Bolina

Bolina Holding Co., Ltd.
航標控股有限公司

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

Interim Report **2016**

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. Jiang Guoxiang
Mr. Wong Yuk-lun, Alan

AUDIT COMMITTEE

Mr. Tong Jifeng
Mr. Jiang Guoxiang *(Chairman)*
Mr. Wong Yuk-lun, Alan

REMUNERATION COMMITTEE

Mr. Lu Jianqing
Mr. Tong Jifeng *(Chairman)*
Mr. Jiang Guoxiang

NOMINATION COMMITTEE

Mr. Xiao Zhiyong *(Chairman)*
Mr. Tong Jifeng
Mr. Jiang Guoxiang

CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

Mr. Wong Wai Ming, *CPA & FRM®*

AUDITORS

Elite Partners CPA Limited

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

ECONOMIC AND INDUSTRY OUTLOOK

Further to the significant slowdown of the macro-economy in China in 2015, economic outlook remained stagnant for the first half of 2016. According to certain economic researches and forecasts, though steady but slow recovery signal was seen from the overall economic statistics for the first half of 2016, that was mainly attributable to the investment in infrastructure driven by the state-owned capital as well as the stimulus given to the property market by the government to boost property prices and transaction volume. Not only did such kind of demand side stimulus fail to address the deep-rooted problem of over-capacity and the need to pursue supply-side reform, but also the marginal benefit so derived appeared to be diminishing. As such it is generally expected that the economic outlook of the second half 2016 cannot be too optimistic.

According to the industry report issued by the Association of China Construction and Ceramic Sanitary Ware, the overall demand and growth force of the industry was weak in 2015. Quarterly figures of domestic sales appeared to drop quarter-on-quarter. The decreasing trend persisted in the first half of 2016. Notwithstanding that sanitary ware market is a downstream sector of the property market, demand and benefit derived from the relaxation of controlling measures on property market are expected to lag behind until the time when the properties are delivered to the home buyers for renovation work. Thus it is expected that the genuine demand for sanitary ware products will only be buoyed up in the final quarter of 2016 and in 2017. Moreover the contradiction and imbalance between the stagnant market demand and the persistently excessive supply will persist during the second half of 2016 while the market takes time to digest the excessive inventories. As such management of the Company is not optimistic with the operating environment in the second half of 2016 though it will be slightly better than the first half.

BUSINESS REVIEW

For the six months ended 30 June 2016, the Group recorded revenue of RMB164.0 million, decreased by 60.6% as compared with the corresponding period last year, profit attributable to owners of the Company amounted to RMB1.2 million, decreased by 98.5% as compared with the corresponding period last year; basic earnings per share was RMB0.1 cents, decreased by 98.7% 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 2016.

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 2016, the proportion of sales from the Group's own brand, ODM and OEM were 28.5%, 63.4% and 8.1% respectively. Simultaneously the Americas market replaced Mainland China market being the largest revenue source for the Group with Americas, Mainland China and Europe accounting for 65.7%, 28.1% and 5.0% respectively. The company management believe that the Americas market and ODM segment superseded China market and own brand segment respectively is of temporary only. The management foresee that domestic sales of own brand products will see significant rebound in 2017. From strategical viewpoint "Bolina" brand and China market continue to remain the core segment of our business development and the company management will strive a balance on the mix of own brand business and ODM business.

As regards the sales of ODM and OEM products. The business strategy of expanding the high value-added ODM business segment continues to prevail. Given the above analysis on the economic and industry outlook, revenue from own brand business plunged by 82.5% to RMB46.7 million for the period ended 30 June 2016. Revenue from ODM business also shrank by 25.0% to RMB104.0 million because shipment of some ODM orders was delayed due to the instability of the global political and economic environment. However the company management remains confident with the ODM business during the second half of 2016 when shipment of the affected orders resumes. Revenue from OEM business rose by 29.6% to RMB13.2 million during the period under reporting. As a result of the shrinkage of ODM and own brand business, the overall contribution from OEM business increased. That was mainly attributable to the increase in OEM contracts with a customer from South Korea.

BUSINESS REVIEW *(continued)*

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 2016, the Group's distribution network included 439 points of sale operated by 160 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. During the reporting period, the Company successfully opened up two new markets: Australia and Saudi Arabia, after participating in the exhibitions of the countries. 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 on one hand. On the other hand, the Group also attempted to expand the self-owned brand business in the overseas market and entrusted an agent in the U.S. to accelerate the opening of the U.S. market.

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 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 that domestic sales of own branded products plunged severely by 82.5% during the reporting period whilst the operating environment of the industry is expected to be tough during the second half of 2016, the company management see the crack of dawn ahead in 2017 when more and more small participants with no competitive advantage are to be eliminated through competitions during the recent downturn. After all there will be less detrimental competitions and the sanitary ware market can resume to normal and healthy development.

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 largest market in terms of revenue by geographic locations during the reporting period, the outlook of our ODM and OEM business in the U.S. appears to be positive for the second half of 2016 given the recovery signal as seen from the statistics associated with the country's economic performance, employment rate and new residential construction etc. Moreover it is generally expected Fed will resume rate hike in 2016. As such the Company's view on the U.S. economy and our ODM and OEM businesses in the country is positive.

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 2016, revenue of the Group was RMB164.0 million, down by 60.6% as compared with the corresponding period last year; gross profit of the Group was RMB50.3 million, down by 72.3% as compared with the corresponding period last year; profit before tax of the Group was RMB6.7 million, down by 94.0% as compared to the corresponding period last year; profit attributable to the owners of the Company amounted to RMB1.2 million, down by 98.5% 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 2016 and 2015:

	Six months ended 30 June			
	2016		2015	
	RMB'000	**%**	RMB'000	%
Ceramic sanitary ware products				
One-piece toilets	**19,834**	**12.1**	187,186	44.9
Two-piece toilets (with water tanks)	**108,641**	**66.2**	133,655	32.1
Washbasins and stands	**8,162**	**5.0**	24,776	5.9
Other ceramic products including urinals and bidets	**4,563**	**2.8**	13,256	3.2
Sub-total	**141,200**	**86.1**	358,873	86.1
Non-ceramic sanitary products	**22,756**	**13.9**	57,770	13.9
Total	**163,956**	**100.0**	416,643	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 2016 and 2015:

	Six months ended 30 June			
	2016		2015	
	RMB'000	**%**	RMB'000	%
Branded products				
Distributors	**37,122**	**22.6**	243,016	58.3
Direct sales in the PRC	**8,877**	**5.4**	24,234	5.8
Direct sales to overseas customers	**734**	**0.5**	527	0.1
Sub-total	**46,733**	**28.5**	267,777	64.2
Non-branded products				
ODM	**103,988**	**63.4**	138,656	33.3
OEM	**13,235**	**8.1**	10,210	2.5
Sub-total	**117,223**	**71.5**	148,866	35.8
Total	**163,956**	**100.0**	416,643	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 2016 and 2015:

OEM products

	Six months ended 30 June 2016			Six months ended 30 June 2015		
Products	**Units**	**Average price RMB**	**Revenue RMB'000**	Units	Average price RMB	Revenue RMB'000
Two-piece toilets (with water tanks)	**84,726**	**127.8**	**10,832**	57,633	121.3	6,989
Washbasins and stands	**5,956**	**82.4**	**491**	9,624	69.8	672
Other ceramic products including urinals and bidets	**6,526**	**244.1**	**1,593**	9,991	211.4	2,112
Non-ceramic sanitary products	**12,756**	**25.0**	**319**	22,000	19.9	437
Total	**109,964**	**120.4**	**13,235**	99,248	102.9	10,210

FINANCIAL REVIEW *(continued)*

Revenue *(continued)*

ODM products

Products	Six months ended 30 June 2016 Units	Average price RMB	Revenue RMB'000	Six months ended 30 June 2015 Units	Average price RMB	Revenue RMB'000
Two-piece toilets (with water tanks)	**714,916**	**134.1**	**95,871**	980,950	128.5	126,019
One-piece toilets	**10,403**	**518.1**	**5,390**	21,380	439.9	9,405
Washbasins and stands	**25,467**	**102.0**	**2,598**	35,096	89.7	3,149
Other ceramic products including urinals and bidets	**380**	**339.5**	**129**	583	142.4	83
Total	**751,166**	**138.4**	**103,988**	1,038,009	133.6	138,656

Own branded products

Products	Six months ended 30 June 2016 Units	Average price RMB	Revenue RMB'000	Six months ended 30 June 2015 Units	Average price RMB	Revenue RMB'000
Two-piece toilets (with water tanks)	**25,208**	**76.9**	**1,938**	6,039	107.1	647
One-piece toilets	**25,860**	**558.5**	**14,444**	347,452	511.7	177,781
Washbasins and stands	**71,517**	**70.9**	**5,073**	196,749	106.5	20,955
Other ceramic products including urinals and bidets	**33,595**	**84.6**	**2,841**	85,136	129.9	11,061
Non-ceramic sanitary products	**237,702**	**94.4**	**22,437**	505,078	113.5	57,333
Total	**393,882**	**118.6**	**46,733**	1,140,454	234.8	267,777

FINANCIAL REVIEW *(continued)*

Gross Profit and Gross Profit Margin

For the six months ended 30 June 2016 and 2015, the Group's gross profit and gross profit margin by business segment was as follows:

	Six months ended 30 June			
	2016		2015	
	Gross profit RMB'000	**Gross profit margin %**	Gross profit RMB'000	Gross profit margin %
Branded products	**16,764**	**35.9**	132,182	49.4
ODM	**30,599**	**29.4**	45,812	33.0
OEM	**2,963**	**22.4**	3,995	39.1
Total	**50,326**	**30.7**	181,989	43.7

Selling and Distribution Expenses

Selling and distribution expenses decreased by RMB18.2 million, or 50.0%, from RMB36.5 million for the six months ended 30 June 2015 to RMB18.3 million for the six months ended 30 June 2016. The decrease was mainly attributable to the pursuant of cost control measures so as trim down selling expenses in general in response to the though and rigorous operating environment.

Administrative Expenses

Administrative expenses decreased by RMB10.8 million, or 33.2%, from RMB32.5 million for the six months ended 30 June 2015 to RMB21.7 million for the six months ended 30 June 2016. The decrease was mainly attributable to the decrease in staff costs and research and development expenses as well as the reversal of inventories being written down to net realisable value.

Finance Costs

Finance costs represent interest expense on corporate bonds, bank and other borrowings of the Group. For the six months ended 30 June 2016, finance costs increased by RMB9.6 million, or 94.1%, from RMB10.2 million for the six months ended 30 June 2015 to RMB19.8 million for the six months ended 30 June 2016. The increase was mainly attributable to the financing cost associated with the issuance of corporate bonds.

Income Tax Expense

Income tax expense decreased by RMB27.3 million, or 81.3% from RMB33.6 million for the six months ended 30 June 2015 to RMB6.3 million for the six months ended 30 June 2016. The decrease was mainly attributable to the drop in operating profit that was subject to Corporate Income Tax in the PRC.

Net Profit and Net Profit Margin

For the six months ended 30 June 2016, profit attributable to owners of the Company amounted to RMB1.2 million, representing a decrease of 98.5% as compared to the corresponding period last year. Net profit margin for the six months ended 30 June 2016 was 0.2%.

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 2016 was 43.2% (31 December 2015: 53.3%). The decrease in gearing ratio was mainly due to the decrease 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 RMB15.5 million for the six months ended 30 June 2016, mainly incurred 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 2016, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As at 30 June 2016 RMB'000	As at 31 December 2015 RMB'000
Within 1 year	**5,145**	2,328
After 1 year but within 5 years	**23,335**	23,131
After 5 years	**63,823**	66,844
	92,303	92,303

(b) As lessee

	As at 30 June 2016 RMB'000	As at 31 December 2015 RMB'000
Within 1 year	**13,848**	10,669
After 1 year but within 5 years	**31,444**	23,818
After 5 years	**–**	–
	45,292	34,487

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 2016 RMB'000	As at 31 December 2015 RMB'000
Contracted, but not provided for property, plant and equipment	**8,464**	8,757
Contracted, but not provided for investment properties and properties under development	**77,443**	52,477
Authorised, but not contracted for property, plant and equipment	**202,623**	268,484
Authorised, but not contracted for investment properties and properties under development	**453,300**	454,300
	741,830	784,018

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 2016, cash and cash equivalents of the Group amounted to RMB916.1 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	
	2016 RMB'000	2015 RMB'000
Net cash flows from operating activities	**28,913**	122,746
Net cash flows used in investing activities	**(13,821)**	(181,033)
Net cash flows used in financing activities	**(6,068)**	(88,657)
Net increase/(decrease) in cash and cash equivalents	**9,024**	(146,944)
Cash and cash equivalents at beginning of period	**909,894**	969,208
Effect of foreign exchange rate changes, net	**(2,847)**	197
Cash and cash equivalents at end of period	**916,071**	822,461

FINANCIAL REVIEW *(continued)*

Financial Resources and Liquidity *(continued)*

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

	As at 30 June 2016 RMB'000	As at 31 December 2015 RMB'000
Secured	**140,200**	309,133
Guaranteed	**52,397**	70,780
Unsecured	**15,000**	62,454
Total	**207,597**	442,367
Fixed interest rate	**117,400**	272,950
Floating interest rate	**90,197**	169,417
Total	**207,597**	442,367

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 RMB115.3 million and RMB138.8 million as at 30 June 2016 and 31 December 2015 respectively.

The Group's average trade receivable turnover days were 141 days and 66 days for the six months ended 30 June 2016 and the year ended 31 December 2015 respectively. The increase in trade receivable turnover days was mainly due to the significant decrease in sales of own branded products through domestic distributors.

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 2016 and 31 December 2015, 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 year ended 31 December 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 and bills payables of RMB112.1 million and RMB255.7 million as at 30 June 2016 and 31 December 2015 respectively.

The Group's average trade and bills payables turnover days were 293 days and 139 days for the six months ended 30 June 2016 and the year ended 31 December 2015 respectively. The increase in trade payable turnover days was mainly due to the fact that average trade and bills payable balances remained high for the period as a result of the procurement activities of the property development and leasing segment while cost of sales dropped significantly and in line with sales of sanitary ware products.

FINANCIAL REVIEW *(continued)*

Inventory Turnover Days

The Group's inventories increased from RMB104.7 million as at 31 December 2015 to RMB130.2 million as at 30 June 2016.

The Group's average inventory turnover days were 187 days and 86 days for the six months ended 30 June 2016 and the year ended 31 December 2015 respectively.

Bank Borrowings and Other Borrowings

As at 30 June 2016, the balance of the Group's bank loans and other borrowings, was RMB207.6 million, down by RMB234.8 million or 53.1% from that of RMB442.4 million as at 31 December 2015.

Certain of the Group's bank loans and other loans are secured by: (i) mortgages over the Group's land use right situated in Mainland China, which had aggregate carrying values of approximately RMB11.4 million and RMB11.5 million as at 30 June 2016 and 31 December 2015 respectively; (ii) mortgages over the Group's buildings, which had aggregate carrying values of approximately RMB60.5 million and RMB62.0 million as at 30 June 2016 and 31 December 2015 respectively; (iii) mortgages over the Group's forward letters of credit which amounted to RMB30.1 million as at 31 December 2015; (iv) mortgages over the Group's pledged bank balances which amounted to RMB20.0 million and RMB115.5 million as at 30 June 2016 and 31 December 2015 respectively; and (v) mortgages over the Group's properties under development which amounted to RMB141.4 million as at 31 December 2015.

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 did not enter into any foreign currency forward contract during the six months ended 30 June 2016 to hedge against fluctuations in the foreign currency.

Major Investments and Disposal

On 13 June 2016, the subsidiary of the Company entered into the Sale and Purchase Agreement with Zhangzhou Jiaye Trading Co., Ltd (the "Purchaser"), a company incorporated in the PRC with limited liability, pursuant to which the subsidiary has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase 70% equity interest of Fujian Yudeyuan Property Co., Ltd ("Yudeyuan") and the Sale Loan, subject to the terms contained therein, for the consideration of RMB285,000,000. After the Completion, the Group will hold no more equity interest in Yudeyuan and therefore Yudeyuan will cease to be a subsidiary of the Company. For details of this disposal, please refer to the announcement made by the Company pursuant to the Listing Rules on 13 June 2016 and the circular pursuant to the Listing Rules issued on 28 June 2016. The disposal had been resolved and approved by a written resolution passed by Max Lucky Group Limited, the holder of 600,195,023 Shares representing approximately 60.31% of the total voting rights of the Company as at 23 June 2016.

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 2016, the Group employed 1,429 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 2016.

DIRECTORS' INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2016, 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]	400,195,023	40.21%
	Short position	Interest in a controlled corporation[1]	200,000,000[3]	20.10%
Ms. Ye Xiaohong ("Ms. Ye")	Long position	Interest of spouse[2]	400,195,023	40.21%
	Short position	Interest of spouse[2]	200,000,000[3]	20.10%
Max Lucky Group Limited ("Max Lucky")	Long position	Beneficial owner	400,195,023	40.21%
	Short position	Beneficial owner	200,000,000[3]	20.10%

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 600,195,023 shares in the Company which are held by Max Lucky. Max Lucky is wholly-owned by Mr. Xiao.

3. This amount of shares in the Company (which are held by Mr. Xiao through Max Lucky as at the date of this report) is subject to guarantee arrangements.

(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.

On 20 May 2016, the Company has granted to certain eligible persons (the "Grantees"), being certain employees of the Company and its subsidiaries, a total of 79,800,000 share options. None of the Grantees is a director, chief executive or substantial shareholder of the Company or any of their respective associates (as defined in the Listing Rules). Details of the grant of the share options are set out in the announcement dated 20 May 2016.

During the six months period ended 30 June 2016, none of the directors, chief executive or substantial shareholder of the Company, or any of their respective associates held share options of the Company.

During the six months period ended 30 June 2016, the relevant interests and details of movements in the share options granted by the Company is as follows:

				Changes during the period				
	Date of grant	Exercise period	Balance as at 1 January 2016	Grant during the period	Exercised during the period	Lapsed during the period	Balance as at 30 June 2016	Exercise price per share
Eligible persons, being certain employee of the Company and its subsidiaries	20 May 2016	20 May 2016 to 19 May 2019	–	79,800,000	–	–	79,800,000	HK$2.50

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.

Other Information

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2016, 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)	2,700,000	0.27%
	Short position	Interest in a controlled corporation(1)	100,000,000	9.91%
Grand York Holdings Limited ("Grand York")	Long position	Beneficial owner	2,700,000	0.27%
	Short position	Beneficial owner	100,000,000	9.91%
China Cinda Asset Management Co., Ltd.	Long position	Trustee	300,000,000	29.74%

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 recognises 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 2016, 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 nearly 30 years of experience in sanitary ware products industry. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in Mr. Xiao provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies, and will not impair the balance of power and authority between the Board and the management of the Company.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

In accordance with Rule 13.51B(1) of the Listing Rules, other than the appointment of Mr. Jiang Guoxiang and Mr. Wong Yuk Lun, Alan and resignation of Mr. Lin Shimao and Mr. So Wai-man, Raymond (please refer to the announcement published by the Company on 14 June 2016, 30 June 2016 and 7 July 2016, 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 2016.

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

During the six months ended 30 June 2016, the Company repurchased its own shares on the Hong Kong Stock Exchange as follows:

Date of repurchase	Number of Shares repurchased	Highest price paid (HK$)	Lowest price paid (HK$)	Repurchase price (HK$)
2016/01/29	40,000	1.78	1.77	70,900
2016/02/01	3,500,000	1.82	1.79	6,334,300
2016/02/02	1,490,000	1.81	1.79	2,682,000
2016/02/03	2,000,000	1.81	1.79	3,595,200
2016/02/04	2,000,000	1.83	1.82	3,650,000
2016/02/05	1,800,000	1.88	1.85	3,364,380
2016/02/11	800,000	1.89	1.86	1,496,720
2016/02/12	1,000,000	1.89	1.87	1,886,800
2016/02/15	500,000	1.89	1.89	945,000
2016/02/18	100,000	1.80	1.78	179,620
2016/02/19	100,000	1.80	1.79	179,220
2016/02/22	86,000	1.81	1.80	154,920
2016/02/23	78,000	1.83	1.81	142,178
2016/02/24	100,000	1.87	1.84	185,340
2016/02/25	100,000	1.86	1.83	183,960

Save for the above, 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 2016.

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 2016.

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

Zhangzhou, 30 August 2016

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2016

	Notes	Six months ended 30 June **2016** **RMB'000** **(Unaudited)**	 2015 RMB'000 (Unaudited)
REVENUE	4(a)	**163,956**	416,643
Cost of sales	5(b)	**(113,630)**	(234,654)
Gross profit		**50,326**	181,989
Other income and gains, net	4(b)	**16,205**	8,913
Selling and distribution expenses		**(18,263)**	(36,542)
Administrative expenses		**(21,650)**	(32,523)
Other expenses		**(145)**	(964)
Profit from operations		**26,473**	120,873
Finance costs	6	**(19,802)**	(10,211)
Profit before tax	5	**6,671**	110,662
Income tax expense	7	**(6,301)**	(33,614)
PROFIT FOR THE PERIOD		**370**	77,048
Attributable to:			
Owners of the Company		**1,188**	78,059
Non-controlling interests		**(818)**	(1,011)
		370	77,048
Earnings per share attributable to ordinary equity holders of the Company			
Basic	9	**RMB0.1cents**	RMB7.7cents
Diluted	9	**RMB0.1cents**	RMB7.7cents

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**370**	77,048
OTHER COMPREHENSIVE (EXPENSE)/INCOME		
Other comprehensive (expense)/income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(9,807)**	197
Net other comprehensive (expense)/income to be reclassified to profit or loss in subsequent periods	**(9,807)**	197
OTHER COMPREHENSIVE (EXPENSE)/INCOME FOR THE PERIOD, NET OF TAX	**(9,807)**	197
TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE PERIOD	**(9,437)**	77,245
Attributable to:		
Owners of the Company	**(8,619)**	78,256
Non-controlling interests	**(818)**	(1,011)
	(9,437)	77,245

Interim Condensed Consolidated Statement of Financial Position

30 June 2016

	Notes	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	**203,240**	196,247
Properties under development	11	**–**	425,425
Investment properties	12	**–**	291,442
Land use right		**11,385**	11,533
Goodwill		**–**	35,915
Intangible assets		**171**	215
Available-for-sale investments		**2,500**	2,500
Deposit paid for property, plant and equipment		**6,050**	–
Prepayment for properties under development		**–**	6,059
Deferred tax assets		**4,756**	6,860
Pledged bank balances	15	**–**	91,798
Total non-current assets		**228,102**	1,067,994
CURRENT ASSETS			
Inventories	13	**130,184**	104,749
Trade receivables	14	**115,266**	138,763
Prepayments, deposits and other receivables		**30,332**	50,590
Pledged bank balances	15	**24,210**	24,246
Cash and cash equivalents	15	**912,021**	909,894
		1,212,013	1,228,242
Assets classified as held for sale	16	**841,597**	–
Total current assets		**2,053,610**	1,228,242
CURRENT LIABILITIES			
Trade and bills payables	17	**112,080**	255,696
Advances from customers		**12,652**	157,818
Other payables and accruals		**71,914**	131,592
Derivative financial instruments		**–**	2,164
Amount due to the controlling shareholder		**789**	173
Interest-bearing bank and other borrowings	18	**207,597**	442,367
Tax payable		**4,823**	3,320
		409,855	993,130
Liabilities associate with assets classified as held for sale	16	**514,926**	–
Total current liabilities		**924,781**	993,130
NET CURRENT ASSETS		**1,128,829**	235,112
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,356,931**	1,303,106

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Interim Condensed Consolidated Statement of Financial Position

30 June 2016

	Notes	**30 June 2016 RMB'000 (Unaudited)**	31 December 2015 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Corporate bonds	19	**255,417**	123,466
Deferred tax liabilities		**26,049**	76,653
Total non-current liabilities		**281,466**	200,119
Net assets		**1,075,465**	1,102,987
EQUITY			
Equity attributable to owners of the Company			
Share capital	20	**8,110**	8,226
Reserves		**1,011,517**	1,038,105
		1,019,627	1,046,331
Non-controlling interests		**55,838**	56,656
Total equity		**1,075,465**	1,102,987

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

	Attributable to owners of the Company												
	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	Share option reserve* RMB'000	Exchange fluctuation reserve* RMB'000	Retained profits* RMB'000	Proposed final dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2016 (audited)	**8,226**	**347,615**	**48**	**21,894**	**47,191**	**101,081**	**-**	**134**	**520,142**	**-**	**1,046,331**	**56,656**	**1,102,987**
Profit for the period	-	-	-	-	-	-	-	-	1,188	-	1,188	(818)	370
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(9,807)	-	-	(9,807)	-	(9,807)
Total comprehensive income for the period	-	-	-	-	-	-	-	(9,807)	1,188	-	(8,619)	(818)	(9,437)
Repurchase of shares	(116)	(21,136)	116	-	-	-	-	-	(116)	-	(21,252)	-	(21,252)
Recognition of equity-settled share-base payment	-	-	-	-	-	-	3,167	-	-	-	3,167	-	3,167
At 30 June 2016 (unaudited)	**8,110**	**326,479**	**164**	**21,894**	**47,191**	**101,081**	**3,167**	**(9,673)**	**521,214**	**-**	**1,019,627**	**55,838**	**1,075,465**
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	-	-	-	-	-	-	-	-	-	-	-	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

* These reserve accounts comprise the consolidated reserves of RMB1,011,517 (30 June 2015: RMB1,046,919,000) in the condensed consolidated statement of financial position.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

	Notes	Six months ended 30 June **2016** **RMB'000** **(Unaudited)**	 2015 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**6,671**	110,662
Adjustments for:			
Depreciation of property, plant and equipment	10	**7,758**	9,821
Amortisation of land use right		**148**	148
Amortisation of intangible assets		**44**	44
Write-down of inventories to net realisable value		**–**	2,355
Interest income	4(b)	**(7,818)**	(4,102)
Loss on disposal of items of property, plant and equipment		**–**	149
Net fair value gains on derivative instruments		**(2,164)**	(1,944)
Finance costs	6	**19,802**	10,211
Reversal of impairment of trade receivables		**(204)**	–
Equity-settled share based payments		**3,167**	–
Operating cash flows before movements in working capital change		**27,404**	127,344
(Increase)/Decrease in inventories		**(25,435)**	1,714
Decrease/(Increase) in trade receivables		**21,693**	(3,670)
(Increase)/Decrease in prepayments, deposits and other receivables		**(44,441)**	1,765
Increase in properties under development		**(3,553)**	(11,338)
Increase in prepayment for properties under development		**–**	(2,895)
Increase in deposit paid for property, plant and equipment		**(6,050)**	–
(Decrease)/Increase in trade and bills payables		**(50,119)**	13,464
Increase in advances from customers		**131,992**	27,107
Decrease in other payables and accruals		**(22,451)**	(6,374)
Cash generated from operations		**29,040**	147,117
Tax paid		**(127)**	(24,371)
Net cash generated from operating activities		**28,913**	122,746

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Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

	Notes	Six months ended 30 June 2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(15,494)**	(4,819)
Proceeds from disposal of property, plant and equipment		**288**	108
Purchase of investment properties		**(6,433)**	(7,785)
Cash effect for acquisition of a subsidiary		**–**	(170,175)
Advances to third parties		**–**	(41,000)
Collection of advances to third parties		**–**	41,000
Cash flows from other investing activities		**7,818**	1,638
Net cash used in investing activities		**(13,821)**	(181,033)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repurchase of shares		**(21,252)**	–
Proceeds from bank loans and other borrowings		**82,800**	213,937
Repayment of bank loans and other borrowings		**(266,320)**	(163,767)
Decrease/(increase) in pledged bank balances		**90,034**	(12,619)
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)
Advances from controlling shareholder		**1,189**	–
Interest paid		**(14,503)**	(8,847)
Net proceeds from corporate bonds		**121,984**	–
Net cash used in financing activities		**(6,068)**	(88,657)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**9,024**	(146,944)
Cash and cash equivalents at beginning of period		**909,894**	969,208
Effect of foreign exchange rate changes, net		**(2,847)**	197
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**916,071**	822,461
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	15	**912,021**	822,461
Cash and cash equivalents included in assets classified as held for sale	16	**4,050**	–
Cash and cash equivalents as stated in the interim condensed consolidated statement of cash flows		**916,071**	822,461

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

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.

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 2016 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 2015.

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 2015, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") and interpretations as of 1 January 2016, noted below:

Amendments to a number of HKFRSs	*Annual Improvements 2012-2014 Cycle*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27	*Equity Method in Separate Financial Statements*
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	*Investment Entities: Applying the Consolidated Exception*
Amendments to HKFRS 11	*Accounting for Acquisition of Interests in Joint Operations*

The adoption of the new HKFRSs in the current period has had no material effect on the Group's financial performance and positions for the current and prior years and/or the disclosures set out in these interim condensed consolidated 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:

HKFRS 9	*Financial instruments*[2]
HKFRS 15	*Revenue from contracts with customers*[2]
HKFRS 16	*Lease*[3]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or contribution of assets between an investor and its associate or joint venture*[4]
Amendments to HKFRS 2	*Classification and movement of share-based payment transactions*[3]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of deferred tax assets for unrealised loss*[1]

Notes:

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date but is available for early adoption.

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.

Disposal group

Disposal group is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such disposal group and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Disposal group classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including Directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees for grants of the Company's own equity instruments is measured by reference to the fair value at the date at which they are granted.

The fair value of share options granted to employees in an equity-settled share-based payment transaction is recognised as an employment cost with a corresponding increase in the share options reserve within equity. In respect of share options, the fair value is measured at grant date using a binomial model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the share options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the statement of profit or loss for the period of the review with a corresponding adjustment to the share options reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that are vested (with a corresponding adjustment to the share options reserve).

The equity amount for the share options is recognised in the share options reserve until either the option is exercised (whereupon it is transferred to share capital and the share premium account) or the option expires (whereupon it is released directly to retained profits).

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 2016. The following tables present the Group's segment information in terms of assets and liabilities as at 30 June 2016.

Period ended 30 June 2016 (Unaudited)	**Sanitary ware RMB'000**	**Property development and leasing RMB'000**	**Total RMB'000**
Segment assets	**1,542,366**	**841,597**	**2,383,963**
Reconciliation:			
Elimination of intersegment receivables			**(104,632)**
Corporate and other unallocated assets			**2,381**
Total assets			**2,281,712**
Segment liabilities	**382,658**	**619,558**	**1,002,216**
Reconciliation:			
Elimination of intersegment payables			**(104,632)**
Corporate and other unallocated liabilities			**308,663**
Total liabilities			**1,206,247**

Year ended 31 December 2015 (Audited)	Sanitary ware RMB'000	Property development and leasing RMB'000	Total RMB'000
Segment assets	1,798,820	789,614	2,588,434
Reconciliation:			
Elimination of intersegment receivables			(353,458)
Corporate and other unallocated assets			61,260
Total assets			2,296,236
Segment liabilities	923,837	394,596	1,318,433
Reconciliation:			
Elimination of intersegment payables			(353,458)
Corporate and other unallocated liabilities			228,274
Total liabilities			1,193,249

3. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

The following tables present the Group's revenue for the six months period ended 30 June 2016 and 2015, and the Group's non-current assets as at 30 June 2016 and 31 December 2015 respectively by geographic locations.

(a) Revenue from external customers

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Americas	**107,675**	141,151
Mainland China	**45,999**	267,250
Europe	**8,248**	6,770
Asia (excluding Mainland China)	**2,034**	1,472
	163,956	416,643

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

(b) Non-current assets

The principal place of the Group's operation is in Mainland China. For the purpose of segment information disclosures under HKFRS 8, the Group regards Mainland China as its country of domicile. Over 90% of the Group's non-current assets are principally attributable to Mainland China, being the single geographical region.

Information about major customers

For the six months ended 30 June 2016, revenue from one of the Group's customers, amounting to RMB65,756,000 (six months ended 30 June 2015: one of the Group's customers, amounting to RMB86,601,000) 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 2016 and 2015.

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

(a) Revenue

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from the sale of sanitary ware products	**163,956**	416,643

(b) Other income and gains, net

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other income		
Government grants*	**79**	764
Bank interest income	**7,818**	4,102
Foreign exchange differences, net	**2,610**	2,238
Others	**3,519**	14
	14,026	7,118
Gains/(Losses), net:		
Loss on disposal of items of property,plant and equipment	**–**	(149)
Fair value gains, net:		
Derivative instruments	**2,179**	1,944
	2,179	1,795
Other income and gains, net	**16,205**	8,913

* 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 2016.

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(a) Employee benefit expense (including directors' and chief executive's remuneration)		
Wages and salaries	**34,520**	46,698
Pension scheme contributions, social welfare and other welfare	**3,131**	5,507
Equity-settled share based payments	**3,167**	–
	40,818	52,205
(b) Cost of sales		
Cost of inventories sold	**70,911**	182,284
Others	**42,719**	52,370
	113,630	234,654
(c) Other items		
Depreciation of property, plant and equipment*	**7,758**	9,821
Amortisation of land use right	**148**	148
Amortisation of intangible assets	**44**	44
Operating lease expenses*	**6,806**	11,183
Advertisement and promotion expenses	**7,485**	12,687
Logistics expenses	**4,794**	5,846
Research and development expenses*	**2,152**	8,867
Write-down of inventories to net realisable value**	**–**	2,355
Auditors' remuneration	**212**	800
Reversal of impairment of trade receivables	**(204)**	–

* The depreciation amounts of property, plant and equipment of RMB6,062,000 (six months ended 30 June 2015: RMB5,452,000), the operating lease expenses of RMB5,590,000 (six months ended 30 June 2015: RMB5,590,000) and the research and development expenses of RMB544,000 (six months ended 30 June 2015: RMB5,391,000) 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	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest expense on bank borrowings wholly repayable within five years	**9,785**	8,497
Interest expense on corporate bonds wholly repayable within five years	**9,601**	–
Interest expense on other borrowings wholly repayable within five years	**416**	1,714
	19,802	10,211

7. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current – Mainland China corporate income tax	**3,667**	32,961
Deferred tax	**2,634**	653
	6,301	33,614

Subsidiaries incorporated in Hong Kong were subject to income tax at the rate of 16.5% for the six months period ended 30 June 2016 (six months ended 30 June 2015: 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 2016 (six months ended 30 June 2015: 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. INCOME TAX EXPENSE *(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 2016, the directors of the Company resolved not to distribute an interim dividend (six months ended 30 June 2015: Nil).

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

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 Company of RMB1,188,000 (six months ended 30 June 2015: RMB78,059,000) and the weighted average number of ordinary shares of 1,003,494,000 (six months ended 30 June 2015: 1,008,866,000) during the six months ended 30 June 2016.

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.

The computation of diluted earnings per share for the period did not assume the exercise of outstanding share options of the Company since the exercise price of the share options was higher than the average market price during the six months ended 30 June 2016.

10. PROPERTY, PLANT AND EQUIPMENT

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
At the beginning of the period/year, net of accumulated depreciation	**196,247**	208,829
Additions	**15,494**	4,548
Disposal	**(288)**	(390)
Acquisition of a subsidiary	**–**	592
Transfer to assets classified as held for sale (note 16)	**(455)**	–
Depreciation provided during the period/year	**(7,758)**	(17,332)
At the end of the period/year, net of accumulated depreciation	**203,240**	196,247

11. PROPERTIES UNDER DEVELOPMENT

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
At the beginning of the period/year	**425,425**	–
Acquisition of a subsidiary	**–**	398,026
Additions	**9,249**	27,399
Transfer to assets classified as held for sale (note 16)	**(434,674)**	–
At the end of the period/year	**–**	425,425

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 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Leases of over 40 years	**–**	311,131
Leases of between 20 and 40 years	**–**	114,294
	–	425,425

12. INVESTMENT PROPERTIES

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
At the beginning of the period/year	**291,442**	–
Acquisition of a subsidiary	**–**	272,354
Additions	**6,433**	19,088
Transfer to assets classified as held for sale (note 16)	**(297,875)**	–
At the end of the period/year	**–**	291,442

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

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Leases between 10 and 50 years	**–**	291,442

13. INVENTORIES

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Raw materials	**8,943**	6,819
Accessories	**13,260**	7,567
Work in process	**26,978**	22,671
Finished goods	**78,975**	65,438
Wrappage	**2,028**	2,254
	130,184	104,749

14. TRADE RECEIVABLES

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Trade receivables	**116,399**	140,100
Impairment	**(1,133)**	(1,337)
	115,266	138,763

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 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Within 3 months	**98,957**	84,129
More than 3 months but less than 1 year	**16,309**	48,317
Over 1 year	**–**	6,317
	115,266	138,763

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 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Neither past due nor impaired	**86,419**	113,977
Less than 3 months past due	**12,538**	18,417
3 to 12 months past due	**16,309**	6,369
Over 1 year past due	**–**	–
	115,266	138,763

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 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
At the beginning of the period/year	**1,337**	1,615
Impairment losses recognised	**–**	104
Reversal of impairment	**(204)**	(382)
At the end of the period/year	**1,133**	1,337

Included in the above provision for impairment of trade receivables as at 30 June 2016 is a provision for individually impaired trade receivables of RMB1,133,000 (31 December 2015: RMB1,337,000).

15. CASH AND CASH EQUIVALENTS AND PLEDGED BANK BALANCES

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Cash and bank balances	**912,021**	909,894
Time deposits	**24,210**	116,044
	936,231	1,025,938
Less: Pledged bank balances		
Long-term bank deposits	**–**	(91,798)
Short-term bank deposits	**(24,210)**	(24,246)
Cash and cash equivalents	**912,021**	909,894

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. A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 13 June 2016, a subsidiary of the Company entered into the Sale and Purchase Agreement with Zhangzhou Jiaye Trading Co., Ltd (the "Purchaser"), a company established in the PRC, pursuant to which the subsidiary of the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase 70% equity interests of Fujian Yudeyuan Property Co., Ltd ("Yudeyuan") and the Sale Loan, subject to the terms contained therein, for the consideration of RMB285,000,000.

Yudeyuan is principally engaged in real estate development and management. Yudeyuan holds the lands use right which is a land located in the PRC and it has been developing the land into a plaza complex with an aggregate site area of approximately 56,212 square metres.

Since the disposal of Yudeyuan has not been completed as at 30 June 2016, the assets and liabilities of Yudeyuan has been classified as held for sale in the interim condensed consolidated financial position in accordance with HKFRS 5 "Non-Current Asset Held for Sales and Discontinued Operations" issued by HKICPA.

The results of Yudeyuan as at the six month ended 30 June 2016 were as follows:

	Six months ended 30 June 2016 RMB'000 (Unaudited)
Loss before taxation	**(2,728)**
Loss after taxation	**(2,728)**

16. A DISPOSAL COMPANY CLASSIFIED AS HELD FOR SALE *(continued)*

Analysis of value of the identifiable assets and liabilities of Yudeyuan were as follow:

	30 June 2016 RMB'000 (Unaudited)
Goodwill	35,915
Property, plant and equipment	455
Property under development	434,674
Investment in properties	297,875
Long-term prepayment	363
Prepayment, deposits and other receivables	66,465
Cash and bank balance	4,050
Pledged bank balance	1,800
Total assets classified as held for sale	841,597
Trade payables	105,326
Other payables and accruals	37,389
Advances from customers	277,158
Interest-bearing bank and other borrowings	40,000
Tax payable	3,919
Deferred tax liabilities	51,134
Total liabilities classified as held for sale	514,926
Non-controlling interests (30%)	55,838

Cash flow of Yudeyuan were as follow:

	Six months ended 30 June 2016 RMB'000 (Unaudited)
Net cash inflows from operating activities	29,093
Net cash outflows from investing activities	(6,468)
Net cash outflows from financing activities	(24,888)
Net cash outflows	(2,263)

17. TRADE AND BILLS PAYABLES

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Trade payables	**84,828**	233,696
Bills payables	**27,252**	22,000
	112,080	255,696

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 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Within 3 months	**95,888**	167,669
3 to 6 months	**7,912**	25,419
6 to 12 months	**2,653**	43,645
Over 12 months	**5,627**	18,963
	112,080	255,696

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

18. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2016		31 December 2015	
	Effective interest rate (%)	**RMB'000 (Unaudited)**	Effective interest rate (%)	RMB'000 (Audited)
Current				
Current bank borrowings	**3-8**	**207,597**	3-8	363,749
Other borrowings	**3-18**	**–**	3-18	78,618
		207,597		442,367
Non-current				
Long-term bank borrowings		**–**		–
		207,597		442,367

Interest-bearing bank borrowings and other borrowings represent:

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
– Secured (note (a))	**140,200**	309,133
– Guaranteed (note (b))	**52,397**	70,780
– Unsecured	**15,000**	62,454
	207,597	442,367

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 RMB11,385,000 as at 30 June 2016 (31 December 2015: RMB11,533,000);

(ii) mortgages over the Group's buildings, which had an aggregate carrying value of approximately RMB60,512,000 as at 30 June 2016 (31 December 2015: RMB61,969,000);

(iii) mortgages over the Group's forward letters of credit which amounted to RMB Nil as at 30 June 2016 (31 December 2015: RMB30,145,000);

(iv) mortgages over the Group's pledged bank balances which amounted to RMB20,034,000 as at 30 June 2016 (31 December 2015: RMB115,498,000); and

(v) mortgages over the Group's properties under development which amounted to RMB Nil as at 30 June 2016 (31 December 2015: RMB141,430,000).

(b) Certain of the Group's bank borrowings which amounted to RMB9,500,000 as at 30 June 2016 (31 December 2015: RMB5,000,000) were guaranteed by the controlling shareholder. Certain of the Group's bank borrowings which amounted to RMB16,500,000 as at 30 June 2016 (31 December 2015: RMB14,000,000) were guaranteed by certain third parties.

19. CORPORATE BONDS

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
At the beginning of the period/year	**123,466**	–
Corporate bonds issued	**121,984**	123,466
Imputed interest	**9,601**	–
Interest expense paid	**(4,302)**	–
Exchange realignment	**4,668**	–
At the end of the period/year	**255,417**	123,466

On 28 December 2015, the Company issued unsecured corporate bonds with principal value of HK$152,000,000. The corporate bonds bear interest at 6.5% per annum and fall due on 27 December 2017.

On 4 January 2016, the Company issued unsecured corporate bonds with principal value of HK$9,000,000. The corporate bonds bear interest at 6.0% per annum and fall due on 3 January 2019.

On 29 January 2016, the Company issued unsecured corporate bonds with principal value of HK$142,300,000. The corporate bonds bear interest at 7.0% per annum and fall due on 28 January 2019.

The corporate bonds are subsequently measured at amortised cost, using effective interest rate ranging from 8.16% to 9.16%. As at 30 June 2016, the carrying amount of the corporate bonds was approximately RMB255,417,000 (2015: approximately RMB123,466,000).

20. 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 2016 and 31 December 2015	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 31 December 2015 (Audited)	1,008,866,000	8,226	347,615
Repurchase of shares	(13,694,000)	(116)	(21,136)
As at 30 June 2016 (Unaudited)	995,172,000	8,110	326,479

As at 30 June 2016, all issued shares are registered, fully paid and divided into 995,172,000 shares (31 December 2015: 1,008,866,000 shares) of HK$0.01 each.

The Company repurchased on the Hong Kong Stock Exchange a total of 13,694,000 shares of HK$0.01 each of the Company for an aggregate consideration of HK$25,050,000 (RMB21,136,000 equivalent). The repurchased shares were cancelled on 7 March 2016 and 15 March 2016.

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 18 to the interim condensed consolidated financial statements. The time deposit of RMB Nil (2015: RMB804,000) 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 2016, such guarantee deposits amounted to approximately RMB1,800,000 (2015: RMB1,794,000).

22. SHARE-BASED PAYMENT TRANSACTIONS

The Company adopted the Share Option Scheme by passing of a shareholders' resolution on 25 June 2012 ("Adoption Date"). The purpose of the Share Option Scheme is to reward Participants who have contributed to the Group and to encourage Participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole.

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

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

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

22. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

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

The Share Option Scheme was adopted for a period of ten years commencing from the Adoption Date.

The number of share options and their weighted average exercise price for the reporting periods presented are as follows:

	2016		2015	
	No. of share options	**Weighted average exercise price HK$**	No. of share options	Weighted average exercise price HK$
Outstanding at 1 January	**–**	**–**	–	–
Granted during the period	**79,800,000**	**2.5**	–	–
Outstanding at 30 June	**79,800,000**	**2.5**	–	–
Exercisable at 30 June	**79,800,000**	**2.5**	–	–

23. 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 interim condensed consolidated financial statements are as follows:

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Contracted, but not provided for:		
Property, plant and equipment	**8,464**	8,757
Investment properties and properties under development	**77,443**	52,477
	85,907	61,234
Authorised, but not contracted for:		
Property, plant and equipment	**202,623**	268,484
Investment properties and properties under development	**453,300**	454,300
	741,830	784,018

(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 2016, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Within 1 year	**5,145**	2,328
After 1 year but within 5 years	**23,335**	23,131
After 5 years	**63,823**	66,844
	92,303	92,303

23. COMMITMENTS *(continued)*

(b) Operating lease commitments *(continued)*

As lessee

At 30 June 2016, the Group had total future minimum lease payments under non-cancellable operating leases as follows:

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Within 1 year	**13,848**	10,669
After 1 year but within 5 years	**31,444**	23,818
After 5 years	**–**	–
	45,292	34,487

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 2016 (Unaudited)

Financial assets

	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Trade receivables	115,266	–	115,266
Available-for-sale investments	–	2,500	2,500
Financial assets included in prepayments, deposits and other receivables	8,822	–	8,822
Pledged bank balances	24,210	–	24,210
Cash and cash equivalents	912,021	–	912,021
	1,060,319	2,500	1,062,819

Financial liabilities

	Financial liabilities held for trading at fair value through profit or loss RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	–	112,080	112,080
Financial liabilities included in other payables and accruals	–	63,060	63,060
Interest-bearing bank and other borrowings	–	207,597	207,597
Corporate bonds	–	255,417	255,417
	–	638,154	638,154

24. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

31 December 2015 (Audited)

Financial assets

	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Trade receivables	138,763	–	138,763
Available-for-sale investments	–	2,500	2,500
Financial assets included in prepayments, deposits and other receivables	11,517	–	11,517
Pledged bank balances	116,044	–	116,044
Cash and cash equivalents	909,894	–	909,894
	1,176,218	2,500	1,178,718

Financial liabilities

	Financial liabilities held for trading at fair value through profit or loss RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	–	255,696	255,696
Derivative financial instruments	2,164	–	2,164
Financial liabilities included in other payables and accruals	–	122,712	122,712
Interest-bearing bank and other borrowings	–	442,367	442,367
Corporate bonds	–	123,466	123,466
	2,164	944,241	946,405

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:

Liabilities measured at fair value:

	Fair value measurement using significant observable inputs (Level 2)	
	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Derivative financial instruments		
Interest rate swaps	**–**	1,738
Forward currency contract	**–**	426
	–	2,164

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 (2015: Nil).

26. EVENTS AFTER THE REPORTING PERIOD

On 13 June 2016, the subsidiary of the Company, Fujian Fuxiang Property Co., Ltd, entered into a Sale and Purchase Agreement with the Purchaser, Zhangzhou Jiaye Trading Co., Ltd. The subsidiary has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase 70% equity interest of Fujian Yudeyuan Property Co., Ltd and the Sale Loan that is subject to the terms and conditions included therein, for the consideration of RMB285,000,000. This transaction was completed on 11 July 2016.

27. COMPARATIVE FIGURES

Certain comparative figures have been reclassified and represented to confirm with the current period's presentation.

28. APPROVAL OF THE FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 30 August 2016.