purchases of property, plant and equipment	(7,629)	(2,667)
Prepayments for constructions	–	(6,018)
Prepayments for property, plant and equipment and land use rights	(47,000)	(4,289)
Interest received	477	696
	(44,252)	(26,939)
Cash flows from financing activities		
Proceeds from borrowings	144,342	15,000
Repayments of borrowings	–	(20,000)
	144,342	(5,000)
Net increase in cash and cash equivalents	261,801	93,977
Cash and cash equivalents at beginning of the period	720,178	607,066
Exchange difference on cash and cash equivalents	(912)	(73)
	981,067	700,970

The notes on pages 21 to 38 are an integral part of this condensed consolidated financial information.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

China Creative Global Holdings Limited (the “Company”) (formerly known as China Creative Home Group Limited) was incorporated in the Cayman Islands on 7 July 2011 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, The Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together the “Group”) are principally engaged in the business of design, development, manufacturing and sales of home decor products, electric fireplaces and air purifiers primarily in the People’s Republic of China (the “PRC”).

On 24 March 2016, the Company entered into a framework agreement (the “Framework Agreement”) with an independent third party to collaborate in overseas mining development and construction. No definitive agreement has been signed by the Company and the independent third party.

The Company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited.

This condensed consolidated financial information is presented in thousands of units of Renminbi (“RMB’000”), unless otherwise stated.

This condensed consolidated financial information has not been audited.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

This condensed consolidated financial information for the six months ended 30 June 2016 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants. The condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

2.2 Summary of significant accounting policies

Except as described below, the accounting policies applied are consistent with those of the Group’s consolidated financial statements for the year ended 31 December 2015.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Summary of significant accounting policies (Continued)

(a) New and amendments to standards adopted by the Group

The following new and amendments to standards are mandatory for the Group's financial year beginning 1 January 2016:

HKAS 1 (Amendment)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortization
HKAS 16 and HKAS 41 (Amendment)	Agriculture: Bearer Plants
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
Annual Improvements Project	Annual Improvements 2012-2014 Cycle

The adoption of these new and amendments to standards does not have significant impact to the results or financial position of the Group.

(b) New and amendments to standards not yet adopted

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2016 and have not been early adopted:

		Effective for annual periods beginning on or after
HKAS 7 (Amendment)	Statement of Cash Flows	1 January 2017
HKAS 12 (Amendment)	Income Taxes	1 January 2017
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets Between Investor and its Associate or Joint Venture	To be determined
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Lease	1 January 2019

Management is in the process of making an assessment on the impact of these new and amendments to standards and is not yet in a position to state whether they will have a significant impact on the Group's results of operations and financial position.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

3 ESTIMATES

The preparation of condensed consolidated financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's consolidated financial statements for the year ended 31 December 2015.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

The condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2015.

There have been no changes in the risk management department or in any risk management policies since the year end.

4.2 Liquidity risk

Except for the bonds obtained during the period, there was no other material change in the contractual undiscounted cash outflows for financial liabilities. Details of the bonds are disclosed in Note 18.

4.3 Fair value estimation

The Group's financial instruments carried at fair value as at balance sheet date are measured by the inputs to valuation techniques. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

There has been no transfer of financial assets and liabilities between levels 1, 2 and 3 during the period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

4 FINANCIAL RISK MANAGEMENT (Continued)

4.3 Fair value estimation (Continued)

Assets and liabilities held by the Group using the fair value method include investment property and assets classified as held for sale (Note 13 and 16).

For other current financial assets of the Group, including trade and other receivables, pledged deposits, cash and cash equivalents, and current financial liabilities of the Group including trade and other payables and short-term borrowings approximate their fair values due to their short term maturities.

The Group does not have any financial assets/liabilities that are subject to offsetting, enforceable master netting arrangements and similar agreements during the period.

5 SEGMENT REPORTING

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker that are used to making strategic decisions.

The chief operating decision-maker is identified as the executive directors of the Company. The executive directors consider the business from a product perspective and assess the performance of the operating segments based on a measure of revenue and segment results.

The Group's two reportable operating segments are as follows:

Electric fireplaces and air purifiers	– Design, development, manufacturing and sales of electric fireplaces and air purifiers
Home decor products	– Design, development, manufacturing and sales of home decor products and humidifiers

Other activities primarily relate to provision of corporate services for investment holding companies and holding corporate assets and liabilities. Corporate assets and liabilities mainly include investment property held for rental income, property, plant and equipment and land use rights for corporate use. These activities are excluded from the reportable operating segments.

Segment assets consist primarily of certain property, plant and equipment, land use rights, inventories, trade receivables, deposits, prepayments and other receivables, pledged deposits and cash and cash equivalents. They exclude investment property and other assets for corporate functions.

Segment liabilities consist primarily of trade and other payables. They exclude current income tax liabilities, deferred income tax liabilities, general borrowings and other liabilities for corporate functions.

All non-current assets of the Group are located in the PRC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

5 SEGMENT REPORTING (Continued)

The segment information provided to the executive directors is as follows:

	Electric fireplaces and air purifiers RMB'000	Home decor products RMB'000	Others RMB'000	Total RMB'000
For the six months ended 30 June 2016:				
Segment revenue				
– PRC	127,087	96,992	–	224,079
– International	13,561	29,111	–	42,672
	<u>140,648</u>	<u>126,103</u>	<u>–</u>	<u>266,751</u>
Less: Inter-segment revenue	–	(9,779)	–	(9,779)
Revenue from external customers	<u>140,648</u>	<u>116,324</u>	<u>–</u>	<u>256,972</u>
Segment results	16,246	6,153	(6,978)	15,421
Unallocated expense				(334)
Finance costs				<u>(3,774)</u>
Profit before income tax				11,313
Income tax expense				<u>(5,357)</u>
Profit for the period				<u>5,956</u>
Other segment items:				
Additions to:				
Property, plant and equipment	11,916	50	108	12,074
Depreciation and amortisation	12,842	857	334	14,033
Interest income	39	432	6	477

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

5 SEGMENT REPORTING (Continued)

	Electric fireplaces and air purifiers RMB'000	Home decor products RMB'000	Others RMB'000	Total RMB'000
For the six months ended 30 June 2015:				
Segment revenue				
– PRC	330,471	232,239	–	562,710
– International	24,987	28,423	–	53,410
	<u>355,458</u>	<u>260,662</u>	<u>–</u>	<u>616,120</u>
Less: Inter-segment revenue	–	(13,830)	–	(13,830)
Revenue from external customers	<u>355,458</u>	<u>246,832</u>	<u>–</u>	<u>602,290</u>
Segment results	103,928	59,586	18,410	181,924
Unallocated expense				(270)
Finance costs				<u>(1,969)</u>
Profit before income tax				179,685
Income tax expense				<u>(29,690)</u>
Profit for the period				<u>149,995</u>
Other segment items:				
Additions to:				
Property, plant and equipment	23,053	217	9,000	32,270
Land use rights	–	14,661	–	14,661
Depreciation and amortisation	10,125	672	270	11,067
Interest income	2,441	261	10	2,712
Fair value gain in derivative financial instrument	–	–	14,112	14,112
	<u>–</u>	<u>–</u>	<u>14,112</u>	<u>14,112</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

5 SEGMENT REPORTING (Continued)

The information on segment assets and liabilities provided to the executive directors is as follows:

	Electric fireplaces and air purifiers RMB'000	Home decor products RMB'000	Others RMB'000	Total RMB'000
As at 30 June 2016:				
Segment assets	1,961,656	558,584	142,201	2,662,441
Segment liabilities	48,949	45,928	240,595	335,472
As at 31 December 2015:				
Segment assets	1,858,746	597,300	144,615	2,600,661
Segment liabilities	84,313	86,546	83,274	254,133

There is no individual external customer which contributed more than 10% of the Group's revenue for the six months ended 30 June 2016 (2015: Nil).

6 REVENUE AND OTHER INCOME

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Sales of products		
– Electric fireplaces	132,806	275,281
– Air purifiers	7,842	80,177
– Home decor products (excluding humidifiers)	116,300	219,035
– Humidifiers	24	27,797
	<u>256,972</u>	<u>602,290</u>
Other income		
– Interest income	477	2,712
– Rental income	182	5,261
	<u>659</u>	<u>7,973</u>

The sales of electric fireplaces are subject to seasonal fluctuations, with higher demand in the second half of the year due to seasonal weather conditions. The sales of air purifiers and home decor products are not subject to seasonal fluctuations.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

7 EXPENSES BY NATURE

The profit before income tax is stated after charging the following:

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Cost of inventories	139,371	300,484
Depreciation of property, plant and equipment (Note 12)	11,877	9,726
Amortisation of land use rights	2,156	1,341
Employee benefit expenses	53,245	74,657

8 OTHER (LOSSES)/GAINS – NET

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Net foreign exchange losses	(2,674)	–
Fair value gain on derivative financial instruments	–	14,112
	(2,674)	14,112

9 INCOME TAX EXPENSE

Under the Enterprise Income Tax Law of the PRC (the “EIT Law”), the applicable income tax rate for the Group’s entities in the PRC, except for Allen Electronics Co., Ltd. Fujian, is 25%.

Pursuant to the EIT Law, with respect to a new and high technology enterprise, the tax levied on its income will be charged at a preferential rate of 15% after obtaining the High New Technology Enterprise Certificate (the “Certificate”) and completing the tax reduction and exemption filing with the tax authorities. Allen Electronics Co., Ltd. Fujian renewed the Certificate on 5 September 2013 and the Certificate will expire on 4 September 2016.

Pursuant to the EIT Law, a 10% withholding tax is levied on dividends declared by PRC companies to their foreign investors. A lower withholding tax rate of 5% is applicable if direct foreign investors with at least 25% equity interest in the PRC company are incorporated in Hong Kong and meet the relevant requirements pursuant to the tax arrangement between the PRC and Hong Kong. Since the equity holder of the PRC subsidiaries of the Company is a Hong Kong incorporated company, the Company has used 5% to provide for deferred tax liabilities on retained earnings which are anticipated to be distributed in the future.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

9 INCOME TAX EXPENSE (Continued)

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Current income tax	7,397	32,221
Under/(over)-provision in prior period	484	(354)
Deferred income tax	(2,524)	(2,177)
Total taxation charge	5,357	29,690

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate for the full financial year.

10 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Profit attributable to owners of the Company	5,956	149,995
Weighted average number of ordinary shares in issue (in thousands)	1,980,000	1,800,000
Basic and diluted earnings per share (expressed in RMB per share)	0.003	0.08

Note:

Diluted earnings per share for the period ended 30 June 2016 equals the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the period.

Diluted earnings per share for the period ended 30 June 2015 equalled the basic earnings per share as the exercise of the warrants would be anti-dilutive.

11 DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2016 (30 June 2015: Nil).

A dividend of HKD29,700,000 (equivalent to approximately RMB25,515,000) that relates to the year ended 31 December 2015 was paid in July 2016 (2015: HKD70,200,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

12 PROPERTY, PLANT AND EQUIPMENT

	Property, plant and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Six months ended 30 June 2016			
Net book value			
At 1 January 2016	674,561	14,400	688,961
Additions	130	11,944	12,074
Depreciation (Note 7)	(11,877)	–	(11,877)
At 30 June 2016	662,814	26,344	689,158
Six months ended 30 June 2015			
Net book value			
At 1 January 2015	482,680	90,224	572,904
Additions	2,667	29,603	32,270
Transfer	20,603	(20,603)	–
Depreciation (Note 7)	(9,726)	–	(9,726)
At 30 June 2015	496,224	99,224	595,448

As at 30 June 2016, bank borrowings (31 December 2015: bank borrowings and bills payable) are secured by certain property, plant and equipment with an aggregate net book value of approximately RMB107,973,000 (31 December 2015: RMB81,365,000) (Notes 18 and 19).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

13 INVESTMENT PROPERTY

As at 30 June 2016, the Group's investment property is a hotel building located in Quanzhou, the PRC. The carrying amount of the investment property in the condensed consolidated statement of financial position is as follows:

	As at 30 June 2016 RMB'000	As at 31 December 2015 RMB'000
At valuation	122,400	122,400

The investment property was valued at 31 December 2015 by an independent professionally qualified valuer, Roma Appraisals Limited, who is a member of the Hong Kong Institute of Surveyors, and has appropriate qualifications and recent experiences in the valuation of similar properties.

The valuation of the investment property as at 31 December 2015 was determined using income approach based on significant unobservable inputs. The directors have reviewed the valuation of the investment property as at 30 June 2016 and considered that there are no significant changes in the underlying assumptions and the key unobservable inputs, and the valuation of the investment property remains the same as at 30 June 2016.

14 TRADE RECEIVABLES

The majority of the Group's sales are with credit terms of 60 to 90 days. At as 30 June 2016 and 31 December 2015, the aging analysis of the trade receivables based on invoice date was as follows:

	As at 30 June 2016 RMB'000	As at 31 December 2015 RMB'000
0 to 30 days	68,576	96,354
31 to 60 days	53,865	109,597
61 to 90 days	49,720	137,875
Over 90 days	13,944	57,436
	<u>186,105</u>	<u>401,262</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

15 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2016 RMB'000	As at 31 December 2015 RMB'000
Current		
Deposits and prepayments (note (a))	7,001	5,444
Deposits paid for purchases of land use rights and buildings (note (c))	–	2,000
Accrued rental income	5,093	5,093
Rental receivables	3,422	5,535
Others	247	667
	<u>15,763</u>	<u>18,739</u>
Non-current		
Prepayment for commercial buildings (note (b))	292,120	292,120
Prepayments for land use rights and property, plant and equipment (note (c))	49,000	–
Prepayments for construction costs	–	4,091
	<u>341,120</u>	<u>296,211</u>
	<u>356,883</u>	<u>314,950</u>

Notes:

- (a) As at 30 June 2016, the balance included a prepayment for rental expense to a related company, which is beneficially owned by Mr. Chen Fanglin amounting to RMB144,000 (31 December 2015: RMB144,000).
- (b) On 23 November 2015, the Group entered into a sales and purchase agreement with an independent third party to purchase commercial buildings and the related land use rights with a total consideration of RMB292,120,000 in Anhui, the PRC. The construction of the commercial buildings and the transfer of ownership of these assets are expected to be completed on or before February 2017.
- (c) On 28 November 2014, the Group entered into a sales and purchase agreement (“the agreement”) with an independent third party (“the seller”) to purchase certain land use rights and buildings in Quanzhou, the PRC, with a total consideration of RMB98,000,000. On 3 December 2014, the Group paid RMB49,000,000 as a prepayment to the seller. During the year ended 31 December 2015, the seller was not able to complete the registration of transfer of the land use rights and buildings to the Group. On 25 August 2015, the seller refunded RMB47,000,000 to the Group but refused to refund the remaining balance of RMB2,000,000.

During the year ended 31 December 2015, the seller filed a dispute case to the People’s Court of Quangang (“the court”) in respect of this transaction against the Group. Subsequently, the Group filed a defense to the court on 30 October 2015. No legal proceeding has been commenced.

During the period ended 30 June 2016, the dispute was resolved and the Group paid an additional prepayment of RMB47,000,000 to the seller. Management expects that this transaction will be completed in the second half of the year 2016. As at 30 June 2016, the Group paid a total of RMB49,000,000 as a prepayment to the seller.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

16 ASSETS CLASSIFIED AS HELD FOR SALE

On 30 September 2014, Quanzhou Allen Light Industry Co., Ltd., a wholly owned subsidiary of the Group, was notified by the local government of Quanzhou that certain land use rights and properties will be resumed for redevelopment.

The compensation of these properties and land use rights will be RMB109,552,000 according to the correspondences from the local government of Quanzhou and these properties and land use rights are classified as assets held for sale. The valuation was determined based on the compensation and was categorised in level 2 of the fair value hierarchy. During the period ended 30 June 2016, certain assets with carrying value of RMB19,800,000 have been resumed by the local government of Quanzhou. As at 30 June 2016, the directors have reviewed the fair value of the assets classified as held for sale and considered that there are no significant changes in the underlying assumptions for the compensation and the fair value of the assets classified as held for sale.

	As at 30 June 2016 RMB'000	As at 31 December 2015 RMB'000
At beginning of the period	109,552	109,552
Disposal	(19,800)	–
At end of the period	<u>89,752</u>	<u>109,552</u>

As at 30 June 2016, certain assets classified as held for sale were pledged as a security for bank borrowings (31 December 2015: bank borrowings and bills payable) made available to the Group.

17 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares (thousands)	Nominal value of ordinary shares HKD
Authorized: At 1 January 2015, 30 June 2015, 1 January 2016 and 30 June 2016	<u>10,000,000</u>	<u>1,000,000</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

17 SHARE CAPITAL AND SHARE PREMIUM (Continued)

	Number of ordinary shares (thousands)	Nominal value of ordinary shares HKD'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Issued and fully paid: At 1 January 2016 and 30 June 2016	<u>1,980,000</u>	<u>198</u>	<u>155</u>	<u>665,621</u>	<u>665,776</u>
At 1 January 2015 and 30 June 2015	<u>1,800,000</u>	<u>180</u>	<u>141</u>	<u>483,413</u>	<u>483,554</u>

18 BORROWINGS

	As at 30 June 2016 RMB'000	As at 31 December 2015 RMB'000
Non-current		
Bonds – unsecured (note (a))	<u>128,888</u>	<u>–</u>
Current		
Bank borrowings – secured (note (b))	<u>67,000</u>	<u>49,000</u>
Total borrowings	<u>195,888</u>	<u>49,000</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

18 BORROWINGS (Continued)

An analysis of the Group's borrowings into principal amounts is as follows:

	As at 30 June 2016 RMB'000	As at 31 December 2015 RMB'000
Bonds – unsecured (note (a))	133,333	–
Bank borrowings – secured (note (b))	67,000	49,000
	200,333	49,000
Adjusted by: unamortised loan arrangement fees	(4,445)	–
	<u>195,888</u>	<u>49,000</u>

Notes:

(a) Bonds comprise aggregate principal amounts of:

- (i) HKD7,000,000 (approximately RMB6,014,000) due in 2023 issued by the Company to an independent third party in March 2016. The bond is unsecured and bears interest at a fixed rate of 6% per annum; and
- (ii) HKD148,200,000 (approximately RMB127,319,000) due in 2019 issued by the Company to an independent third party in April 2016. The bond is unsecured and bears interest at a fixed rate of 7% per annum.

(b) As at 30 June 2016 and 31 December 2015, the bank borrowings are either repayable within one year or repayable on demand and with floating interest rate. The Group's bank borrowings approximate their fair values due to short maturity date.

As at 30 June 2016 and 31 December 2015, the Group's borrowings were secured by certain property, plant, and equipment, assets classified as held for sale, guarantee of Mr. Chen Fanglin and related parties (Notes 12, 16 and 21).

As at 30 June 2016, the effective interest rate of the Group's borrowings is 7.65% (31 December 2015: 6.51%).

Interest expense on borrowings charged to the condensed consolidated statement of comprehensive income for the six months ended 30 June 2016 is RMB3,774,000 (30 June 2015: RMB1,969,000).

The carrying values of the borrowings are denominated in the following currencies:

	As at 30 June 2016 RMB'000	As at 31 December 2015 RMB'000
HKD	128,888	–
RMB	67,000	49,000
	<u>195,888</u>	<u>49,000</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

19 TRADE AND OTHER PAYABLES

	As at 30 June 2016 RMB'000	As at 31 December 2015 RMB'000
Trade payables	70,793	127,366
Bills payable	–	4,600
Trade and bills payables	70,793	131,966
Other tax payable	3,614	4,629
Salary and welfare payables	10,033	12,853
Retention fee payables	8,774	9,393
Deposits received for assets classified as held for sale	–	9,011
Interest payables	1,899	–
Others	3,389	5,568
	<u>98,502</u>	<u>173,420</u>

The aging analysis of the Group's trade and bills payables based on invoice date is as follows:

	As at 30 June 2016 RMB'000	As at 31 December 2015 RMB'000
0 to 30 days	36,051	49,938
31 to 60 days	30,975	34,353
61 to 90 days	3,765	47,655
Over 90 days	2	20
	<u>70,793</u>	<u>131,966</u>

As at 31 December 2015, the Group's bills payables were secured by pledged deposits, certain assets classified as held for sale, guarantee of Mr. Chen Fanglin and a related party (Notes 16 and 21).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

20 COMMITMENTS

Capital expenditure contracted for at the end of the period/year but not yet incurred is as follows:

	As at 30 June 2016 RMB'000	As at 31 December 2015 RMB'000
Contracted but not provided for		
– Land use rights	17,210	–
– Property, plant and equipment	37,436	13,145
	<u>54,646</u>	<u>13,145</u>

21 RELATED-PARTY TRANSACTIONS

As at 30 June 2016, the Group is controlled by China Wisdom Asia Limited (incorporated in the BVI), which owns 54% of the Company's shares. The remaining 46% of the shares are widely held. The ultimate parent of the Group is Central Profit Group Limited (incorporated in the BVI). The ultimate controlling party of the Group is Mr. Chen Fanglin.

The directors of the Company are of the view that the following companies were related parties that had transactions or balances with the Group during the period:

Person/Company	Relationship with the Group
Ms. Chen Xiangqun	Spouse of Mr. Chen Fanglin
Quanzhou Xinliya Trading Co., Ltd. (泉州欣利亞商貿有限公司)	Beneficially owned by Mr. Chen Fanglin
Quanzhou Meiya Property Management Co., Ltd. (泉州美亞商業管理有限公司)	Beneficially owned by Mr. Chen Fanglin

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

21 RELATED-PARTY TRANSACTIONS (Continued)

The related-party transactions made during the period are as follows:

(a) Purchase of services

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Rental expense (note)	432	432

Note:

It represents rental expense of a home furnishing concept shop paid or payable to Quanzhou Xinliya Trading Co., Ltd and was determined at prevailing market rate of similar shops nearby.

(b) Key management compensation

Key management includes directors and other key management of the Group. The compensation paid or payable to key management for employee services is shown below:

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Directors' fees	152	144
Basic salaries, housing allowances, other allowances and benefits in kind	2,804	2,754
Social security and pension costs	523	511
	<u>3,479</u>	<u>3,409</u>

(c) Guarantee by Mr. Chen Fanglin

As at 30 June 2016, certain bank borrowings (31 December 2015: bank borrowings and bills payable) are secured by Mr. Chen Fanglin.

(d) Guarantee by Quanzhou Meiya Property Management Co., Ltd. and Ms. Chen Xiangqun

As at 30 June 2016, certain bank borrowings (31 December 2015: bank borrowings and bills payable) are secured by Quanzhou Meiya Property Management Co., Ltd. and Ms. Chen Xiangqun.