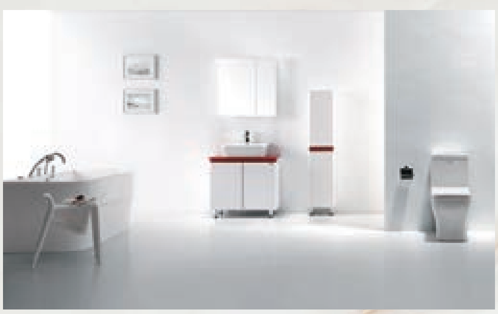
Bolina Holding Co., Ltd.
航標控股有限公司

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



Interim Report 2017

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Zheng Zhihong *(Chairman and CEO)*
Mr. Yang Qingyun
Mr. Zhang Ming
Ms. Sun Yumei
Mr. Lam Ying Choi, Donny

Independent Non-executive Directors

Mr. Jiang Guoxiang
Mr. Zhang Shujun
Ms. Xia Zhongping

AUDIT COMMITTEE

Mr. Jiang Guoxiang *(Chairman)*
Mr. Zhang Shujun
Ms. Xia Zhongping

REMUNERATION COMMITTEE

Mr. Zhang Shujun *(Chairman)*
Mr. Jiang Guoxiang
Ms. Xia Zhongping

NOMINATION COMMITTEE

Mr. Zheng Zhihong *(Chairman)*
Mr. Jiang Guoxiang
Ms. Xia Zhongping

COMPANY SECRETARY

Mr. Chak Chi Shing

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

Room 1403, 14/F,
AXA Centre,
151 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

According to the statistics for the first half of 2017 released by the National Bureau of Statistics, China's GDP for the second quarter of 2017 increased by 6.9% as compared with the same period of 2016, with a growth rate comparable to that in the first quarter of 2017, indicating a stabilizing and improving development trend and pattern. Gear changing, power conversion and structure & quality optimization remained the main tune of the national economic reform, and such characteristics of the new normal will be more noticeable for the rest of 2017. Although a solid foundation has been laid for China's economic reform, the road to success is never even amid such unfavorable international situations as geopolitical instability, changing of the trade position of US towards China, the imbalanced world economic recovery, the rise of protectionism in the background of anti-globalization and the slow pace of world trade. In addition, with the international situation remaining complicated with numerous instability and uncertainty, the fierce conflicts between excessive production capacity and upgrade of demand structure as well as the feeble organic economic growth, the risk of economic downturn is lingering. Therefore, the management of the Company holds a prudent outlook on China's economy for the second half of 2017, and would suggest a conservative approach.

Although China's macro economy has been developing smoothly, the construction materials and sanitary ware products sector, with a distinctive feature of low and fluctuating demand at the current stage, still faced high external pressure and relatively high risks of market recession. The Group's ODM and OEM export businesses, which used to be relatively stable, also faced serious challenges. According to analysis of the National Bureau of Statistics, the driver for export volume of construction materials had weakened, with falls recorded in 2016 in the export volumes of sanitary ceramics and construction stones, which represent nearly one half of the construction materials export. Analysis indicated that export volumes of sanitary ceramics and construction stones had reached the limit, and the challenging operating environment is expected to continue. However, the Group's own business remained competitive with its operating environment gradually improving under the influence of the Government's continuous tightening of the environment protection policies and a series of macro-control measures aimed at the real estate market and housing prices in the past few years. As expected by the Group in the last year, following a round of industry reshuffle and competition for survival, a large number of small and uncompetitive operators were eliminated from the market because of their inability to survive the depressed business environment and the increasingly stringent environmental standards. In the first half of 2017, the Group finally lived through the severe winter and resumed positive growth year on year in the sales of its own branded products. The management expected this trend to continue in the second half of 2017.

BUSINESS REVIEW

For the six months ended 30 June 2017, the Group recorded revenue of RMB211.5 million, increased by 29% as compared with the corresponding period last year, loss attributable to ordinary shares owners of the Company amounted to RMB58.6 million, whereas profit of RMB1.2 million was posted in the corresponding period of 2016; basic loss per share was RMB5 cents, whereas the basic earnings per share in the same period in 2016 was 0.1 cents. The Board of Directors resolved not to distribute an interim dividend for the six months ended 30 June 2017.

BUSINESS REVIEW *(continued)*

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 2017, the proportion of sales from the Group’s own brand, ODM and OEM were 38.5%, 48.1% and 13.4% respectively. The Americas market continued to replace Mainland China market being the largest revenue source for the Group with Americas, Mainland China and Europe accounting for 57.9%, 38.4% and 3.3% 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 rebound continuously in the second half of 2017. From strategical viewpoint “Bolina” brand and Mainland China market will 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 rose by 74.4% to RMB81.5 million for the period ended 30 June 2017. Revenue from ODM business slid slightly by 1.9% to RMB101.6 million. However, the company management remains confident with the ODM business during the second half of 2017. Revenue from OEM business rose by 114.1% to RMB28.3 million during the period under reporting. That was mainly attributable to the addition of OEM customers in Australia.

Distribution Network

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 and continued to improve operation capacity and quality of the distribution network, to standardise distribution network governance, to promote differentiated operation innovation, to improve the quality of the network operation team and to optimise the existing network layout with the aim of enhancing sales performance and efficiency. The number of the Group’s distribution networks has fallen continuously in the face of increasingly keen competition of sanitary ware brands, weak fundamentals of distributors and excess capacity and inventory of the sanitary ware market. In order to invigorate terminal distributors in the regional market, consolidate the Group’s status in the Mainland China market and further pave way for explosive growth in the Mainland China market in the coming years, the Group began to make efforts to assist distributors in key provinces and municipalities since 2016 for the purposes of enhancing distributors’ operating capacity, intensify sales channels, re-establish shop image, step up brand promotion and consolidate brand advantage, etc. The Group’s distribution network, comprising 72 distributors operating and 496 points of sales as at 30 June 2017.

The Group has 3 branch offices in the form of subsidiaries including Tianjin, Foshan and Xi’an as at 30 June 2017, which is very important to promote the overall expansion strategy in domestic market. They provide supporting platforms for business development and service assurance, enable the Group to provide services and supports responding to the market more timely and efficiently for the regions close by the respective hubs.

BUSINESS REVIEW *(continued)*

Distribution Network *(continued)*

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. In recent years, 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.

Business Channel

In addition to the sales through distributors, the Group continued to promote restructuring and upgrading of real estate with premium quality and services. The Group had developed close strategic cooperative ties with a number of large real estate groups including the Gemdale Group and Vanke Group. Through years of efforts in the real estate area, the Group has successfully ranked among the top 15 first choice brands in the real estate works market. The Group anticipates the direct sale business will become a key revenue stream to the Group when furnished flats become more popular in the future.

Furthermore, the Group endeavours to establish sales channels through e-commerce platforms, including Tmall, Gome, JD.com, Suning and Amazon, to promote and sell Bolina's own branded products. In 2017, the Group stepped up promotion of online and offline sales models by further intensifying its internet network. Currently, the Group had established official online flagship stores on large online transaction platforms including the Tmall and JD.com. The Group joins hands with strong partners including the Amazon, Suning.com, Gome.com, and Taobao Juhuasuan to provide convenient and quality shopping experiences to online shoppers.

Future Prospects

Despite the overall stabilising macroeconomy in China, the international landscape remains complicated with instability and uncertainties abound, in the meantime, excessive production capacity and conflicts arising from upgrade of demand structure remain noticeable in China, with endogenous forces for economy growth yet to be enhanced and risks of downtrend in economy yet to be eliminated. The management of the Group is of the view that the business environment in the second half of 2017 will see improvement as compared to last year; furthermore, through reintegration of distribution network and subsidy to distributors with outstanding brand operating capabilities in key provinces and cities, as well as initiatives to restore growth in the number of points of sales, the management believes that the sales revenue from own branded products will resume to continuous growth in the second half of 2017 and the industry will gradually 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. The US is the largest market in terms of revenue by geographic locations during the reporting period. Based on positive factors such as the momentum regained by the US economy, the improvement in employment and the return of high-end manufacture industry, the company management's view on the U.S. economy is positive. In spite of analysis indicating that the export volume of construction sanitary ceramics and structural stone in China has reached a limit and that the business environment will continue to deteriorate, the management is confident that the total annual sales revenue of ODM and OEM in 2017 will reach the same level as last year.

BUSINESS REVIEW *(continued)*

Future Prospects *(continued)*

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 2017, revenue of the Group was RMB211.5 million, increase by 29.0% as compared with the corresponding period last year; gross profit of the Group was RMB52.2 million, increase by 3.7% as compared with the corresponding period last year; loss before tax of the Group was RMB57.2 million, while the profit before tax of the Group was RMB6.7 million for the corresponding period last year; loss attributable to the owners of the Company amounted to RMB58.6 million, while the profit attributable to the owners of the Company amounted to RMB1.2 million for 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 2017 and 2016:

	Six months ended 30 June			
	2017		2016	
	RMB'000	**%**	RMB'000	%
Ceramic sanitary ware products				
One-piece toilets	**36,102**	**17.1**	19,834	12.1
Two-piece toilets (with water tanks)	**123,621**	**58.4**	108,641	66.2
Washbasins and stands	**16,747**	**7.9**	8,162	5.0
Other ceramic products including urinals and bidets	**7,736**	**3.7**	4,563	2.8
Sub-total	**184,206**	**87.1**	141,200	86.1
Non-ceramic sanitary products	**27,275**	**12.9**	22,756	13.9
Total	**211,481**	**100.0**	163,956	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 2017 and 2016:

	Six months ended 30 June			
	2017		2016	
	RMB'000	**%**	RMB'000	%
Branded products				
Distributors	**58,812**	**27.8**	37,122	22.6
Direct sales in the PRC	**22,311**	**10.5**	8,877	5.4
Direct sales to overseas customers	**400**	**0.2**	734	0.5
Sub-total	**81,523**	**38.5**	46,733	28.5
Non-branded products				
ODM	**101,617**	**48.1**	103,988	63.4
OEM	**28,341**	**13.4**	13,235	8.1
Sub-total	**129,958**	**61.5**	117,223	71.5
Total	**211,481**	**100.0**	163,956	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 2017 and 2016:

OEM products

	Six months ended 30 June 2017			Six months ended 30 June 2016		
Products	**Units**	**Average price RMB**	**Revenue RMB'000**	Units	Average price RMB	Revenue RMB'000
Two-piece toilets (with water tanks)	**202,243**	**121.4**	**24,546**	84,726	127.8	10,832
One-piece toilets	**146**	**493.2**	**72**	–	–	–
Washbasins and stands	**10,288**	**97.6**	**1,004**	5,956	82.4	491
Other ceramic products including urinals and bidets	**4,649**	**519.0**	**2,413**	6,526	244.1	1,593
Non-ceramic sanitary products	**8,183**	**37.4**	**306**	12,756	25.0	319
Total	**225,509**	**125.7**	**28,341**	109,964	120.4	13,235

FINANCIAL REVIEW *(continued)*

Revenue *(continued)*

ODM products

	Six months ended 30 June 2017			Six months ended 30 June 2016		
Products	**Units**	**Average price RMB**	**Revenue RMB'000**	Units	Average price RMB	Revenue RMB'000
Two-piece toilets (with water tanks)	**605,981**	**141.4**	**85,696**	714,916	134.1	95,871
One-piece toilets	**16,678**	**568.4**	**9,479**	10,403	518.1	5,390
Washbasins and stands	**18,060**	**96.8**	**1,749**	25,467	102.0	2,598
Other ceramic products including urinals and bidets	**379**	**379.9**	**144**	380	339.5	129
Non-ceramic sanitary products	**69,326**	**65.6**	**4,549**	–	–	–
Total	**710,424**	**143.0**	**101,617**	751,166	138.4	103,988

Own branded products

	Six months ended 30 June 2017			Six months ended 30 June 2016		
Products	**Units**	**Average price RMB**	**Revenue RMB'000**	Units	Average price RMB	Revenue RMB'000
Two-piece toilets (with water tanks)	**156,976**	**85.2**	**13,379**	25,208	76.9	1,938
One-piece toilets	**59,422**	**446.8**	**26,551**	25,860	558.5	14,444
Washbasins and stands	**154,126**	**90.8**	**13,994**	71,517	70.9	5,073
Other ceramic products including urinals and bidets	**401,403**	**12.9**	**5,180**	33,595	84.6	2,841
Non-ceramic sanitary products	**176,361**	**127.1**	**22,419**	237,702	94.4	22,437
Total	**948,288**	**86.0**	**81,523**	393,882	118.6	46,733

FINANCIAL REVIEW *(continued)*

Gross Profit and Gross Profit Margin

For the six months ended 30 June 2017 and 2016, the Group's gross profit and gross profit margin by business segment was as follows:

	Six months ended 30 June			
	2017		2016	
	Gross profit RMB'000	**Gross profit margin %**	Gross profit RMB'000	Gross profit margin %
Branded products	**19,459**	**23.9**	16,764	35.9
ODM	**26,583**	**26.2**	30,599	29.4
OEM	**6,153**	**21.7**	2,963	22.4
Total	**52,195**	**24.7**	50,326	30.7

Selling and Distribution Expenses

Selling and distribution expenses increase by RMB60.9 million, or 332.8%, from RMB18.3 million for the six months ended 30 June 2016 to RMB79.2 million for the six months ended 30 June 2017. Regarding to revenue declined recently, in order to improve the sales performance, the Company used RMB48.3 million on promotion and advertising expenses and RMB18 million on development of sales bonus scheme for certain eligible staff.

Administrative Expenses

Administrative expenses decrease by RMB3.5 million, or 16.1%, from RMB21.7 million for the six months ended 30 June 2016 to RMB18.2 million for the six months ended 30 June 2017.

Finance Costs

Finance costs represent interest expense on corporate bonds, bank and other borrowings of the Group. For the six months ended 30 June 2017, finance costs decrease by RMB4.1 million, or 20.7%, from RMB19.8 million for the six months ended 30 June 2016 to RMB15.7 million for the six months ended 30 June 2017. The decrease was mainly attributable to the decrease in bank and other borrowings during the period.

Income Tax Expense

Income tax expense decreased by RMB4.9 million, or 77.8% from RMB6.3 million for the six months ended 30 June 2016 to RMB1.4 million for the six months ended 30 June 2017.

Net Loss and Net Loss Margin

For the six months ended 30 June 2017, loss attributable to owners of the Company amounted to RMB58.6 million, while the Group recorded a profit attributable to owners of the Company amounted to RMB1.2 million for the corresponding period of last year. Net loss margin for the six months ended 30 June 2017 was 27.7%.

Gearing Ratio

Gearing ratio is calculated by dividing total interest-bearing debts by total equity. The Group's gearing ratio as at 30 June 2017 was 70.1% (31 December 2016: 67.5%).

FINANCIAL REVIEW *(continued)*

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 RMB14.5 million for the six months ended 30 June 2017, mainly incurred in connection with the construction of production facilities.

Operating Lease Arrangements

As lessee

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
Within 1 year	**249**	919
After 1 year but within 5 years	**193**	1,329
	442	2,248

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 2017 RMB'000	As at 31 December 2016 RMB'000
Contracted, but not provided for property, plant and equipment	**3,731**	4,531
Authorised, but not contracted for property, plant and equipment	**79,621**	79,559
	83,352	84,090

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 2017, cash and cash equivalents of the Group amounted to RMB324.1 million, which was mainly denominated in Renminbi and US dollar.

FINANCIAL REVIEW *(continued)*

Financial Resources and Liquidity *(continued)*

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	
	2017	2016
	RMB'000	RMB'000
Net cash flows (used in)/generated from operating activities	**(176,614)**	28,913
Net cash flows used in investing activities	**(18,813)**	(13,821)
Net cash flows generated from/(used in) financing activities	**9,600**	(6,068)
Net (decrease)/increase in cash and cash equivalents	**(185,827)**	9,024
Cash and cash equivalents at beginning of period	**520,146**	909,894
Effect of foreign exchange rate changes, net	**(10,209)**	(2,847)
Cash and cash equivalents at end of period	**324,110**	916,071

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

	As at 30 June 2017	As at 31 December 2016
	RMB'000	RMB'000
Secured	**134,500**	134,200
Guaranteed	**23,500**	36,500
Unsecured	**9,100**	–
Total	**167,100**	170,700
Fixed interest rate	**49,900**	5,000
Floating interest rate	**117,200**	165,700
Total	**167,100**	170,700

FINANCIAL REVIEW *(continued)*

Trade Receivable 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 RMB208.0 million and RMB122.3 million as at 30 June 2017 and 31 December 2016 respectively.

The Group's average trade receivable turnover days were 143 days and 132 days for the six months ended 30 June 2017 and the year ended 31 December 2016 respectively. The increase in trade receivable turnover days was mainly due to the increase in trade receivables as at 30 June 2017.

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 2017 and 31 December 2016, there was no material provision for doubtful debts.

Trade Payable Turnover Days

The Group's trade payables primarily arose from the purchases of toilet lids and water tank fittings, packaging material and raw materials for its production activities. The Group had trade payables of RMB97 million and RMB116.3 million as at 30 June 2017 and 31 December 2016 respectively.

The Group's average trade payable turnover days were 122 days and 241 days for the six months ended 30 June 2017 and the year ended 31 December 2016 respectively. The increase in trade payable turnover days was mainly due to the fact that average trade 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.

Inventory Turnover Days

The Group's inventories increased from RMB234.8 million as at 31 December 2016 to RMB259.8 million as at 30 June 2017.

The Group's average inventory turnover days were 283 days and 234 days for the six months ended 30 June 2017 and the year ended 31 December 2016 respectively.

Bank Borrowings and Other Borrowings

As at 30 June 2017, the balance of the Group's bank loans and other borrowings, was RMB167.1 million, down by RMB3.6 million or 2.1% from that of RMB170.7 million as at 31 December 2016.

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 RMB11.1 million and RMB11.2 million as at 30 June 2017 and 31 December 2016 respectively; (ii) mortgages over the Group's buildings, which had aggregate carrying values of approximately RMB56.8 million and RMB58.6 million as at 30 June 2017 and 31 December 2016 respectively; and (iii) mortgages over the Group's pledged bank balances which amounted to RMB21.6 million and RMB23.4 million as at 30 June 2017 and 31 December 2016 respectively.

FINANCIAL REVIEW *(continued)*

Bank Borrowings and Other Borrowings *(continued)*

Certain of the Group's bank borrowings which amount to RMB23.5 million as at 30 June 2017 (As at 31 December 2016: RMB36.5 million) were guaranteed by former controlling shareholder and third party.

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 2017 to hedge against fluctuations in the foreign currency.

Major Investments and Disposal

On January 2017, an indirectly wholly-owned subsidiary of the Company, entered into a sales and purchase agreement with independent third parties for acquisition 51% interest of Xiamen Mas-Agree Electronic Technology Co., Ltd. with cash consideration of RMB14,300,000 and RMB57,200,000 of share consideration. Xiamen Mas-Agree Electronic Technology Co., Ltd. is a limited company incorporated in the PRC which engages in the research and development, manufacture and sale of massage chairs and massage devices. The acquisition was completed on 12 July 2017.

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 2017, the Group employed 1,423 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 2017.

DIRECTORS' INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2017, 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. Zheng Zhihong ("Mr. Zheng")	Long position	Beneficial owner	4,614,000	0.36%

(b) Interests in share options of the Company

Pursuant to a resolution passed on the general meeting of shareholders held on 25 June 2012, the Company adopted a share option scheme (the "Share Option Scheme"). As at 30 June 2017, no share options had been granted by the Company pursuant to the Share Option Scheme to any Director or Chief Executive of the Company.

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

SHARE OPTIONS

The Share Option Scheme was adopted by the shareholders at the annual general meeting, under which the Directors may, at their discretion, grant share options to eligible persons including Directors, employees and consultants to subscribe share in the Company. On 20 May 2016, the Board had granted to eligible grantees the share option to subscribe for 79,800,000 ordinary shares of HK$0.01 each under the Share Option Scheme. On 20 October 2016, the Company had granted to eligible grantees the share option to subscribe for 20,200,000 ordinary share of HK$0.01 each under the Share Option Scheme. During the six months ended 30 June 2017, of which 78,350,000 share options have lapsed and the Company had granted such 78,350,000 share options to eligible persons on 31 May 2017.

As at 30 June 2017, the number of shares in respect of which share options could be exercisable under the terms of the Share Option Scheme was 1,450,000 shares, representing approximately 0.11% of shares of the Company in issue at that date. All share options are currently held by employees of the Group. 78,350,000 share options were exercised to subscribe for the same amount of ordinary shares of HK$0.01 each during the six months ended 30 June 2017.

During the six months period ended 30 June 2017, none of the Directors, chief executive or substantial shareholders of the Company, or any of their respective associates held share options of the Company

During the six months period ended 30 June 2017, 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 2017	Grant during the period	Exercised during the period	Lapsed during the period	Balance as at 30 June 2017	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	–	–	78,350,000	1,450,000	HK$2.50
Eligible persons, being certain employee and consultants of the Company and its subsidiaries	31 May 2017	31 May 2017 to 30 May 2017	–	78,350,000	78,350,000	–	–	HK$0.30

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2017, save as disclosed below, the Director and the chief executive of the Company were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was director or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

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(2)	102,700,000	8.04%
Grand York Holdings Limited ("Grand York")	Long position	Beneficial owner	102,700,000	8.04%
China Cinda Asset Management Co., Ltd.	Long position	Custodian	108,000,000	8.45%
Xie Guilin ("Ms. Xie")	Long position	Interest in a controlled corporation(3)	283,624,000	22.20%
Business Century Investments Limited ("Business Century")	Long position	Beneficial owner	283,624,000	22.20%

Note:

1. The percentage shareholding is calculated on the basis of the Company's issued share capital of 1,277,618,220.

2. Ms. Xiao is deemed to be interested in the shares held by Grand York by virtue of Grand York being controlled by Ms. Xiao directly.

3. Ms. Xie is deemed to be interested in the shares held by Business Century by virtue of Business Century being controlled by Ms. Xie 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 2017, except for the following deviation:

Chairman and Chief Executive Officer

Pursuant to Code Provision A.2.1 of the CG Code, the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. However, in view of the current business nature of the Company, Board opines that is not necessary to appoint a chairman or chief executive officer and daily operation of the Group is delegated to different executive Directors, department heads and various committees. In this circumstance the Board considers that the present practice has already addressed the concerns of the CG Code in this respect.

CORPORATE GOVERNANCE *(continued)*

Compliance with the Corporate Governance Code *(continued)*

Non-executive Directors

Pursuant to Code Provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term subject to re-election. None of the existing Directors and INEDs are engaged on specific term, and it constituted a deviation from Code Provision A.4.1 of the CG Code. However all Directors, including non-executive Directors and INEDs are subject to retirement by rotation at each annual general meeting at least once every three years under the Company's memorandum and article of association. In the circumstance, the Board considers that the present practice has already addressed the concerns of the CG Code in this respect.

Attendance of Annual General Meeting

Pursuant to Code Provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of the shareholders. Due to other pre-arranged business commitments, Jing Guoxiang, Zhang Shujun and Kwok Wai Ling being the independent non-executive director of the Company, were not present at the annual general meeting of the Company held on 16 June 2017.

Notice of annual general meeting

Pursuant to Code Provision of E.1.3 of the CG Code, a notice of annual general meeting should be sent to shareholders at least 20 clear business days before the meeting. However, the notice of the annual general meeting in 2017 was issued by the Company less than 20 clear business days.

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 2017.

DEED OF NON-COMPETITION

On 25 June 2012, Mr. Xiao Zhiyong ("Mr. Xiao"), Max Lucky Group Limited and Ms. Xiao (the "Covenantors") entered into a deed of non-competition (the "Deed of Non-Competition"). Mr. Xiao has resigned as chairman of the Board and executive Director of the Company on 17 February 2017. 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.

DEED OF NON-COMPETITION *(continued)*

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. Zheng Zhihong (the executive director 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 2017, there was no purchase, sale and redemption by the Company or any of its subsidiaries of the Company's listed securities.

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 2017.

For and on behalf of the Board
BOLINA HOLDING CO., LTD.
Zheng Zhihong
Chairman

Zhangzhou, 28 August 2017

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2017

	Notes	Six months ended 30 June 2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
REVENUE	4(a)	**211,481**	163,956
Cost of sales	5(b)	**(159,286)**	(113,630)
Gross profit		**52,195**	50,326
Other income and gains, net	4(b)	**3,832**	16,205
Selling and distribution expenses		**(79,166)**	(18,263)
Administrative expenses		**(18,163)**	(21,650)
Other expenses		**(269)**	(145)
(Loss)/Profit from operations		**(41,571)**	26,473
Finance costs	6	**(15,652)**	(19,802)
(Loss)/Profit before tax	5	**(57,223)**	6,671
Income tax expense	7	**(1,362)**	(6,301)
(LOSS)/PROFIT FOR THE PERIOD		**(58,585)**	370
Attributable to:			
Owners of the Company		**(58,585)**	1,188
Non-controlling interests		**–**	(818)
		(58,585)	370
(Loss)/Earnings per share attributable to ordinary equity holders of the Company			
Basic – For (loss)/profit for the period	9	**RMB(5) cents**	RMB0.1cents
Diluted – For (loss)/profit for the period	9	**RMB(5) cents**	RMB0.1cents

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(LOSS)/PROFIT FOR THE PERIOD	**(58,585)**	370
OTHER COMPREHENSIVE EXPENSE		
Other comprehensive expense to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(13,566)**	(9,807)
Net other comprehensive expense to be reclassified to profit or loss in subsequent periods	**(13,566)**	(9,807)
OTHER COMPREHENSIVE EXPENSE FOR THE PERIOD, NET OF TAX	**(13,566)**	(9,807)
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD	**(72,151)**	(9,437)
Attributable to:		
Owners of the Company	**(72,151)**	(8,619)
Non-controlling interests	**–**	(818)
	(72,151)	(9,437)

Interim Condensed Consolidated Statement of Financial Position

30 June 2017

	Notes	**30 June 2017 RMB'000 (Unaudited)**	31 December 2016 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	**202,723**	197,449
Property under development	11	**–**	–
Investment properties	12	**–**	–
Land use right		**11,088**	11,236
Intangible assets		**330**	128
Goodwill		**–**	–
Available-for-sale investments		**2,500**	2,500
Deposit paid for acquisition of a subsidiary	13	**34,358**	–
Deferred tax assets		**3,184**	4,341
Total non-current assets		**254,183**	215,654
CURRENT ASSETS			
Inventories	14	**259,757**	234,758
Trade receivables	15	**208,037**	122,338
Prepayments, deposits and other receivables	16	**305,133**	313,221
Pledged bank balances	17	**21,641**	23,412
Cash and cash equivalents	17	**324,110**	520,146
Total current assets		**1,118,678**	1,213,875
CURRENT LIABILITIES			
Trade and bills payables	18	**146,115**	163,141
Other payables and accruals		**77,342**	103,776
Amount due to the former controlling shareholder		**7,103**	2,122
Interest-bearing bank borrowings	19	**167,100**	170,700
Tax payable		**2,485**	2,531
Total current liabilities		**400,145**	442,270
NET CURRENT ASSETS		**718,533**	771,605
TOTAL ASSETS LESS CURRENT LIABILITIES		**972,716**	987,259

Interim Condensed Consolidated Statement of Financial Position

30 June 2017

	Notes	**30 June 2017 RMB'000 (Unaudited)**	31 December 2016 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Corporate bonds	20	**262,816**	257,380
Deferred tax liabilities		**26,119**	25,914
Total non-current liabilities		**288,935**	283,294
Net assets		**683,781**	703,965
EQUITY			
Equity attributable to owners of the Company			
Share capital	21	**10,601**	8,287
Reserves		**673,180**	695,678
Total equity		**683,781**	703,965

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

	Attributable to owners of the Company											
	Share Capital	Share premium*	Capital redemption reserve*	Dis-Cretionary Reserve fund*	Statutory reserve*	Capital reserve*	Share Option reserve*	Exchange fluctuation reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	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 2017 (audited)	**8,287**	**337,627**	**164**	**21,894**	**47,191**	**101,081**	**20,550**	**(4,072)**	**171,243**	**703,965**	**-**	**703,965**
Loss for the period	**-**	**-**	**-**	**-**	**--**	**-**	**-**	**-**	**(58,585)**	**(58,585)**	**-**	**(58,585)**
Exchange differences on translation of foreign operations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(13,566)**	**-**	**(13,566)**	**-**	**(13,566)**
Total comprehensive expense for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(13,566)**	**(58,585)**	**(72,151)**	**-**	**(72,151)**
Deposit paid for acquisition of a subsidiary	**1,630**	**27,378**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**29,008**	**-**	**29,008**
Lapsed of equity-settled share-base payment	**-**	**-**	**-**	**-**	**-**	**-**	**(20,177)**	**-**	**20,177**	**-**	**-**	**-**
Recognition of equity-settled share-base payment	**-**	**-**	**-**	**-**	**-**	**-**	**2,433**	**-**	**-**	**2,433**	**-**	**2,433**
Issue of shares under share option scheme	**684**	**22,275**	**-**	**-**	**-**	**-**	**(2,433)**	**-**	**-**	**20,526**	**-**	**20,526**
At 30 June 2017 (unaudited)	**10,601**	**387,280**	**164**	**21,894**	**47,191**	**101,081**	**373**	**(17,638)**	**132,835**	**683,781**	**-**	**683,781**

* These reserve accounts comprise the consolidated reserves of RMB673,180,000 (30 June 2016: RMB1,011,517,000) in the condensed consolidated statement of financial position.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

	Notes	Six months ended 30 June 2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/Profit before tax		**(57,223)**	6,671
Adjustments for:			
Depreciation of property, plant and equipment	10	**8,435**	7,758
Amortisation of land use right		**148**	148
Amortisation of intangible assets		**57**	44
Interest income	4(b)	**(714)**	(7,818)
Loss on disposal of items of property, plant and equipment		**209**	–
Net fair value gains on derivative instruments		**–**	(2,164)
Finance costs	6	**15,652**	19,802
Reversal of impairment of trade receivables		**–**	(204)
Equity-settled share based payments		**2,433**	3,167
Operating cash flows before movements in working capital change		**(31,003)**	27,404
Increase in inventories		**(24,999)**	(25,435)
(Increase)/Decrease in trade receivables		**(84,668)**	21,693
Decrease/(Increase) in prepayments, deposits and other receivables		**8,069**	(44,441)
Increase in property under development		**–**	(3,553)
Increase in deposit paid for property, plant and equipment		**–**	(6,050)
Decrease in trade and bills payables		**(17,026)**	(50,119)
Increase in advances from customers		**9,027**	131,992
Decrease in other payables and accruals		**(35,968)**	(22,451)
Cash (used in)/generated from operations		**(176,568)**	29,040
Tax paid		**(46)**	(127)
Net cash (used in)/generated from operating activities		**(176,614)**	28,913
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(14,192)**	(15,494)
Purchase of intangible assets		**(259)**	–
Proceeds from disposal of property, plant and equipment		**274**	288
Purchase of investment properties		**–**	(6,433)
Interest income		**714**	–
Deposit paid for acquisition of a subsidiary		**(5,350)**	–
Cash flows from other investing activities		**–**	7,818
Net cash used in investing activities		**(18,813)**	(13,821)

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

	Notes	Six months ended 30 June 2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repurchase of shares		**–**	(21,252)
Proceeds from shares issued on exercise of share options		**20,526**	–
Proceeds from bank and other borrowings		**93,200**	82,800
Repayment of bank and other borrowings		**(96,800)**	(266,320)
Decrease in pledged bank balances		**1,771**	90,034
Increase in advances from the former controlling shareholder		**4,682**	1,189
Interest paid		**(13,779)**	(14,503)
Net proceeds from corporate bonds		**–**	121,984
Net cash generated from/(used in) financing activities		**9,600**	(6,068)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(185,827)**	9,024
Cash and cash equivalents at beginning of period		**520,146**	909,894
Effect of foreign exchange rate changes, net		**(10,209)**	(2,847)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**324,110**	916,071
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	17	**324,110**	912,021
Cash and cash equivalents included in assets classified as held for sale		**–**	4,050
Cash and cash equivalents as stated in the interim condensed consolidated statement of cash flows		**324,110**	916,071

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.

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2017 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 2016.

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 2016, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") and interpretations as of 1 January 2017, noted below:

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 2	*Recognition of Deferred Tax Assets for Unrealised Losses*

The adoption of the new amendments to 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:

Amendments to HKFRS	Annual improvements to HKFRSs 2014-2016 Cycle[1]
HKFRS 9	Financial instruments[1]
HKFRS 15 and amendments to HKFRS 15	Revenue from Contracts with customers[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 40	Investment Property[2]

Notes:

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 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.

3. OPERATING SEGMENT INFORMATION

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

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

Geographical information

The following tables present the Group's revenue for the six months period ended 30 June 2017 and 2016, and the Group's non-current assets as at 30 June 2017 and 31 December 2016 respectively by geographic locations.

(a) Revenue from external customers

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
America	**122,514**	107,675
Mainland China	**81,137**	45,999
Europe	**6,988**	8,248
Asia (excluding Mainland China)	**714**	2,034
Others	**128**	–
	211,481	163,956

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 2017, revenue from two of the Group's customers, amounting to RMB82,893,000 and 33,016,000 respectively (six months ended 30 June 2016: one of the Group's customers, amounting to RMB65,756,000) have 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 2017 and 2016.

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

(a) Revenue

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from the sale of sanitary ware	**211,481**	163,956

(b) Other income and gains, net

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other income		
Government grants*	**18**	79
Bank interest income	**714**	7,818
Foreign exchange differences, net	**2,593**	2,610
Others	**507**	3,519
	3,832	14,026
Gains, net:		
Fair value gains, net:		
Derivative instruments	**–**	2,179
Other income and gains, net	**3,832**	16,205

* 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 2017 and 2016.

5. (LOSS)/PROFIT BEFORE TAX

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

		Six months ended 30 June	
		2017	2016
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
(a)	**Employee benefit expense (including directors' and chief executive's remuneration)**		
	Wages and salaries	**56,315**	34,520
	Pension scheme contributions, social welfare and other welfare	**3,179**	3,131
	Equity-settled share based payments for employees	**2,433**	3,167
		61,927	40,818
(b)	**Cost of sales**		
	Cost of inventories sold	**111,428**	70,911
	Others	**47,858**	42,719
		159,286	113,630
(c)	**Other items**		
	Depreciation of property, plant and equipment*	**8,435**	7,758
	Amortisation of land use right	**148**	148
	Amortisation of intangible assets	**57**	44
	Operating lease expenses*	**7,095**	6,806
	Advertisement and promotion expenses	**50,674**	7,485
	Logistics expenses	**4,434**	4,794
	Research and development expenses*	**1,776**	2,152
	Auditors' remuneration	**221**	212
	Loss on disposal of property, plant and equipment	**209**	–
	Reversal of impairment of trade receivables	**–**	(204)

* The depreciation amounts of property, plant and equipment of RMB7,155,000 (six months ended 30 June 2016: RMB6,062,000), the operating lease expenses of RMB6,778,000 (six months ended 30 June 2016: RMB5,590,000) and the research and development expenses of RMB2,570,000 (six months ended 30 June 2016: RMB544,000) are included in "Cost of sales" in the interim condensed consolidated statement of profit or loss.

6. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest expense on bank borrowings wholly repayable within five years	**4,788**	9,785
Interest expense on corporate bonds wholly repayable within five years	**10,864**	9,601
Interest expense on other borrowings wholly repayable within five years	**–**	416
	15,652	19,802

7. INCOME TAX EXPENSE

Income tax expense in the interim condensed consolidated statement of profit or loss represents:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current – Mainland China corporate income tax	**–**	3,667
Deferred tax	**1,362**	2,634
	1,362	6,301

Subsidiaries incorporated in Hong Kong were subject to income tax at the rate of 16.5% for the six months period ended 30 June 2017 (six months ended 30 June 2016: 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 2017 (six months ended 30 June 2016: 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 2017, the directors of the Company resolved not to distribute an interim dividend (six months ended 30 June 2016: Nil).

9. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic (loss)/earnings per share amount is based on the (loss)/profit for the period attributable to the ordinary equity holders of the Company of RMB58,585,000 (profit for the period attributable to the ordinary equity holders of the six months ended 30 June 2016: RMB1,188,000) and the weighted average number of ordinary shares of 1,087,869,000 (six months ended 30 June 2016: 1,003,494,000) during the six months ended 30 June 2017.

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 (loss)/earnings per share calculation.

For the period ended 30 June 2017, the computation of diluted loss per share does not assume the conversion of the Company's share options outstanding since their exercise would result in a decrease in loss per share.

The computation of diluted earnings per share for the period ended 30 June 2016 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 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
At the beginning of the period/year, net of accumulated depreciation	**197,449**	196,247
Additions	**14,192**	22,575
Disposal	**(483)**	(3,946)
Disposal from subsidiary	**–**	(455)
Depreciation provided during the period/year	**(8,435)**	(16,972)
At the end of the period/year, net of accumulated depreciation	**202,723**	197,449

11. PROPERTY UNDER DEVELOPMENT

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
At the beginning of the period/year	**–**	425,425
Additions	**–**	9,276
Disposal of a subsidiary	**–**	(434,701)
At the end of the period/year	**–**	–

Properties under development are located in Mainland China.

12. INVESTMENT PROPERTIES

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
At the beginning of the period/year	**–**	291,442
Additions	**–**	6,476
Disposal of a subsidiary	**–**	(297,918)
At the end of the period/year	**–**	–

13. DEPOSIT PAID FOR ACQUISITION OF A SUBSIDIARY

The deposit paid for acquisition of a subsidiary represented the consideration paid to independent third parties. On January 2017, an indirectly wholly-owned subsidiary of the Company, entered into a sales and purchase agreement with independent third parties for acquisition 51% interest of Xiamen Mas-Agree Electronic Technology Co., Ltd. with cash consideration of RMB14,300,000 and shares consideration of RMB57,200,000. The acquisition was completed on 12 July 2017.

Xiamen Mas-Agree Electronic Technology Co., Ltd. is a limited company established in the PRC which engages in the research and development, manufacture and sale of massage chairs and massage devices.

14. INVENTORIES

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Raw materials	**10,113**	6,933
Accessories	**10,882**	10,508
Work in process	**58,502**	56,449
Finished goods	**176,049**	159,281
Wrappage	**4,211**	1,587
	259,757	234,758

15. TRADE RECEIVABLES

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Trade receivables	**219,584**	133,885
Impairment	**(11,547)**	(11,547)
	208,037	122,338

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 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Within 3 months	**129,489**	87,884
More than 3 months but less than 1 year	**63,488**	34,454
Over 1 year	**15,060**	–
	208,037	122,338

15. 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 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Neither past due nor impaired	**207,735**	98,974
Less than 3 months past due	**133**	23,364
Over 1 year past due	**169**	–
	208,037	122,338

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 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
At the beginning of the period/year	**11,547**	1,337
Impairment losses recognised	**–**	10,380
Reversal of impairment	**–**	(170)
At the end of the period/year	**11,547**	11,547

Included in the above provision for impairment of trade receivables as at 30 June 2017 is a provision for individually impaired trade receivables of RMB11,547,000 (31 December 2016: RMB11,547,000).

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Prepayment and deposits to suppliers	**63,938**	90,003
Deposits and prepayment to chain supermarkets	**1,344**	1,344
Deposits and prepayments to distribution channels (note)	**199,298**	199,298
Others	**44,703**	26,726
	309,283	317,371
Impairment on other receivables	**(4,150)**	(4,150)
At the end of the period/year	**305,133**	313,221

Note: Deposit and prepayments to distribution channels represents the marketing promotion expenses related to retails shops owned by distributors, to enhance the distribution channels.

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

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
At beginning of the period/year	**4,150**	4,150
Impairment loss recognised	**–**	–
At the end of the period/year	**4,150**	4,150

Included in the above impairment of other receivables as at 30 June 2017 are individually impaired other receivables with a balance of approximately RMB4,150,000 (31 December 2016: RMB4,150,000) which have been considered not recoverable. The impairment recognised represents the difference between the carrying amount of these other receivables and the present value of the expected liquidation proceeds. The Group does not hold any collateral over these balances.

17. CASH AND CASH EQUIVALENTS AND PLEDGED BANK BALANCES

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Cash and bank balances	**324,110**	520,146
Time deposits	**21,641**	23,412
	345,751	543,558
Less: Pledged bank balances		
Short-term bank deposits	**(21,641)**	(23,412)
Cash and cash equivalents	**324,110**	520,146

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.

18. TRADE AND BILLS PAYABLES

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Trade payables	**97,025**	116,286
Bills payables	**49,090**	46,855
	146,115	163,141

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 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Within 3 months	**16,048**	80,775
3 to 6 months	**26,641**	62,100
6 to 12 months	**78,179**	2,900
Over 12 months	**25,247**	17,366
	146,115	163,141

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

19. INTEREST-BEARING BANK BORROWINGS

	30 June 2017		31 December 2016	
	Effective interest rate (%)	**RMB'000 (Unaudited)**	Effective interest rate (%)	RMB'000 (Audited)
Current				
Bank borrowings	**5-10**	**167,100**	4-10	170,700

Interest-bearing bank borrowings represent:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
– Secured (note (a))	**134,500**	134,200
– Guaranteed (note (b))	**23,500**	36,500
– Unsecured	**9,100**	–
	167,100	170,700

Notes:

(a) Certain of the Group's bank borrowings 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 RMB11,088,000 as at 30 June 2017 (31 December 2016: RMB11,236,000);

(ii) mortgages over the Group's buildings, which had an aggregate carrying value of approximately RMB56,768,000 as at 30 June 2017 (31 December 2016: RMB58,640,000);

(iii) mortgages over the Group's pledged bank balances which amounted to RMB21,641,000 as at 30 June 2017 (31 December 2016: RMB23,412,000); and

(b) Certain of the Group's bank borrowings which amounted to RMB23,500,000 as at 30 June 2017 (31 December 2016: RMB36,500,000) were guaranteed by the former controlling shareholder and third party.

20 CORPORATE BONDS

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
At the beginning of the period/year	**257,380**	123,466
Corporate bonds issued	**–**	121,983
Imputed interest	**1,873**	7,228
Exchange realignment	**3,563**	4,703
At the end of the period/year	**262,816**	257,380

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 2017, the carrying amount of the corporate bonds was approximately RMB262,816,000 (As at 31 December 2016: approximately RMB257,380,000).

21. SHARE CAPITAL

	Number of ordinary shares of HK$0.01	Nominal value of ordinary shares	Nominal value of ordinary shares
		HK$'000	RMB'000
Authorised:			
As at 1 January 2016, 31 December 2016 and 30 June 2017	2,000,000,000	20,000	16,612

	Number of ordinary shares of HK$0.01	Nominal value of ordinary shares	Share premium
		RMB'000	RMB'000
Issued:			
As at 31 December 2015 and 1 January 2016	1,008,866,000	8,226	347,615
Repurchases of share (Note 1)	(13,694,000)	(116)	(21,136)
Exercise of share option (Note 2)	20,200,000	177	11,148
As at 31 December 2016 and 1 January 2017	1,015,372,000	8,287	337,627
Issue share on deposit of acquisition (Note 3)	183,896,220	1,630	27,378
Exercise of share option (Note 4)	78,350,000	684	22,275
As at 30 June 2017	1,277,618,220	10,601	387,280

Notes:

1. 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 07 March 2016 and 15 March 2016.

2. On 29 October 2016, 20,200,000 share options were exercised to subscribe for 20,200,000 ordinary shares in the Company at a consideration of RMB7,061,000 of which RMB177,000 was credited to share capital and the balance of RMB6,884,000 was credited to the share premium account. Amounts of approximately RMB4,264,000 has been transferred from the share option reserve to the share premium account in accordance with the accounting policy adopted by the Company.

3. On 2 May 2017, the Group has issued 183,896,220 ordinary shares at price of HK$0.178 each for deposit paid for acquiring 51% equity interest of a subsidiary. Share capital and share premium of RMB1,630,000 and 27,378,000 respectively were recorded based on the quoted price of the share as at the date of issue.

4. On 1 June 2017, 78,350,000 share options were exercised to subscribe for 78,350,000 ordinary shares in the Company at a consideration of RMB20,526,000 of which RMB684,000 was credited to share capital and the balance of RMB22,275,000 was credited to the share premium account. Amounts of approximately RMB2,433,000 has been transferred from the share option reserve to the share premium account in accordance with the accounting policy adopted by the Company.

As at 30 June 2017, all issued shares are registered, fully paid and divided into 1,227,618,220 shares (as at 31 December 2016: 1,015,372,000 shares) of HK$0.01 each.

22. 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 19 to the interim condensed consolidated financial statements.

23. EQUITY SETTLED SHARE-BASED TRANSACTION

The Company adopted a share option scheme on 25 June 2012 for the purpose of rewarding certain eligible persons for their contributions and attracting and retaining. The Company has granted share options on 20 May 2016 ("Batch 1"), 20 October 2016 ("Batch 2") and 31 May 2017 ("Batch 3) during the period.

For Batch 1, the Company has granted to certain eligible persons on 20 May 2016, being employees of the Company and its subsidiaries, subject to acceptance by the Grantees, a total of 79,800,000 share options to subscribe for 79,800,000 new ordinary shares of HK$0.01 each in the share capital of the Company under the Share Option Scheme. Each option gives the holder the right to subscribe for one ordinary share of Company. These share options are exercisable within 3 years from the date of acceptance (i.e. 20 May 2016). The exercise price is HK$2.50. 78,350,000 of share options were lapsed during the period and 1,450,000 of share options were exercisable.

For Batch 2, the Company has granted to certain eligible persons on 20 October 2016, subject to acceptance by the Grantees, a total of 20,200,000 share options to subscribe for 20,200,000 new ordinary shares of HK$0.01 each in the share capital of the Company under the Share Option Scheme. Each option gives the holder the right to subscribe for one ordinary share of Company. These share options are exercisable within 3 years from the date of acceptance (i.e. 20 October 2016). The exercise price is HK$0.40. All options were exercised during the period.

For Batch 3, the Company has granted to certain eligible persons being employees of the Company and its subsidiaries on 31 May 2017, subject to acceptance by the Grantees, a total of 78,350,000 share options to subscribe for 78,350,000 new ordinary shares of HK$0.01 each in the share capital of the Company under the Share Option Scheme. Each option gives the holder the right to subscribe for one ordinary share of Company. These share options are exercisable within 3 years from the date of acceptance (i.e. 31 May 2017). The exercise price is HK$0.3. All options were exercised during the period.

23. EQUITY SETTLED SHARE-BASED TRANSACTION *(continued)*

(a) The number and weighted average exercise prices of share options

	30 June 2017		31 December 2016	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
Outstanding at the beginning of the period/year	**HK$2.50**	**79,800,000**	–	–
Granted during the period/year	**HK$0.30**	**78,350,000**	HK$2,80	100,000,000
Lapsed during the period/year	**HK$2.50**	**(78,350,000)**	–	–
Exercised during the period/year	**HK$0.30**	**(78,350,000)**	HK$0.40	(20,200,000)
Outstanding at the end of the period/year	**HK$2.50**	**1,450,000**	HK$2.50	79,800,000
Exercisable at the end of the period/year	**HK$2.50**	**1,450,000**	HK$2.50	79,800,000

During the period ended 30 June 2017, 78,350,000 share options with exercise price of HK$0.3 were granted and all the share option from Batch 3 with exercise price of HK$0.30 were exercised as at 30 June 2017.

During the year ended 31 December 2016, 100,000,000 share options with exercise price of HK$2.08 were granted and all the share options from Batch 2 with exercise price of HK$0.40 were exercised as at 31 December 2016.

The share options outstanding as at 30 June 2017 had an exercise price of HK$2.50 and a weighted average remaining contractual life of 2 years (As at 31 December 2016: 2.5 years).

23. EQUITY SETTLED SHARE-BASED TRANSACTION *(continued)*

(b) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured by an independent valuer engaged by the Group, namely International Valuation Limited and Sino-Infinite Appraisal Limited, based on Black-Scholes pricing model. The assumptions used are as follows:

Fair value of share options and assumptions	**Batch 1**	**Batch 2**	**Batch 3**
Fair value at measurement date	HK$0.31	HK$0.24	HK$0.04
Share price	HK$1.94	HK$0.40	HK$0.3
Exercise price	HK$2.50	HK$0.40	HK$0.3
Expected volatility (expressed as average volatility used in the modelling under binomial model)	50%	139%	108%
Option life	3 years	3 years	3 years
Expected term	1.50	1.50	1.50
Expected dividends	0.00%	0.00%	0.00%
Risk-free interest rate (based on Hong Kong Government Bond yield)	0.75%	0.83%	0.74%

The expected volatility was based on statistical analysis of daily share average prices of group of listed companies in the similar industry over the one year immediately preceding the grant date, adjusted for any expected changes to future volatility based on publicly available information. Dividend yield was estimated based on the dividend policy of the Group. Changes in the subjective input assumptions could materially affect the fair value estimate. There were no market conditions associated with the share option grants.

24. COMMITMENTS

(a) Capital commitments

Capital commitments of the Group in respect of property, plant and equipment outstanding at the end of the reporting period not provided for in the interim condensed consolidated financial statements are as follows:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Contracted, but not provided for:		
Property, plant and equipment	**3,731**	4,531
Authorised, but not contracted for:		
Property, plant and equipment	**79,621**	79,559
	83,352	84,090

24. COMMITMENTS *(continued)*

(b) Operating lease commitments

As lessee

At 30 June 2017, the Group had total future minimum lease payments under non-cancellable operating leases as follows:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Within 1 year	**249**	919
After 1 year but within 5 years	**193**	1,329
	442	2,248

25. 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 2017 (Unaudited)

Financial assets

	Loans and receivables RMB'000	**Available-for-sale financial assets RMB'000**	**Total RMB'000**
Trade receivables	**208,037**	**–**	**208,037**
Available-for-sale investments	**–**	**2,500**	**2,500**
Financial assets included in deposits and other receivables	**215,122**	**–**	**215,122**
Pledged bank balances	**21,641**	**–**	**21,641**
Cash and cash equivalents	**324,110**	**–**	**324,110**
	768,910	**2,500**	**771,410**

25. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

30 June 2017 (Unaudited) *(continued)*

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	**146,115**
Financial liabilities included in other payables and accruals	**54,078**
Interest-bearing bank and other borrowings	**167,100**
Corporate bonds	**262,816**
Amount due to the former controlling shareholder	**7,103**
	637,212

31 December 2016 (Audited)

Financial assets

	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Trade receivables	122,338	–	122,338
Available-for-sale investments	–	2,500	2,500
Financial assets included in deposits and other receivables	307,633	–	307,633
Pledged bank balances	23,412	–	23,412
Cash and cash equivalents	520,146	–	520,146
	973,529	2,500	976,029

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	163,141
Financial liabilities included in other payables and accruals	89,539
Interest-bearing bank and other borrowings	170,700
Corporate bonds	257,380
Amount due to the former controlling shareholder	2,122
	682,882

26. EVENT AFTER THE REPORTING PERIOD

On January 2017, an indirectly wholly-owned subsidiary of the Company, entered into a sales and purchase agreement with independent third parties for acquisition 51% interest of Xiamen Mas-Agree Electronic Technology Co., Ltd. with cash consideration of RMB14,300,000 and shares consideration of RMB57,200,000. Xiamen Mas-Agree Electronic Technology Co., Ltd. is a limited company incorporated in the PRC which engages in the research and development, manufacture and sale of massage chairs and massage devices. The acquisition was completed on 12 July 2017.

27. APPROVAL OF THE FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 28 August 2017.