大自然家居 Nature

Nature Home Holding Company Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2083

Annual Report 2014

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Se Hok Pan *(Chairman)*
Mr. Liang Zhihua *(President)*
Ms. Un Son I
Mr. She Jian Bin

Non-executive Directors

Mr. Homer Sun
Mr. Teoh Chun Ming

Independent non-executive Directors

Professor Li Kwok Cheung, Arthur
Mr. Zhang Sen Lin
Mr. Chan Siu Wing, Raymond
Mr. Ho King Fung, Eric

Alternate Director

Mr. Law Wing Cheung, Ryan
(alternate director to Mr. Homer Sun)

AUDIT COMMITTEE

Mr. Chan Siu Wing, Raymond *(Chairman)*
Mr. Zhang Sen Lin
Mr. Ho King Fung, Eric

REMUNERATION COMMITTEE

Professor Li Kwok Cheung, Arthur *(Chairman)*
Mr. Zhang Sen Lin
Mr. Ho King Fung, Eric

NOMINATION COMMITTEE

Mr. Se Hok Pan *(Chairman)*
Mr. Chan Siu Wing, Raymond
Mr. Ho King Fung, Eric

CORPORATE GOVERNANCE COMMITTEE

Mr. Se Hok Pan *(Chairman)*
Mr. Ho King Fung, Eric
Mr. Teoh Chun Ming

EXECUTIVE COMMITTEE

Mr. Se Hok Pan *(Chairman)*
Ms. Un Son I

COMPANY SECRETARY

Mr. Tsang Chun Yiu

AUTHORISED REPRESENTATIVES

Mr. Se Hok Pan
Mr. Tsang Chun Yiu

AUDITORS

KPMG

PRINCIPAL BANKERS

Industrial and Commercial Bank of China
Standard Charted Bank (Hong Kong) Limited

REGISTERED OFFICE

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Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

HEAD OFFICE IN THE PRC

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Foshan City
Guangdong Province
PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
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WEBSITE

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STOCK CODE

2083

Management Discussion and Analysis

BUSINESS REVIEW

For the year ended 31 December 2014 (the "Year"), the Group maintained steady business growth despite the competitions on channel, brand and price, amidst various uncertainties in the People's Republic of China (the "PRC") household-product market and global economy. The Group achieved an increase of 32.9% in overall turnover when compared to the corresponding period last year. In respect of manufacturing and sale of wood products, trading of timber and wood products and forestry management, the Group recorded an increase in sales of approximately 42.1% and 42.2% and 11.2%, respectively. In respect of provision of trademarks and distribution network, the Group recorded a decrease in sales of approximately 15.1%. Moreover, a total of 26,826,000 square meters of our branded flooring products were sold during the year (for the year ended 31 December 2013: 22,872,000 square meters), representing an increase of 17.3% year-on-year.

During the Year, the Group devoted continuous efforts to enlarge its market share of the Chinese flooring market, which led to the sales growth and better management of operating cash flow for the domestic sales of flooring products. Nonetheless, the Year witnessed the Group enhance the expansion of overseas markets as well as the manufacturing and sales of wooden doors, wardrobes and cabinets. Furthermore, the Group made strategic investment in the PRC market of household products and services in a bid to integrate its business of household products.

In respect of investment, the Group has become the strategic investor of Zhejiang Yongyu Bamboo Joint-Stock Co.,Ltd. ("Zhejiang Yongyu") and Kong Jian Zhi Hui Decoration and Refurbishment (Beijing) Co., Ltd. ("Kong Jian Zhi Hui"). Zhejiang Yongyu ("浙江永裕") is a high and new technology enterprise that integrates the R&D, manufacturing and sales of bamboo flooring, furniture and decoration material, whose shares are listed at the National Equities Exchange and Quotations for public transfer in the PRC (stock code: 831996). Kong Jian Zhi Hui ("空間智慧") is a decoration engineering enterprise that integrates indoor decoration design, construction and product supply. As at the date of this annual report, the Group holds 14.15% equity interest in Zhejiang Yongyu and 7.5% equity interest in Kong Jian Zhi Hui.

1. Manufacturing and sales of wood products

The Group's wood products are comprised of mainly floorings, wooden doors, wardrobes and cabinets. For the year ended 31 December 2014, the sales for the Group's manufacturing and sale of wood products business was RMB1,408,479,000 (for the year ended 31 December 2013: RMB991,179,000), recording an increase of 42.1% year-on-year. Such increase is principally attributable to the continued growth of the Group's flooring business and the increased in sales of flooring products.

The business of manufacturing and sale of flooring products

In terms of the business of manufacturing and sales of flooring products, the Group's flooring products mainly include laminated floorings, solid wood and engineered floorings. In respect of its flooring store network, the Group has established a sound and extensive sales network in the PRC. The Group is also a major PRC distributor of a number of renowned foreign brands. As at 31 December 2014, number of flooring stores reached 3,404 (31 December 2013: 3,338) in total, of which, there were 1,799 "Nature" stores (31 December 2013: 1,917), 1,227 "Nature • No. 1 My Space" stores (31 December 2013: 1,130), 131 "Nature • Aesthetics" stores (31 December 2013: 155), and 124 foreign imported brand stores (31 December 2013: 71) and 123 other brand stores (31 December 2013: 65).

To facilitate the continuous growth of flooring product sales, the Group strived for capacity expansion by constructing plants in Zhongshan City of Guangdong Province and Nanning City of Guangxi Zhuang Autonomous Region to manufacture laminated floorings. One plant has commence trial production in the second half of 2014 and the other is expected to commence trial production in the second half of 2015.

The business of manufacturing and sale of wooden doors, wardrobes and cabinets

In 2011, the Group started household products business leveraging on its "Nature" brand and network. Since then, the Group has been gradually achieving its goal of integration of household products. The business of wooden doors, wardrobes and cabinets is one of the core businesses of the Group. Leveraging on the brand recognition of "Nature", the Group has established its sub-brands, namely "Nature Wooden Doors" and "Nature Vanessa" respectively to further tap into the business of wooden doors, wardrobes and cabinets. The Group has set up a production plant in Taizhou City, Jiangsu Province, the PRC (the "Taizhou Plant") which officially opened in late February 2014 and has already commenced its commercial production in the second half of 2014. It is the largest production plant among the wooden doors business of the Group with advanced production equipment imported from overseas. Although the business of manufacturing and sale of wooden doors still recorded losses in the Year, the production cost is expected to be further reduced with the gradually improved production capacity of Taizhou Plant. As at 31 December 2014, there were 665 (31 December 2013: 400) wooden door stores in total.

With respect to the business of wardrobes and cabinets, there were 240 (31 December 2013: 142) wardrobes and cabinets stores in total as at 31 December 2014. The business of wardrobes and cabinets still recorded loss for the Year. However, the Group has purchased a parcel of land and a production plant in Zhongshan City, Guangdong Province, the PRC (the "Zhongshan Wardrobes and Cabinets Plant"), to set up a production line of wardrobes and cabinets. The Group also imported advanced production equipment from overseas to manufacture wardrobes and cabinets products with high quality. The wardrobes and cabinets plant has commenced its trial production in the second half of 2014. It is expected that the performance of the business of wardrobes and cabinets will be improved following the expanded production capacity of Zhongshan Wardrobes and Cabinets Plant. Furthermore, the Group has established an in-depth strategic cooperation relationship with a domestic player of wardrobes and cabinets brand to set up a new production line and sales network in the PRC, and it has generated sales in the second half of 2014. In terms of the overseas brand business, the Group is currently an exclusive distributor of a renowned German kitchen cabinet brand in the PRC.

2. Trademark and distribution network

The Group manufactures its products under the "Nature" brand manufactured by its own production plants and through its exclusive authorized manufacturers. Such authorized manufacturers solely manufacture our branded products and only sell these products to the distributors within our distribution network in an exclusive and direct manner, for which we charge them trademark and distribution network usage fees.

During the Year, the turnover generated from trademark and distribution network usage fees decreased by 15.1% to RMB199,466,000 from approximately RMB235,016,000 in 2013, which was principally attributable to the decrease in the sales of laminated products from authorized manufacturers as a result of the increase in laminated products manufactured by our self-owned factories in the Year.

3. Trading of timber and wood products

The Group's subsidiaries located in the U.S. purchase flooring products from our self-owned plants, authorized manufacturers and other flooring manufacturers. They then resell these products to their customers in the overseas markets. During the Year, the Group has further boosted its business development in the U.S. by establishing additional sales channels, which drove a significant growth in the Group's turnover for the trading of wood flooring products in the U.S.. During the Year, revenue from the Group's trading business of timber and wood products was approximately RMB362,672,000 (for the year ended 31 December 2013: approximately RMB254,957,000), representing a significant increase of 42.2%.

4. Forest Management

As at 31 December 2014, the Group owned the land use rights and forestry concessions of 8,154 hectares of forest assets in Yunnan Province, the PRC, and of 138,099 hectares of forest assets in Loreto Province, Peru. These forest assets contain several species of trees which are used in the production of premium solid wood flooring products. Through enhanced control on wood resources, the Group ensured itself and its authorized manufacturers a stable supply of high quality wood.

PROSPECT

The Group has changed the name of the Company from "Nature Flooring Holding Company Limited" to "Nature Home Holding Company Limited" in June 2014, which reflected that the Group has been gradually achieving its goal of integration of household products under its "Nature" brand.

In the PRC market, our self-owned "Nature" brand has been successfully positioned among consumers to represent high product quality and product safety as well as health and environmental awareness. We believe that more Chinese consumers will opt for household products that focus on healthy living and environmental protection, as health and environmental-friendly awareness grows among the Chinese consumers. The Group will leverage on its brand recognition, consolidated business foundation and distribution networks, to further expand its customer base and strive for steady sales growth. In addition, the completed investment and construction for the business of floorings, wooden doors, wardrobes and cabinets will enable the Group to better seize future development opportunities and continue to integrate its household products and improve its household brand strategy.

During the Year, the Group became the strategic investor of Zhejiang Yongyu and Kong Jian Zhi Hui. The Group will further explore strategic partnerships and continue to seek appropriate investment opportunities.

Faced with the challenge of gradual change to the sales model of traditional retail stores, the Group has planned to offer customers one-stop solutions by establishing an online housing O2O platform where partners will be introduced to provide various household products, logistics, decoration and installation services. To coordinate with the development of the platform, the Group has opened "O2O Household Package Experience Stores" in Guangzhou and Hangzhou, the PRC to display different packages of household products, offering customers an open experience. The Group will focus on developing its O2O platform and expanding its business in overseas markets, with appropriate strategic investments to establish strategic partnerships. The Group will also set the goal of integrated household products, household brand enhancement and accelerated growth in domestic and overseas market shares, with a combination of online and offline platforms to maximize its sales effectiveness as a household brand.

In terms of future business development, the Group is actively seeking acquisition opportunities to expand its international presence and to further strengthen its products offering in the household products market. With all these strategies, the Company is committed to create value for its shareholders

FINANCIAL REVIEW

Revenue

We generate revenue from four business segments: (1) manufacturing and sale of wood products, (2) trademark and distribution network; (3) trading of timber and wood products; and (4) forestry management.

Sale of self-produced wood products under the segment of manufacturing and sale of wood products represents the revenue generated in the course of sales activities of laminated flooring, engineered flooring and other wood products including wooden doors, wardrobes and cabinets we manufacture at our own factories and is measured at the fair value of the consideration received or receivable, net of returns and trade discounts.

Provision of trademark and distribution network usage fees is the fees for which we charged to authorised manufacturers in accordance with the terms of the relevant agreements with reference to the sales volume and sales amounts of our branded flooring products.

Sale of timber and wood products under the segment trading of timber and wood products represents the revenue generated primarily from timber trading to various customers, including our authorised manufacturers and other wood products manufacturers and our wood products trading to customers in oversea markets.

Sale of self-harvested timber and wood products under the segment of forestry management represents the revenue generated from the timber and other wood products being harvested and manufactured under the forestry assets operations

The following table sets forth the revenue recorded by each business segments for the years indicated.

	2014 RMB'000	2013 RMB'000	Growth rate %
Revenue			
Manufacturing and sale of wood products	**1,408,479**	991,179	42.1
Trademark and distribution network	**199,466**	235,016	(15.1)
Trading of timber and wood products	**362,672**	254,957	42.2
Forestry management	**8,668**	7,797	11.2
Total	**1,979,285**	1,488,949	32.9

For the year ended 31 December 2014, the Group recorded a revenue of approximately RMB1,979,285,000 representing an increase of 32.9% as compared with approximately RMB1,488,949,000 recorded in 2013.

Revenue from manufacturing and sale of wood products increased by 42.1% to approximately RMB1,408,479,000 during the year from approximately RMB991,179,000 in 2013. It was mainly attributable to the increase in consumer demand on our branded wood products in the PRC and the increase in sales of the laminated products manufactured by us which previously produced by authorized manufacturers.

Revenue from trademark and distribution network decreased by 15.1% to approximately RMB199,466,000 during the year from approximately RMB235,016,000 in 2013. The decrease was mainly attributable to decrease in sales of laminated products from authorized manufacturers as a result of the increase in laminated products manufactured by our self-owned factories in the year.

Revenue from trading of timber and wood products increased by 42.2% to approximately RMB362,672,000 during the year from approximately RMB254,957,000 in 2013. It was mainly due to the significant increase in demand of our flooring products in the U.S..

Revenue from forestry management increased by 11.2% to approximately RMB8,668,000 during the year from approximately RMB7,797,000 in 2013. It was mainly due to the increase in timber and wood product being harvested and manufactured under the forestry assets operation being sold in the year.

Cost of Sales

Cost of sales for manufacturing and sale of wood products consists primarily of raw materials costs, staff costs and overhead costs. The major raw materials used in our own manufacturing activities are timber, veneers, fiberboards and plywood. Labor costs consist of salaries, wages and other benefits we paid to our production staff. Overhead costs primarily include utilities, depreciation and others.

Cost of sales for trademark and distribution network consists primarily of the labour costs and travelling expenses relating to our representatives who provide authorised manufacturers with onsite technical and logistics support and conduct quality control measures on their products.

Cost of sales for trading of timber and wood products consists primarily of the cost of timber and wood products purchased for trading.

Cost of sales for forestry management consists primarily of the cost of timber and wood products under the forestry assets operations and harvesting cost.

Set forth below are the cost of sales by each business segments for the years indicated:

	2014 RMB'000	2013 RMB'000	Growth rate %
Cost of Sales			
Manufacturing and sale of wood products	**1,029,705**	766,245	34.4
Trademark and distribution network	**4,773**	4,787	0.3
Trading of timber and wood products	**301,310**	205,477	46.6
Forestry management	**23,874**	11,842	101.6
Total	**1,359,662**	988,351	37.6

Gross Profit/(Loss) and Gross Profit/(Loss) Margin

Gross (loss)/profit is calculated by deducting cost of sales from revenue. The tables below shows the gross profit and gross profit/(loss) margin by each business segments during the years as indicated:

	2014 RMB'000	2013 RMB'000	Growth rate %
Gross Profit/(Loss)			
Manufacture and sale of wood products	**378,774**	224,934	68.4
Trademark and distribution network	**194,693**	230,229	(15.4)
Trading of timber and wood products	**61,362**	49,480	24.0
Forestry management	**(15,206)**	(4,045)	275.9
Total	**619,623**	500,598	23.8

	2014 %	2013 %
Gross Profit/(Loss) Margin		
Manufacture and sale of wood products	**26.9**	22.7
Trademark and distribution network	**97.6**	98.0
Trading of timber and wood products	**16.9**	19.4
Forestry management	**(175.4)**	51.9
Total	**31.3**	33.6

For the year ended 31 December 2014, the overall gross profit increased by 23.8% to approximately RMB619,623,000 from approximately RMB500,598,000 in 2013 and the gross profit margin decreased to 31.3% from 33.6% in 2013.

The segment on manufacturing and sale of wood products contributed a gross profit of approximately RMB378,774,000 during the year, representing an increase of 68.4% from approximately RMB224,934,000 in 2013. The gross profit margin increased to 26.9% from 22.7% in 2013. The increase in gross profit was mainly attributable to the increase of the consumer demand on our branded flooring products in the PRC and the increase in the sales of the laminated products manufactured by us which previously produced by our authorized manufacturers. The increase in gross profit margin was mainly attributable to the economy of scales gained from simplifying the SKUs of wood flooring products and the improvement of margin on the other wood products.

The segment on trademark and distribution network contributed a gross profit of approximately RMB194,693,000 during the year, representing a decrease of 15.4% from approximately RMB230,229,000 in 2013. The decrease was mainly attributable to the decrease in sales of laminated products from authorized manufacturers, as a result of the increase of the laminated flooring product manufactured by our self-owned factories in the current year.

The segment on trading of timber and wood products contributed a gross profit of approximately RMB61,362,000 during the year, representing an increase of 24.0% from approximately RMB49,480,000 in 2013. The gross profit margin decreased to 16.9% from 19.4% in 2013. The increase in gross profit and decrease gross profit margin were mainly due to the increase in demand of our flooring products with lower gross profit margin in the U.S..

The segment on forestry management made a gross loss of approximately RMB15,206,000 during the year, representing an increase of 275.9% from approximately RMB4,045,000 in 2013. The increase in gross loss was mainly attributable to the harvesting cost in respect of timber being harvested in current year was recognised as cost of sales, while it was recorded as distribution costs in 2013.

Net Change in Fair Value of Biological Assets

Net change in fair value of biological assets is recorded in connection of the change in fair value of our forest assets. Net change in fair value of biological assets of approximately negative RMB144,349,000 in current year (2013: RMB47,761,000) is represented by the decrease in fair value of our forest assets based on the year market valuation conducted by a forest consulting services provider company (the "Independent Valuer"). The decrease was mainly attributable to three factors:

- An increased allowance for uncertainty over the entitlement to harvest part of the resource that is located in Yunnan. The authorities have confirmed that the resource is designated a "commercial forest", and that harvesting is not therefore precluded. However it is still within the jurisdiction of the Forestry Bureau to determine the nature and level of harvest.

- A more cautionary approach to the future expansion in harvest in the Peruvian concessions. Such expansion depends not only on escalating the activities in the forests, but an expansion of the company's processing plants to which all of the forests'output is supplied.

- An increased allowance for production costs in the Peruvian concessions. This has been based on a more detailed analysis of equipment operating costs and reference to the costs incurred in other tropical concessions internationally.

The Independent Valuer has specialists in evaluating forests, plantations and wood processing facilities around the world. Their expertise includes resource mapping and remote sensing analysis, wood products and markets, forest and wood processing assets valuation, merger and acquisition due diligence, and bioenergy. While in current and previous employment, the valuation staff of the Independent Valuer have carried out over 500 valuation assignments in more than 20 countries. The valuation team's expertise includes the assessment of forest quantity and condition, the projection of its wood supply capability and estimation of associated cash flows. These provide the primary elements of forest value estimation, which extends to include treatments of land cost, risk and cost of capital. The Independent Valuer have undertaken projects in forest estate modelling and valuation in Oceania, Africa, South and Central America and China. They also remain involved in the development of standards for forest valuation.

After due consideration of the experience and credentials of the Independent Valuer, the directors of the Company are satisfied that the Independent Valuer is competent to determine the valuation of the Group's biological assets. Further, after reasonable enquiry with the directors and the substantial shareholders of the Company, the directors of the Company are satisfied that the Independent Valuer is independent from the directors and substantial shareholders of the Company. For further details of biological assets, please refer to the section "Biological Assets".

Other Net Income

Other net income consists primarily of rental income from operating leases and government grants which are subject to the discretion of the relevant authorities. During the year, other net income decreased significantly by 80.1% to approximately RMB16,579,000 from approximately RMB83,246,000 in 2013. The significant decrease in other net income was primarily attributable to the recognition of net gain of approximately RMB51,394,000 on the resumption of land and assets of Nature (Zhangjiagang) Wood Industry Co., Ltd., a wholly owned subsidiary of the Company, by the Jingang County Government in 2013.

Distribution Costs

Distribution costs consist primarily of advertising and promotion expenses, transportation fees, salaries, wages and other benefits, travelling expenses and other miscellaneous expenses.

Distribution costs for the year was approximately RMB307,659,000, representing an increase of approximately 30.9% from approximately RMB235,099,000 in 2013. The significant increase in distribution costs was primarily attributable to the increase of the delivery costs from rising sales as well as the increase in the cost of advertising and exhibition expenses resulted from the increase in the promotion and marketing activities.

Administrative Expenses

Administrative expenses consist primarily of salaries, wages and other benefits for the administrative staff, audit fee, consulting fee, depreciation, operating lease charges, office expenses and other miscellaneous expenses.

Administrative expenses for the year was approximately RMB193,596,000 representing an increase of approximately 9.6% from approximately RMB176,634,000 in 2013. The increase was primarily attributable to increase staff cost and depreciation resulted from the continued expansion of product portfolio.

Other Operating Expenses

Other operating expenses mainly consist of loss on disposal of a subsidiary and an unlisted equity security, impairment loss for investments in unlisted equity securities and donations.

Net Finance (Costs)/Income

Net finance (costs)/income represent the difference between finance income and finance costs. Finance income consists primarily of interest income on bank deposits and net foreign exchange gain. Finance costs consist primarily of interest expenses on bank loans.

Set forth below are the components of net finance (costs)/income for the years indicated:

	2014 RMB'000	2013 RMB'000	Growth rate %
Net finance (costs)/income			
Finance income	**5,128**	11,792	(56.5)
Finance costs	**(24,764)**	(11,845)	109.1
Total	**(19,636)**	(53)	36,949.1

Finance income for the years ended 31 December 2014 was decreased by 56.5% to approximately RMB5,128,000 as compared to approximately RMB11,792,000 in 2013, primarily attributable to the decrease in the cash and bank balances.

Finance costs for the year increased by 109.1% to approximately RMB24,764,000 as compared to approximately RMB11,845,000 in 2013, was mainly attributable to the increase in finance costs resulted from more bank loans and the increase in foreign exchange loss.

Income Tax

Income tax represents the combination of our current income tax and deferred income tax. The table below sets out income tax in the years indicated:

	2014 RMB'000	2013 RMB'000	Growth rate %
Income tax			
Current	**43,336**	65,652	(34.0)
Deferred	**(9,570)**	4,783	(300.1)
Total	**33,766**	70,435	52.1

Income tax was approximately RMB33,766,000 for the years ended 31 December 2014, representing a decrease of 52.1% from approximately RMB70,435,000 in 2013, which was the total effect of the current income tax to approximately RMB43,336,000 and the deferred tax credit to approximately RMB9,570,000. The decrease in income tax was attributable to decrease in profit before taxation during the year and the certain deferred tax assets being recognised on subsidiaries which made loss in previous years and was turnaround into profitable in current year.

Loss Attributable to Equity Shareholders of the Company for the Year

Resulting from the factors mentioned above, the loss attributable to equity shareholders of the Company for the years ended 31 December 2014 was approximately RMB75,356,000 comparing to the profit attributable to equity shareholders of the Company of approximately RMB138,102,000 in 2013.

CASH FLOW AND LIQUIDITY

Cash Flow

The Group meets its working capital and other capital requirements principally with the following: (i) cash generated from our operations and (ii) proceeds from loans and borrowings. The table below sets out selected cash flow data from our consolidated statements of cash flows.

	2014 RMB'000	2013 RMB'000
Net cash generated from operating activities	**166,542**	9,919
Net cash used in investing activities	**(248,993)**	(98,160)
Net cash generated from/(used in) financing activities	**156,283**	(325,561)
Net increase/(decrease) in cash and cash equivalents	**73,832**	(413,802)
Cash and cash equivalents at the beginning of year	**399,133**	815,706
Effect of foreign exchange rate changes, net	**(216)**	(2,771)
Cash and cash equivalents at the end of the year	**472,749**	399,133

Liquidity

Net current assets and working capital sufficiency

The table below sets out our current assets, current liabilities and net current assets as at the end of the dates indicated.

	At 31 December	
	2014 RMB'000	2013 RMB'000
Current assets		
Inventories	**543,991**	412,633
Trade and bills receivables	**713,201**	692,807
Deposit, prepayment and other receivables	**172,553**	176,275
Financial assets at fair value through profit or loss	**32,500**	—
Pledged deposits	**133,654**	97,878
Cash and cash equivalents	**472,749**	399,133
Total current assets	**2,068,648**	1,778,726
Current liabilities		
Trade and bills payables	**272,018**	141,785
Deposits received, accruals and other payables	**260,836**	174,333
Bank loans	**394,206**	121,202
Income tax payables	**20,096**	22,196
Total current liabilities	**947,156**	459,516
Net current assets	**1,121,492**	1,319,210

As at 31 December 2014, net current assets totaled approximately RMB1,121,492,000 representing 15.0% decreases from approximately RMB1,319,210,000 as at 31 December 2013. The current ratios as at 31 December 2014 and 2013 were 2.2 and 3.9, respectively. The decrease in net current assets and current ratios principally attributable to the increase in bank loans for the acquisition of unlisted equity securities and property, plant and equipment during the year.

Trade and Bills Receivables Analysis

As at 31 December 2014, trade and bills receivables was increased by 2.9% to approximately RMB713,201,000 from approximately RMB692,807,000 as at 31 December 2013. The table below sets out trade and bills receivables as at the end of the dates indicated.

	At 31 December	
	2014	2013
	RMB'000	RMB'000
Trade debtors	**652,760**	568,747
Bills receivables	**91,122**	153,867
Less: allowance for doubtful debts	**(30,681)**	(29,807)
	713,201	692,807

Ageing analysis

As of the end of the reporting year, the ageing analysis of trade debtors and bills receivable, based on the invoice date and net of allowance for doubtful debts, is as follows:

	At 31 December	
	2014	2013
	RMB'000	RMB'000
Within 1 month	**288,306**	173,000
1 to 3 months	**210,447**	225,364
3 to 6 months	**141,551**	205,257
6 to 12 months	**53,077**	49,464
More than 12 months	**19,820**	39,722
Total	**713,201**	692,807

Trade debtors and bills receivable are usually due within 30–180 days from the date of billing.

BIOLOGICAL ASSETS

(a) Reconciliation of carrying amount

	Years ended 31 December	
	2014 RMB'000	2013 RMB'000
As at 1 January	**518,555**	479,247
Change in fair value less estimated costs to sell	**(144,349)**	47,761
Harvested timber transferred to inventories	**(14,005)**	(5,163)
Effect of movements in exchange rate	**1,057**	(3,290)
As at 31 December	**361,258**	518,555

As at 31 December 2014, the Group's biological assets represent the following concession rights:

- harvest standing timber in 46,345 hectares of natural forest in Peru Yurimaguas for a period up to 2045;
- harvest standing timber in 91,754 hectares of natural forest in Peru Sepahua for a period up to 2042;
- harvest standing timber in 4,436 hectares of natural forest in Yunnan Ninglang for a period through the years 2060, 2077 or 2078; and
- harvest standing timber in 3,718 hectares of natural forest in Yunnan Yingjiang for a period through the years 2041 or 2042.

During the year ended 31 December 2014, 38,659 and 16,394 cubic meters of timbers in Peru and Yunnan, respectively were harvested (2013: 31,875 and 4,541 cubic meters).

(b) Measurement of fair values

(i) Fair value hierarchy

The fair value measurement for standing timber has been categorised as Level 3 valuations (fair value measured using significant unobservable inputs) under the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The fair value of the standing timber as at the end of each reporting period and the fair value of harvested timber transferred to inventories during the year were determined by an external independent valuer engaged by the Group. The valuation reports with analysis of changes in fair value measurement are prepared by the valuer at annual reporting date, and are reviewed and approved by the management.

(ii) Level 3 fair values

The following table shows reconciliation from the opening balances to the closing balances for level 3 fair values.

	2014 **RMB'000**	2013 RMB'000
Balance at 1 January	**518,555**	479,247
Harvested timber transferred to inventories	**(14,005)**	(5,163)
Included in "Net change in fair value of biological assets"		
— Change in fair value (unrealised)	**(144,349)**	47,761
Included in other comprehensive income		
— Effect of movements in exchange rate	**1,057**	(3,290)
Balance at 31 December	**361,258**	518,555

During the years ended 31 December 2014 and 2013, there were no transfers into or out of Level 3.

The following table shows the valuation techniques used in measuring fair values, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationship between key inputs and fair value measurement
Discounted cash flow: The valuation model considers the present value of the net cash flows expected to be generated by the standing timber. The cash flow projections include specific estimates for the periods as disclosed in note 14(a). The expected net cash flows are discounted using risk-adjusted discount rates.	Standing timber in Peru Yurimaguas: • Estimated future timber market prices per stere (USD156–USD232) (2013: USD83–USD188) • Estimated yields per hectare (average 14 cubic meters) (2013: 16–29 cubic meters) • Estimated harvest and transportation costs per stere (average USD90) (2013: USD41–USD50) • Risk-adjusted discount rate (12%) (2013: 12%) Standing timber in Peru Sepahua: • Estimated future timber market prices per stere (USD83–USD258) (2013: USD104–USD188) • Estimated yields per hectare (average 30 cubic meters) (2013: 19–42 cubic meters) • Estimated harvest and transportation costs per stere (average USD94) (2013: USD29–USD44) • Risk-adjusted discount rate (12%) (2013: 14%) Standing timber in Yunnan Ninglang: • Estimated future timber market prices per stere (RMB600–RMB1,200) (2013: RMB611–RMB1,188) • Estimated yields per hectare (90–240 cubic meters) (2013: 90–240 cubic meters) • Estimated harvest and transportation costs per stere (RMB363–RMB541) (2013: RMB347–RMB409) • Risk-adjusted discount rate (11.5%) (2013: 11.5%) Standing timber in Yunnan Yingjiang: • Estimated future timber market prices per stere (RMB580–RMB1,050) (2013: RMB400–RMB1,003) • Estimated yields per hectare (average 115 cubic meters) (2013: 140–240 cubic meters) • Estimated harvest and transportation costs per stere (RMB450–RMB583) (2013: RMB355–RMB384) • Risk-adjusted discount rate (11.5%) (2013: 11.5%)	The estimated fair value would increase (decrease) if: • the estimated timber prices per stere were higher (lower); • the estimated yields per hectare were higher (lower); • the estimated harvest and transportation costs were lower (higher); or • the risk-adjusted discount rates were lower (higher).

(c) Legal rights with respect of the Group's biological assets in China and Peru

The PRC laws recognize the following four types of rights with respect of forests in China:

Type of right	Descriptions	Primary permitted activities
Forestry land ownership right	Right to own the forestry land for use as commercial tree plantations	N/A
Forestry land use right	Right to use the forestry land for use as commercial tree plantations	Tree plantation
Forestry tree ownership right	Right to own the trees on a commercial tree plantation	Tree exploitation
Forestry tree use right	Right to use the produce (e.g. fruits) of the trees	Own and use the fruits and products extracted from trees

Pursuant of the relevant forestry resources transfer agreements, the Group has obtained the forestry land use right, forestry tree ownership rights and forestry tree use right for its Yunnan forests. Such rights are valid for a period through 2060, 2077 or 2078 and 2041 or 2042 respectively. With respect to the forestry land ownership right, all of the forestry land in China is either owned by the State or owned by collective organisations, and is not transferable.

Peruvian laws recognise the following four types of rights with respect to forestry concession with timber purposes in Peru:

Type of right	Descriptions	Primary permitted activities
Right to utilize forest products	Forest concessions allow the use of forest resources, processing and marketing	Tree exploitation
Right to own the extracted resources	Right to own the fruits and products extracted	Own and use the fruits and products extracted from trees
Right to use the land	Right to use the lands located within the area under concession	Tree plantation
Right to use other resources	Right to use and benefit from the wildlife and wild flora existing within the area under concession	Conduct ecotourism activities, utilize carbon credits generated by forests

Under the relevant concession agreements, the Group has obtained the right to sustainable use of forestry timber resources, the right to own the resources and right to use the land for its Peru forests (the "Rights"), as long as such use is compatible with the sustainable use of the forestry resources. The Group has obtained approval from Peru government for its current annual operational plan. The Rights in respect to the two parcels of forest land located in Loreto Province, Peru and Ucayali Province, Peru are valid through 2045 and 2042 respectively, and can be exercised within the concession area in accordance with the relevant concession agreements, the general forestry management plan and the annual operational plan approved by the relevant forestry authorities.

The Group's rights in respect of its Yunnan forestry are subject to various regulatory restrictions. For example, the Group is allowed to use the forestry land for related purposes including plantation, cultivation and ecological tourism etc. In addition, the Group is obligated to comply with regulations relating to logging activities and reforestation. For example, the Group shall apply for logging permit before conducting any logging activities. For the year ended 31 December 2014, the Group had obtained logging permit for its forestry land located in Yingjiang, Yunnan. Such permit is valid through December 2014 and the Group had applied for the renewal of logging permit for the year 2015. With respect to its forestry land in Peru, the Group's entitlement of the Rights is subject to the annual operational plan, which must approved by the government before the start of the operating year covered the relevant plan. The Group has obtained approval from Peru government for its current annual operational plan.

(d) The selection of technique on valuations and work done

The manner in which assets are represented in a company's accounts is guided by a set of standards that individually relate to the various asset types. The standard which is specifically relevant to the forest assets is HK IAS41. This has been developed for the reporting of biological assets.

At the original release of the standard, it provided guidance on the methods of valuation that should be employed. In a subsequent initiative, the International Accounting Standards Board has prepared International Financial Reporting Standard 13 (Fair Value). It is intended that this will provide the over-arching specification on how fair value is to be determined across multiple asset classes.

IFRS13's requirements are largely consistent with wider sets of standards prepared by the administrative bodies within the valuation profession.

It is the universally promulgated view that the valuer should begin by considering the three main methods of valuation — Comparable Sales, the Expectation method and the Cost approach. In practice, limitations become apparent in applying either the first of these or the third. It has correspondingly become most common practice to narrow the method of valuing large forest holdings to the Expectation Approach. This involves developing cashflow projections for the subject resources and then discounting these at an appropriate cost of capital (the "discount rate"). The procedure provides a net present value (NPV) for the resource.

In practice, the method is not exclusively confined to the expectation approach; one source of the discount rate is from Implied Discount Rates (IDRs) derived from other forest transaction evidence. IDRs represent a unit of comparison as demonstrated within the Sales Comparison approach.

The Independent Valuer observes the valuation technique that it has applied being widely demonstrated in valuing forest assets internationally. Most importantly, the technique is employed by those buying and selling forest assets. This ensures that it be confidently declared as a basis for assessing "market value".

At 31 December 2014

The Independent Valuer conducted a field inspection of the forest concession assets located in Peru in October 2014. The exercise included an examination of the forest condition and review of associated infrastructure. The Independent Valuer also inspected the Group's processing factories. In respect of the forests located in Yunnan Province, the PRC, The Independent Valuer undertook the field inspection in November 2014. The inspection included example forest blocks that demonstrated the main species and example terrain conditions. The Independent Valuer also visited the local Forest Bureaus and the processing factories where the forests are located.

At 31 December 2013

In respect of the forests located in Peru, the Independent Valuer conducted field inspection of the forest concession assets in November 2013 and inspected the conditions of the forests. The Independent Valuer also inspected recent infrastructure constructions and operations conducted by the Group at the forests as well as the Group's processing factories. In respect of the forests located in Yunnan Province, the PRC, the Independent Valuer undertook field inspection in October 2013, which included inspection of certain forest blocks and the main species growing in the forest blocks. Also, the Independent Valuer visited the local Forest Bureaus and the processing factories where the forests are located.

(e) Sensitivity analysis on changes in material inputs used in the valuation techniques are as follows:

(i) The forests located in Peru at 31 December 2014

With different discount rate:

	At 31 December 2014 Changes on discount rate		At 31 December 2013 Changes on discount rate	
	(2%)	**2%**	(2%)	2%
	Change in value (USD millions)		Change in value (USD millions)	
Peru Yurimaguas	**3.3**	**(2.5)**	2.9	(2.2)
Peru Sepahua	**5.3**	**(4.0)**	5.0	(3.9)

With changes in key assumptions and variables:

	At 31 December 2014 Adjustment to based value		At 31 December 2013 Adjustment to based value	
	(10%)	**10%**	(10%)	10%
	Change in value (USD millions)		Change in value (USD millions)	
Peru Yurimaguas				
Log price	**(4.1)**	**4.1**	(3.5)	3.5
Direct harvesting cost including transportation cost	**1.8**	**(1.8)**	1.2	(1.2)
Peru Sepahua				
Log price	**(7.2)**	**7.2**	(6.1)	6.1
Total cost including harvesting and transportation cost	**3.2**	**(3.2)**	2.7	(2.7)

(ii) The forests located in Yunnan Province, the PRC at 31 December 2014

With different discount rate:

	At 31 December 2014 Changes on discount rate		At 31 December 2013 Changes on discount rate	
	(1%)	**1%**	(1%)	1%
	Change in value (RMB millions)		Change in value (RMB millions)	
Yunnan Ninglang	**2.9**	**(3.5)**	12.0	(10.6)
Yunnan Yingjiang	**2.0**	**(1.9)**	3.7	(3.4)

With changes in key assumptions and variables:

	At 31 December 2014 Adjustment to based value		At 31 December 2013 Adjustment to based value	
	(10%)	**10%**	(10%)	10%
	Change in value (RMB millions)		Change in value (RMB millions)	
Yunnan Ninglang				
Log price	**(5.1)**	**5.1**	(19.2)	19.2
Harvesting cost	**1.1**	**(1.1)**	4.7	(4.7)
Transportation cost	**0.7**	**(0.7)**	2.6	(2.6)
Yunnan Yingjiang				
Log price	**(16.0)**	**16.0**	(18.9)	18.9
Harvesting cost	**5.8**	**(5.8)**	4.8	(4.8)
Transportation cost	**2.4**	**(2.4)**	2.0	(2.0)

CAPITAL MANAGEMENT

The following table presents our adjusted gearing ratio of the Group as at the end of the dates indicated.

	At 31 December 2014 RMB'000	At 31 December 2013 RMB'000
Bank loans and bill payables	**451,445**	135,302
Less: Cash and cash equivalent	**(472,749)**	(399,133)
Pledged deposits	**(133,654)**	(97,878)
Adjusted net assets	**(154,958)**	(361,709)
Total equity attributable to owners of the Company	**2,402,712**	2,503,082
Adjusted gearing ratios	**(0.06)**	(0.14)

Our adjusted gearing ratios, which are derived by dividing adjusted net debt/(assets) by adjusted capital attributable to owners of the Company, were negative 0.06 and negative 0.14 as at 31 December 2014 and 31 December 2013, respectively. Adjusted net debt/(assets) is defined as total debt which includes bills payable, interest bearing loans and borrowings and less cash and cash equivalents and pledged deposits.

CAPITAL EXPENDITURE

Our capital expenditures primarily relate to purchases of property, plant and equipment, lease prepayments, biological assets and intangible assets. Set forth below is our capital expenditure for the year indicated:

	2014 RMB'000	2013 RMB'000
Property, plant and equipment	**174,031**	225,633
Lease prepayment	**65,077**	10,299
Unlisted equity securities	**31,077**	—
Intangible assets	**7,085**	893
Total	**277,270**	236,825

BANK LOANS

(a) An analysis of secured and unsecured bank loans is as follows:

	2014 RMB'000	2013 RMB'000
Current:		
— secured (note (i))	**258,787**	112,454
— unsecured	**135,419**	8,748
	394,206	121,202
Non-current:		
— secured (note (i))	**9,000**	—
	403,206	121,202

Notes:

(i) At the end of the reporting year, secured bank loans were secured by the following assets of the Group:

	At December 2014 RMB'000	2013 RMB'000
Pledged deposits	**73,000**	73,000
Property, plant and equipment	**22,162**	—
Lease prepayments	**71,775**	—
Trade receivables and bills receivable	**205,800**	13,000
Financial assets at fair value through profit or loss	**32,500**	—
	405,237	86,000

(ii) As at 31 December 2014 and 2013, no bank loan was subject to the fulfillment of covenants.

(iii) The unutilized banking facilities as at 31 December 2014 amounted to RMB485,733,000 (31 December 2013: RMB231,274,000).

(b) The following table details the interest rate profile of the Group's total borrowings at the end of the reporting year:

	2014		2013	
	Effective interest rate %	**Carrying amount RMB'000**	Effective interest rate %	Carrying amount RMB'000
Variable rate instruments				
Bank loans	**2.18%**	**162,206**	2.24%	108,202
Fixed rate instruments				
Bank loans	**5.50%**	**241,000**	4.25%	13,000
		403,206		121,202

COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

Capital commitments outstanding at the end of the reporting year not provided for in the consolidated financial statements were as follows:

	At 31 December	
	2014 RMB'000	2013 RMB'000
Contracted for	**52,888**	22,335

(b) Operating lease commitments

The Group leases properties through non-cancellable operating leases. These operating leases do not contain provisions for contingent lease rentals. None of the rental agreements contain escalation provisions that may require higher future rental payments.

At the end of the reporting period, the total future minimum lease payments under operating leases are as follows:

	At 31 December	
	2014 **RMB'000**	2013 RMB'000
Within 1 year	**27,059**	19,136
After 1 year but within 3 years	**38,138**	32,328
After 3 years but within 5 years	**25,517**	22,082
After 5 years	**15,545**	15,278
Total	**106,259**	88,824

The Group leases a number of factory facilities under operating leases. The leases typically run for an initial period of half a year to fourteen years, with an option to renew the lease when all terms are negotiated. None of the leases included contingent rentals.

(c) Financial guarantees issued

At 31 December 2014, bank loans amounted to RMB3,731,000 (2013: RMB7,748,000) was guaranteed by the Company to its subsidiaries.

FOREIGN CURRENCY RISK

The Group's principal activities are carried out in the PRC. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government. The Group is exposed to currency risk primarily arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate and is primarily from the USD denominated liabilities recognized by the subsidiaries in Peru. The currencies giving rise to this risk are primarily United States Dollars ("US$"), Hong Kong Dollars ("HK$"), Macau Pataca ("MOP"), Peruvian Nuevo Sol ("PEN") and Euro ("EUR"). As at 31 December 2014, the cash and cash equivalents held by the Group were primarily in RMB, HK$ and US$, representing 78.8%, 4.0% and 15.0% (2013: 81.9%, 7.5% and 9.2%) of total amounts, respectively. The rest of the amounts were held in MOP, PEN and EUR. On the other hand, as at 31 December 2014, our bank loans were in RMB, HK$, US$ and EUR, representing 62.0%, 36.9%, 0.2% and 0.9% (2013: 11.6%, 82.5%, Nil and 5.9%) of total amount, respectively. The Group may enter into forward foreign exchange contracts to hedge against the exchange rate fluctuation when the exposure is significant.

EMPLOYEES

As at 31 December 2014, the Group had 3,504 employees (at 31 December 2013: 2,502). Relevant staff cost for the years ended 31 December 2014 was approximately RMB234,548,000 (including share option expenses of approximately RMB16,885,000) while our staff cost was approximately RMB185,772,000 (including share option expenses of approximately RMB19,634,000) for 2013. The Group will regularly review remuneration and benefits of its employees accordingly to the relevant market practice and individual performance of the employees. In addition to basic salary, employees are entitled to other benefits including social insurance contribution, employee provident fund schemes and share option schemes.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

The Group did not have any material acquisition or disposal of subsidiaries or associated companies for the year ended 31 December 2014.

SUBSEQUENT EVENTS

On 30 March 2015, the Company entered into an investment agreement, pursuant to which the Company has conditionally agreed to subscribe for 5,500,000 new shares in the share capital of ALNO AG ("ALNO" together with its subsidiaries, the "ALNO Group") at a total subscription price of EUR5,775,000 (equivalent to approximately RMB38,635,000) (the "Subscription"). On the same date, the Company entered into a share purchase agreement pursuant to which the Company has conditionally agreed to purchase 1,375,000 existing shares in the issued share capital of ALNO from Whirlpool Germany GmbH ("Whirlpool"), the largest shareholder of ALNO, at a total consideration of EUR412,500 (equivalent to approximately RMB2,760,000) (the "Acquisition").

ALNO is listed on the Frankfurt Stock Exchange. The ALNO Group is principally engaged in the industrial development, designing, producing and selling of kitchen cabinets and furnitures. With its headquarters located in Pfullendorf, Germany, the ALNO Group has about 6,000 commercial partners in 64 countries.

Upon completion of the Subscription and Acquisition, the Company will hold an aggregate of 6,875,000 shares, representing approximately 9.09% of the enlarged issued share capital of ALNO, and will become the third largest shareholder of ALNO. Whirlpool will remain the largest shareholder of ALNO.

For details please refer to the announcement of the Company dated 30 March 2015.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

In May 2011, the Company's shares were listed on the main board of the Stock Exchange. A total of 388,265,000 shares were issued at HK$2.95 per share for a total of approximately HK$1,145 million. The net proceeds raised from the abovementioned global offering of the Company, which are approximately RMB873.5 million, are and will be used in accordance with the purposes disclosed in the prospectus of the Company dated 16 May 2011. During the year from the date of listing of the Company's shares on the Stock Exchange to 31 December 2014, approximately RMB754.4 million raised from the global offering of the Company was used for the purposes and approximately in the amounts set out below:

(a) Approximately RMB197.1 million was used for strategic merger and acquisition;

(b) Approximately RMB174.7 million was used for the development of existing brands;

(c) Approximately RMB87.3 million was used for working capital and general corporate purpose;

(d) Approximately RMB76.9 million was used for strengthen the distribution network;

(e) Approximately RMB131.1 million was used for the expansion of existing production facilities; and

(f) Approximately RMB87.3 million was used for the expansion of product portfolio.

As at 31 December 2014, approximately RMB119.1 million raised from the global offering remains unused.

FUTURE PLANS FOR MATERIAL INVESTMENTS

Apart from the Subscription and the Acquisition as mentioned in the section headed "subsequent Events" above, the Group is actively seeking other acquisition opportunities to expand its international presence and to further strengthen its products offering in the household products market. As of the date hereof, no other agreements have been entered into by the Group in relation to any such acquisitions.

Biographies of the Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Se Hok Pan (佘學彬), age 55, is the Chairman of the Company and was appointed a Director on 27 July 2007. Mr. Se is a co-founder of the Group. Mr. Se is responsible for formulating overall strategies, planning and business development of the Company, managing and supervising the financial management functions, human resources and sales and marketing of the Company and is instrumental to our growth and business expansion since our establishment in 2004. Mr. Se began his career in the flooring products industry in 1995 and has approximately 20 years of experience in the flooring products industry. Mr. Se holds important positions in influential industry associations. He is currently the vice president of China Forestry Industry Association (中國林業產業協會), and one of the drafters of the China National Standards for Solid Wood Flooring (中國實木地板國家標準) which came into effect in 2009. Mr. Se is also a member of the Gansu Provincial Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議甘肅省委員會) and the vice president of the Industry and Commerce Association of Macau (澳門工商聯會). From 1995 to 2001, Mr. Se served as a general manager at Shunde Daliang Yingbin Wood Furniture Mall (順德市大良區盈彬木器傢俬城). From July 2001 to September 2004, Mr. Se served as a president at Guangdong Yingbin-Nature Wood Industry Co., Ltd. (廣東盈彬大自然木業有限公司). Mr. Se has received numerous high profile awards such as the "Robert A. Mundell World Executive Awards (2004)", "China Forestry Industry Annual Person (2009)" (中國林業產業年度人物) as recognized by China National Forest Products Association (中國林產工業協會) and China Forestry Industry Association (中國林業產業協會) and "The Most Influential Figures in the 15-Year Development of China's Flooring Industry (2010)" (中國地板行業輝煌十五年最具影響力人物獎). Mr. Se is the spouse of Ms. Un Son I, the younger brother of Mr. She Jian Bin and the brother-in-law of Mr. Liang Zhihua. Mr. Se is a director of Freewings Development Co., Ltd., the controlling shareholder of the Company.

Mr. Liang Zhihua (梁志華), age 51, is the President of the Company, the General Manager of the Human Resources Management Department and the Production Department of the Group. Mr. Liang was appointed a Director and the President of the Company with effect from 1 January 2014. Mr. Liang is also a director of certain operating subsidiaries of the Group. Mr. Liang is responsible for the overall management of human resources, the production plants and manufacturing facilities of the Group, such as overseeing the execution of management policies and processes of the production plants of the Group, coordinating the sharing of facilities, raw materials and other resources between production plants, organizing regular plant safety inspections, and development and production of new products. Mr. Liang joined the Group in 2006 and has since held various managerial positions in the general affairs, human resources and production departments as well as the President's Office of the Group. He has nine years of experience in the flooring products industry. Mr. Liang is the brother-in-law of Mr. She Jian Bin, Mr. Se Hok Pan and Ms. Un Son I.

Ms. Un Son I (袁順意), age 49, is a Vice President of the Company and the General Manager of the Supply Chain Management Department of the Group. Ms. Un was appointed a Director on 27 July 2007. Ms. Un is a co-founder of the Group. Ms. Un is responsible for networking and development of relationship with suppliers, procurement control, logistics management and asset management and control to ensure the supply chain operates efficiently. Ms. Un has approximately 20 years of experience in the flooring products industry. Ms. Un is a member of China-ASEAN Organization (中國東盟協會) and vice president of the Industry and Commerce Association of Macau (澳門工商聯會). From 1995 to 2001, Ms. Un served as a deputy general manager and a procurement manager at Shunde Daliang Yingbin Wood Furniture Mall (順德市大良區盈彬木器傢俬城). From July 2001 to September 2004, Ms. Un was a director of president office, a director of human resources and a director of the procurement center at Guangdong Yingbin-Nature Wood Industry Co., Ltd. (廣東盈彬大自然木業有限公司). Ms. Un was awarded as one of the "100 Outstanding Female Entrepreneurs of China" (中國百名傑出女企業家). Ms. Un is the spouse of Mr. Se Hok Pan and the sister-in-law of Mr. She Jian Bin and Mr. Liang Zhihua. Ms. Un is a director of Freewings Development Co., Ltd., a controlling shareholder of the Company.

Mr. She Jian Bin (佘建彬), age 57, is a Vice President of the Company and the General Manager of the Sales and Distribution Department of the Group. Mr. She was appointed a Director on 8 May 2008. Mr. She is responsible for the overall management of the sales and distribution network of the Group, devising and overseeing the execution of our brand building and sales and marketing strategies, analyzing market trends and development, and managing and supervising daily operations of distributors and the Sales and Distribution Department. Mr. She has approximately 27 years of experience in the timber industry and the flooring products industry. Mr. She was a purchasing manager of wood at P.T. Sumber Laris Jaya Manufacturer Timber Industry from 1988 to 1994 and worked at Shunde Daliang Yingbin Wood Furniture Mall (順德市大良區盈彬木器傢俬城) for its production, sales and distribution management from 1995 to 2001. During the period between July 2001 and September 2004, Mr. She served as a director of the sales center at Guangdong Yingbin-Nature Wood Industry Co., Ltd. (廣東盈彬大自然木業有限公司). Mr. She has received "15 Prosperous Years of the China Flooring Industry — Promotion of Industry Development Award" (中國地板行業輝煌十五年傑出行業建設推動獎) in 2010. Mr. She joined the Group in 2004 and has since held various managerial positions in sales and distribution. Mr. She is the elder brother of Mr. Se Hok Pan and the brother-in-law of Ms. Un Son I and Mr. Liang Zhihua.

NON-EXECUTIVE DIRECTORS

Mr. Homer Sun (孫弘), age 44, is a Non-executive Director of the Company. Mr. Sun joined the Board on 8 May 2008. Mr. Sun is currently the Chief Investment Officer of Morgan Stanley Private Equity Asia and leads the China investments for Morgan Stanley Private Equity Asia. Mr. Sun is also a Managing Director of Morgan Stanley Asia Limited and a member of the China Management Committee which is comprised of Morgan Stanley Asia Limited's most senior business leaders within China. He is currently the Non-Executive Director of Sihuan Pharmaceutical Holdings Group Limited (stock code: 460), Tianhe Chemicals Group Limited (stock code: 1619), China XD Plastics Company Limited (a company listed on the NASDAQ stock exchange, ticker: CXDC), Yongye International, Inc. (a company which was previously listed on the NASDAQ stock exchange) and Noah Education Holdings Ltd. (a company which was previously listed on the New York Stock Exchange). Mr. Sun is also serves as vice chairman of Renfang Medical Holdings Ltd.. Mr. Sun was a non-executive director of China Shanshui Cement Group Limited (stock code: 691), a company listed on the Stock Exchange, from 14 June 2008 to 15 October 2013. Mr. Sun joined Morgan Stanley Asia Limited in 2000 prior to which he was a corporate attorney specializing in mergers and acquisitions with Simpson Thacher & Bartlett in New York and Hong Kong from 1996 to 2000. Mr. Sun received a B.S.E. in Chemical Engineering, magna cum laude, from the University of Michigan in 1993 and a J.D, cum laude, from the University of Michigan Law School in 1996.

Mr. Teoh Chun Ming (張振明), age 45, is a Non-executive Director of the Company. Mr. Teoh joined the Group in 2008 and was appointed as the Chief Financial Officer and the Company Secretary on 1 September 2008 and 26 March 2009, respectively. Mr. Teoh was also the Authorised Representative of the Company for the purpose of the Listing Rules and the Companies Ordinance. Mr. Teoh held the positions of Chief Financial Officer, Company Secretary and Authorised Representative of the Company until his appointment as a Non-executive Director of the Company on 1 July 2012. Mr. Teoh is also the investor relations officer of the Company. Mr. Tech is currently an independent non-executive director of EPI (Holdings) Limited (stock code: 689), a company listed on the Stock Exchange and the chief financial officer and company secretary of Joyer HK Company Limited. Mr. Teoh has over 20 years of accounting and finance experience. Prior to joining the Group, Mr. Teoh held senior positions in accounting and finance in various companies listed on the Stock Exchange. Mr. Teoh obtained a master's degree in professional accounting from the Hong Kong Polytechnic University in 2005. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and a member of the Institute of Chartered Accountants in England and Wales.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Professor Li Kwok Cheung, Arthur (李國章), age 70, was appointed as an Independent Non-executive Director on 4 May 2011. Professor Li is currently the deputy chairman of The Bank of East Asia, Limited (Stock Code: 23) and an independent non-executive director of Shangri-La Asia Limited (Stock Code: 69), both being companies listed on the Stock Exchange, a non-executive director of AFFIN Holdings Berhad in Malaysia and BioDiem Ltd. in Australia. Professor Li is also the Chairman and a director of Digital Broadcasting Hong Kong Limited since 20 August 2013. Professor Li was appointed a Member of the Executive Council of Hong Kong Special Administrative Region ("HKSAR"), the Chairman of the Council for Sustainable Development of HKSAR and a Council Member of the University of Hong Kong on 1 July 2012, 1 March 2015 and 20 March 2015 respectively. Professor Li was an independent non-executive director of The Wharf (Holdings) Limited (Stock Code: 4), a company listed on the Stock Exchange, from 1 July 2012 to 16 August 2013. Professor Li is also a member of the National Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議全國委員會). Professor Li served as Professor of Surgery (Founding Chair) in the Department of Surgery of The Chinese University of Hong Kong from 1982 to 2005. In addition, Professor Li was the Dean of the Faculty of Medicine of The Chinese University of Hong Kong from 1992 to 1996 and the Vice-Chancellor of the university from 1996 to 2002. Professor Li was a non-executive director of Glaxo Wellcome plc. from 1997 to 2000. In 2002, Professor Li became Secretary for Education and Manpower as well as a member of the Executive Council of the Hong Kong Special Administrative Region Government and his term ended in June 2007. Prior to 2002, Professor Li was a non-executive director of The Bank of East Asia, Limited, China Mobile Limited, Henderson Cyber Limited and The Wharf (Holdings) Limited. During the same period of time, Professor Li was also the non-executive chairman of Corus and Regal Hotels plc. Professor Li resigned from all these positions in 2002 when he assumed his role as Secretary for Education and Manpower in Hong Kong. Professor Li obtained his medical degree from University of Cambridge in 1969.

Mr. Zhang Sen Lin (張森林), age 67, was appointed as an Independent Non-executive Director on 4 May 2011. Mr. Zhang is currently the consultant to the Chinese National Forest Products Industry Association (中國林產工業協會). Mr. Zhang has over 20 years of experience in forestry. Mr. Zhang was previously the president of Chinese National Forest Products Industry Association (中國林產工業協會), an independent director of Guangdong Yihua Timber Industry Co., Ltd. (廣東宜華木業股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 600978). Mr. Zhang was also an independent director of Sichuan Shengda Forestry Industry Co., Ltd. (四川升達林業產業股份有限公司) (Stock Code: 002259) from 2008 to 2012 and an independent director of Guangdong Weihua Corporation (廣東威華股份有限公司) from 2008 to 2013, both companies being listed on the Shenzhen Stock Exchange. Mr. Zhang also served as the deputy factory manager and acting factory manager of Jiangxi Timber Mill (江西木材廠) and manager of Jiangxi Province Forestry Industry Company (江西省林業工業公司). Mr. Zhang graduated from Nanjing Forestry University (南京林業大學), majoring in forestry industry and qualified as a professor level senior engineer. Mr. Zhang also studied pulp and paper-making technology and management in Georgia Institute of Technology and modern business management from University of Houston in the United States.

Mr. Chan Siu Wing, Raymond (陳兆榮), age 50, was appointed as an Independent Non-executive Director with effect from 4 May 2011. Mr. Chan is currently an independent non-executive director of Quali-Smart Holdings Limited (Stock Code: 1348) and Hong Kong Finance Group Limited (Stock Code: 1273), all of them being companies listed on the Main Board of the Stock Exchange. Mr. Chan also holds the position of independent non-executive director of Phoenitron Holdings Limited (formerly known as Cardlink Technology Group Limited) (Stock Code: 8066), a company listed on the Growth Enterprise Market of the Stock Exchange. Mr. Chan was an executive director of ENM Holdings Limited (Stock Code: 128), a company listed on the Main Board of the Stock Exchange between 2008 and 2014. Mr. Chan has over 21 years of experience in the field of accounting, taxation, finance and trust. Mr. Chan holds a Bachelor of Economics degree from the University of Sydney. Mr. Chan is a certified public accountant of the Hong Kong Institute of Certified Public Accountants and a founding member of the Macau Society of Certified Practising Accountants.

Mr. Ho King Fung, Eric (何敬豐), age 38, was appointed as an Independent Non-executive Director on 4 May 2011. Mr. Ho is a solicitor of the Hong Kong Special Administrative Region and the chairman and executive director of Ample Hope Limited. In Macau, Mr. Ho is also the chairman of P&W Money Changer Limited and Jing Yang Company Limited, and an executive director of Mascargo (Macau) Company Limited. Mr. Ho is a non-executive director of EPI (Holdings) Limited (Stock Code: 689), since 4 April 2013 and subsequently the non-executive chairman since 30 July 2013. Mr. Ho is also a non-executive director of AGTech Holdings Limited (Stock Code: 8279) since 23 May 2013. Both EPI (Holdings) Limited and AGTech Holdings Limited are companies listed on the Stock Exchange. Mr. Ho joined JP Morgan in 2000 as an analyst and worked as a trainee solicitor at Linklaters between 2003 and 2005 and as an associate between 2005 and 2006. Between 2007 and 2010, Mr. Ho worked at Deutsche Bank AG, Hong Kong Branch and his last position held was vice president and head of Hong Kong and Macau Origination. Mr. Ho was a non-executive director of United Energy Group Limited (Stock Code: 467), a company listed on the Stock Exchange, between 2011 and 2012. He is a committee member of the Chinese People's Political Consultative Conference of Beijing (中國人民政治協商會議北京市委員會) and the president of Money Exchangers' Association of Macao. Mr. Ho was also awarded China's Top 10 Economic Talents (十大中華經濟英才) in 2009. Mr. Ho graduated from the University of New South Wales, Australia with Bachelor of Commerce (Finance) and Bachelor of Laws degrees.

ALTERNATE DIRECTOR

Mr. Law Wing Cheung, Ryan (羅永祥), age 40, was appointed as an alternate director to Mr. Homer Sun, a non-executive director of the Company since 26 March 2013. Mr. Law is a Managing Director of Morgan Stanley Asia Limited. He is currently the Non-Executive Director of Noah Education Holdings Ltd. (a company which was previously listed on the New York Stock Exchange) and Renfang Medical Holdings Ltd.. Mr. Law focuses on private equity transactions for Morgan Stanley Private Equity Asia in China. Mr. Law joined Morgan Stanley in 1998 and worked in Morgan Stanley's Investment Banking Division and Morgan Stanley Principal Investments for 10 years before departing in 2008. Prior to rejoining Morgan Stanley in 2012, Mr. Law was with Mount Kellett Capital and founded GCL Capital. Mr. Law has been focusing on private equity transactions in China since 2006. Mr. Law received a Bachelor of Arts degree in Economics from the University of Chicago.

SENIOR MANAGEMENT

Mr. Tsang Chun Yiu (曾春曜), age 45, is the Chief Financial Officer and Company Secretary of the Company. Mr. Tsang joined the Group on 8 August 2011. Mr. Tsang is responsible for developing the financial strategies of the Group. Mr. Tsang also participates in the formulation of major investment plans of the Group, provides financial advice for the Group and oversees the Group's company secretarial matters.

Mr. Tsang has more than 20 years of extensive experience in finance and accounting, direct investment and equity capital markets operations. Prior to joining the Group, Mr. Tsang was the Chief Financial Officer and Associate Director of Strategic Investment of Brightoil Petroleum (Holdings) Limited (a company listed on the Stock Exchange, stock code: 933) from 2008 to 2009. Before that, Mr. Tsang was the Accounting Manager, Chief Financial Officer, Director and Consultant of Sunstar Investment (H.K.) Limited, a private equity investment company, from 1997 to 2008. Mr. Tsang served as the Group Accounts Manager of Top Form International Limited (a company listed on the Stock Exchange, stock code: 333) from 1996 to 1997. From 1995 to 1996, Mr. Tsang was the Accountant and Financial Controller of Benetton (Far East) Limited, a wholly owned subsidiary of Benetton Group S.p.A. In addition, Mr. Tsang has previously served on the Board of Directors and as a Committee Member of the Strategy and Investment Committee of Shanghai Zijiang Enterprise Group Company Limited (a company listed on the Shanghai Stock Exchange, stock code: 600210) between 1999 and 2006. Mr. Tsang is a Certified Public Accountant in Hong Kong, a Chartered Accountant in England and Wales and a Hong Kong Registered Financial Planner. Mr. Tsang graduated with a Master of Science Degree in Project Management from Curtin University of Technology, Australia.

Mr. Yang Weiming (楊偉明), age 50, is the Chief Operating Officer of the Group. He is responsible for the day-to-day management of the Group's business operation. Mr. Yang obtained a bachelor's degree in the Forest Product Engineering Department in the Northeast Forestry University (東北林業大學林產工業系) in 1987 and was granted the title of Wood Processing Engineer (木材加工工程師職稱) in 1992. Mr. Yang served as the factory manager of the Laminated Flooring Manufactory of our Group in 2004 and the General Manager of the Laminated Flooring Department in 2006, and then took up various positions in the Marketing Department. Prior to his appointment as Chief Operating Officer of the Group, he was the General Manager of the Wooden door business Department of the Group. He has extensive experience in production and marketing management.

Mr. Lin Hao (林皓), age 43, is the General Manager of the Flooring Department of the Group. Mr. Lin is responsible for the operational and sales management of the flooring business. Mr. Lin has over ten years of experience in sales and marketing. Mr. Lin joined our Group in 2008 and had served as the assistant to the Chairman and director of brand management centre of our Group. Before joining our Group, Mr. Lin was a director of the brand center, a director of the sales center and a vice president of the brand committee of Guangdong Yingbin-Nature Wood Industry Co., Ltd. (廣東盈彬大自然木業有限公司) from August 2001 to December 2007. Mr. Lin graduated from the Faculty of Chinese of the Jianghan University (江漢大學) in 1992.

Mr. Fang Ren (方韌), age 35, the General Manager of Forest Operations Department of the Group. Mr. Fang is responsible for the overall business operations of the Group's forest operations. Mr. Fang joined the Group in 2009 and had served as Assistant to the Chairman, Manager of Corporate Social Responsibility and Manager of Investment Department of the Group. Mr. Fang has over five years of experience in management of wood business. Mr. Fang holds a bachelor's degree in English translation and a master's degree in foreign languages and applied language studies from Guangdong University of Foreign Studies.

Mr. Hu Zaoqi (胡造奇), aged 40, is the general manager of the Wooden Door Division and General Brand Management Division of the Group, responsible for operating the business of wooden doors and managing the brand of the Group. Mr. Hu graduated with a bachelor's degree in journalism from Wuhan University. He worked as the general manager of the Brand Management Center of the Group from 2004 through 2006. From 2007 to 2014, he served as the executive vice president and managing director of two Chinese flooring enterprises respectively. Mr. Hu Zaoqi has 15 years of work experience in brand management, marketing management and corporate operation.

Mr. Zhu Hongyao (朱宏耀), age 48, is the General Manager of Division of Internation Operation and Division of Decoration Projects of the Group. Mr. Zhu joined the Group in 2012 and is responsible for managing the overseas sales and distribution network as well as conducting promotion and advertising activities for the Group's products in overseas markets. Mr. Zhu also takes charge of the Group's flooring decoration project business. Mr. Zhu has gained over 18 years and 22 years of experience in flooring industry and timber industry respectively, while successively working for a number of large-scale PRC flooring enterprises. Mr. Zhu is now the Vice President of Sichuan Marketing Association. He graduated from the College of Economics of Sichuan University and holds an EMBA from the Southwestern University of Finance and Economics.

Corporate Governance Report

The Company is committed to achieving high standards of corporate governance by focusing on principles of integrity, accountability, transparency, independence, responsibility and fairness. The Company has developed and implemented sound governance policies and measures. The Board will continue to review and monitor the corporate governance of the Company with reference to the Corporate Governance Code (the "Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") so as to maintain a high standard of corporate governance of the Company.

During the year ended 31 December 2014, the Company has complied with the applicable code provisions of the Code.

BOARD OF DIRECTORS

The Board is charged with promoting the success of the Company by directing and supervising its affairs. The Board has general powers for the management and conduct of the Company's business. The day-to-day operations and management are delegated by the Board to the management of the Company, who will implement the strategy and direction as determined by the Board.

The Board of the Company currently consists of ten directors, namely Mr. Se Hok Pan (Chairman), Mr. Liang Zhihua (President), Ms. Un Son I and Mr. She Jian Bin as executive directors, Mr. Homer Sun (with Mr. Law Wing Cheung, Ryan as his alternate) and Mr. Teoh Chun Ming as non-executive directors and Professor Li Kwok Cheung, Arthur, Mr. Zhang Sen Lin, Mr. Chan Siu Wing, Raymond and Mr. Ho King Fung, Eric as independent non-executive Directors. The Board has a balance of skills and experience appropriate for the requirements of the business of the Company.

The biographies of the Directors which include relationships between Board members are set out on pages 29 to 34 of this annual report.

Each of the executive directors, namely Mr. Se Hok Pan, Mr. Liang Zhihua, Ms. Un Son I and Mr. She Jian Bin has entered into a service contract with the Company for a fixed period of three years from 1 January 2014. Each of the independent non-executive directors, namely Professor Li Kwok Cheung, Arthur, Mr. Zhang Sen Lin, Mr. Chan Siu Wing, Raymond and Mr. Ho King Fung, Eric was appointed under a formal letter of appointment with the Company for a fixed term of three years commencing on 4 May 2014. Mr. Homer Sun (a non-executive director) was appointed under a formal letter of appointment with the Company with no fixed term. Mr. Teoh Chun Ming (a non-executive director) was appointed under a formal letter of appointment with the Company for a term of three years commencing on 1 July 2012. Notwithstanding the above, all Directors, including the non-executive directors, are subject to retirement by rotation at least once every three years in accordance with the Listing Rules and the articles of association of the Company. A retiring director is eligible for re-election.

The remuneration of the Directors is determined with reference to their duties, responsibilities and experience, and to prevailing market conditions. Details of the remuneration of the Directors for 2014 are set out in note 7 to the financial statements.

During the year ended 31 December 2014, the Company has four independent non-executive directors, which number exceeds the minimum requirement of the Listing Rules that the number of independent non-executive directors must represent at least one-third of the Board.

The Company has received a written confirmation of independence from each of the independent non-executive directors, and considers them to be independent.

Directors have access to the services of the Company Secretary to ensure that the Board procedures are followed. The Company Secretary of the Company is Mr. Tsang Chun Yin, who has been appointed as the Company Secretary of the Company following the resignation of Mr. Teoh Chun Ming from the position of Company Secretary upon Mr. Teoh's appointment as non-executive director of the Company on 1 July 2012. Mr. Tsang is also the Chief Financial Officer of the Group. Mr. Tsang has attained not less than 15 hours of relevant professional training during the year ended 31 December 2014.

DIRECTORS' ATTENDANCE RECORDS

Board meetings are held at least four times a year at approximately quarterly intervals and on other occasions when necessary. Details of directors' attendance at the meetings of the Board, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee held during the year ended 31 December 2014 are set out in the following table:

Directors	Number of meetings attended/held during the year ended 31 December 2014				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Corporate Governance Committee
Executive Directors					
Mr. Se Hok Pan *(Chairman)*	4/4	—	—	1/1	1/1
Mr. Liang Zhihua	3/4	—	—	—	—
Ms. Un Son I	4/4	—	—	—	—
Mr. She Jian Bin	4/4	—	—	—	—
Non-executive Directors					
Mr. Homer Sun	3/4	—	—	—	—
Mr. Teoh Chun Ming	4/4	—	—	—	1/1
Independent non-executive Directors					
Professor Li Kwok Cheung, Arthur	3/4	—	1/1	—	—
Mr. Zhang Sen Lin	4/4	1/1	1/1	—	—
Mr. Chan Siu Wing, Raymond	4/4	1/1	—	1/1	—
Mr. Ho King Fung, Eric	3/4	1/1	1/1	1/1	1/1

Mr. Se Hok Pan, Ms Un Son I, Mr. Zhang Sen Lin and Mr. Chan Siu Wing, Raymond have attended the annual general meeting of the Company held on 29 May 2014.

DIRECTORS' INDUCTION AND PROFESSIONAL DEVELOPMENT

On appointment to the Board, each Director receives a comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

The Directors are regularly updated and apprised of the amendments to or updates on the relevant laws, rules, regulations and guidelines, particularly the effects of such new or amended laws, rules, regulations and guidelines on directors specifically, and the Company and the Group generally. On an ongoing basis Directors are encouraged to keep up to date on all matters relevant to the Group and attend briefings, seminars and relevant training courses as appropriate.

The Directors are requested to provide the Company with their respective training record pursuant to the new requirement of the Code on continuous professional development. During the year ended 31 December 2014, all Directors have participated in appropriate continuous professional development activities by way of attending training sessions, conferences and seminars or reading materials relevant to the Company's business, directors' duties and responsibilities, corporate governance and recent amendments to the Listing Rules.

BOARD COMMITTEES

The Company currently has five principal Board committees, which are the Audit Committee, the Remuneration Committee, the Nomination Committee, the Corporate Governance Committee and the Executive Committee. The Audit Committee, the Remuneration Committee and the Executive Committee were established on 3 May 2011, while the Nomination Committee and the Corporate Governance Committee were established on 28 November 2011.

Each of the Board committees operates under its terms of reference. The terms of reference of the Board committees are available on the websites of the Company and the Stock Exchange.

Audit Committee

Membership

The Audit Committee currently has three members, namely Mr. Chan Siu Wing, Raymond (Chairman), Mr. Zhang Sen Lin and Mr. Ho King Fung, Eric, all of whom are independent non-executive directors.

Mr. Chan Siu Wing, Raymond, who is a certified public accountant of the Hong Kong Institute of Certified Public Accountants, a certified practising accountant of the Australian Society of Certified Practising Accountants, and a founding member of the Macau Society of Certified Practising Accountants, has the appropriate professional qualifications to lead and chair the Audit Committee.

Responsibilities and work done

The primary responsibilities of the Audit Committee are to assist the Board in providing an independent view of the effectiveness of the Company's financial reporting process, internal control and risk management system, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

The work performed by the Audit Committee during year ended 31 December 2014 is as follows:

- reviewed the annual report and the annual results announcement of the Company for the year ended 31 December 2013;
- reviewed the interim report and the interim results announcement of the Company for the six months ended 30 June 2014;
- reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function; and
- reviewed the internal control practices of the Group.

Remuneration Committee

Membership

The Remuneration Committee currently has three members, namely Professor Li Kwok Cheung, Arthur (Chairman), Mr. Zhang Sen Lin and Mr. Ho King Fung, Eric, all of whom are independent non-executive directors.

Responsibilities and work done

The Remuneration Committee has adopted the model described in code provision B.1.2(c)(ii) of the Code in its terms of reference. It will make recommendations to the Board on the remuneration packages for individual executive directors and senior management, with the Board retaining the final authority to approve such remuneration packages. The other principal responsibilities of the Remuneration Committee include (i) making recommendations to the Board on the Company's policy and structure for all directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; (ii) making recommendations to the Board on the remuneration of the non-executive directors; and (iii) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives.

The work performed by the Remuneration Committee during the year ended 31 December 2014 is as follows:

— reviewed and approved the remuneration package of the directors and senior management of the Company.

For the year ended 31 December 2014, the remuneration payable to senior management (excluding directors) fell within the following bands:

Nil to RMB1,000,000	3
RMB1,000,001 to RMB2,000,000	2
RMB3,000,001 to RMB4,000,000	1

Further details of the remuneration of the Directors and the five highest paid employees are set out in notes 7 and 8 to the financial statements.

Nomination Committee

Membership

The Nomination Committee currently has three members, namely Mr. Se Hok Pan (Chairman), Mr. Chan Siu Wing, Raymond and Mr. Ho King Fung, Eric. A majority of the members of the Nomination Committee are independent non-executive directors. Mr. Se Hok Pan, the chairman of the Nomination Committee, is the Chairman and an executive director of the Company.

Responsibilities and work done

The Nomination Committee is responsible for reviewing and assessing the composition of the Board and the independence of the independent non-executive Directors and making recommendations to the Board on appointment and removal of Directors. In recommending candidates for appointment to the Board, the Nomination Committee will consider candidates on merit against objective criteria and with due regards to the benefits of diversity on the Board. Diversity of the Board will be considered from a number of perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, and length of services and time to be devoted as a director. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. As there has been no change to the Board composition during the year ended 31 December 2014, the Board has not dealt with or considered nomination of director during the year.

The work performed by the Nomination Committee during the year ended 31 December 2014 is as follows:

— reviewed the structure, size and composition of the Board;

— assessed the independence of independent non-executive directors of the Company.

Corporate Governance Committee

Membership

The Corporate Governance Committee currently has three members, namely Mr. Se Hok Pan (Chairman), Mr. Ho King Fung, Eric and Mr. Teoh Chun Ming. Mr. Se Hok Pan is the Chairman and an executive director of the Company. Mr. Ho King Fung, Eric is an independent non-executive director and Mr. Teoh Chun Ming is a non-executive director of the Company.

Responsibilities and work done

The primary responsibilities of the Corporate Governance Committee include, among other things, developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board, and reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements, and reviewing the Company's compliance with the Code.

The work performed by the Corporate Governance Committee during the year ended 31 December 2014 is as follows:

— reviewed and monitored the training and continuous professional development of directors and senior management;

— reviewed the Company's compliance with the Code.

Executive Committee

Membership

The Executive Committee currently has two executive directors, namely Mr. Se Hok Pan (Chairman) and Ms. Un Son I.

Responsibilities and work done

The principal responsibilities of the Executive Committee include (i) implementing the business plan and company strategies as approved by the Board and developing specific implementation plan; and (ii) monitoring and overseeing the implementation of the budget as approved by the Board. During the year ended 31 December 2014, the Executive Committee has duly performed its responsibilities and contributed to the business development of the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. All directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code throughout the year ended 31 December 2014.

EXTERNAL AUDITORS

KPMG are appointed as the external auditors of the Company.

For the year ended 31 December 2014, the fees paid to KPMG for the audit and interim review of the financial statements of the Group are RMB3.5 million.

KPMG did not provide any non-audit services to the Group in the year.

ACCOUNTABILITY AND AUDIT

The Directors are responsible for overseeing the preparation of the financial statements which give a true and fair view of the state of affairs of the Group and of the results and cash flow during the reporting period. A statement from the auditors about their reporting responsibilities on the financial statements is set out on page 59 of this annual report. In preparing the financial statements for the year ended 31 December 2014, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis.

The Board has further reviewed the effectiveness of the internal control system of the Group to ensure that a sound system is maintained and operated by the management in compliance with the agreed procedures and standards. In particular, the Board considered the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

SHAREHOLDERS

The Company is incorporated in the Cayman Islands. Pursuant to the articles of association of the Company, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company may, by written requisition to the Board or the Company Secretary, require an extraordinary general meeting to be convened by the Board for the transaction of any business specified in such requisition. The written requisition shall be deposited at the Company's principal place of business at Suite 2601, 26/F., Tower 2, The Gateway, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong, marked for the attention of the Company Secretary. The general meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Pursuant to Article 85 of the articles of association of the Company, if a shareholder wishes to propose a person other than a retiring Director for election as a Director at any general meeting (including the annual general meeting), the shareholder should lodge a written notice at the registered office or the head office of the Company in the period commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, provided that such period shall be at least seven days. Such written notice must be accompanied by a notice signed by the person to be proposed of his willingness to be elected as a Director.

Enquiries may be put to the Board by contacting the Company's Investor Relations Department through shareholders' hotline (852) 2858 6665, email at info@nature-hk.hk or directly by raising the questions at an annual general meeting or extraordinary general meeting.

The Board recognizes the importance of good communications with all shareholders. The Company's annual general meeting is a valuable forum for the Board to communicate directly with the shareholders. During the year ended 31 December 2014, the Company convened and held the 2014 annual general meeting on 29 May 2014. The Chairman of the Board as well as Chairmen of the Audit, Remuneration, Nomination and Corporate Governance Committees (or their duly appointed delegates) together with the external auditor are present to answer shareholders' questions. An annual general meeting circular which sets out relevant information of the proposed resolutions is distributed to all shareholders at least 20 clear business days before the annual general meeting. For the 2014 annual general meeting of the Company, the Chairman of the meeting demanded that all resolutions proposed at the meeting to be passed by poll. The procedures for conducting a poll were explained at the meeting. A total of seven ordinary resolutions, including considering the audited financial statements and the Reports of the Directors and Auditors for the year ended 31 December 2013 and approving the declaration of the final dividend for the year ended 31 December 2013, the re-election of directors, the re-appointment of the external auditors of the Company and the granting of general mandates to the directors to repurchase and to issue shares of the Company were passed at the 2014 annual general meeting. The results of the poll were published on the websites of the Company and the Stock Exchange. The 2015 annual general meeting of the Company will be held at Xiamen Suites I-II, 3/F Prince Hotel, Harbour City, Kowloon, Hong Kong on 28 May 2015 at 11:30 a.m..

During the year ended 31 December 2014, there has not been any change in the Company's memorandum and articles of association. The Company's memorandum and articles of association are available on the websites of the Company and the Stock Exchange.

Report of the Directors

The board of directors of the Company (the "Board") is pleased to present its report together with the audited financial statements of the Company and its subsidiaries (collectively, the "Group"), for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (together, the "Group") is the manufacturing and sale of flooring products as well as the trading of timber and flooring products. The principal activities of the Company's major subsidiaries are set out in Note 15(a) to the financial statements.

RESULTS

The results of the Group for the year ended 31 December 2014 are set out in Consolidated Income Statement to the financial statements.

FINAL DIVIDEND

The Board recommends the declaration and payment of a final dividend of HK1.4 cents out of the share premium account of the Company, the amount standing to the credit of which was RMB1,126,254,000 as at 31 December 2014 based on the audited consolidated financial statements of the Company as at that date (the "Share Premium Account"), per ordinary share for the year ended 31 December 2014.

The payment of the final dividend out of the Share Premium Account is conditional upon the satisfaction of the following conditions:

(a) the passing of an ordinary resolution by the Shareholders declaring and approving the payment of the final dividend out of the Share Premium Account pursuant to Article 134 of the Articles of Association; and

(b) the Directors being satisfied that there are no reasonable grounds for believing that the Company is, immediately following the date on which the final dividend is paid, unable to pay its debts as they fall due in the ordinary course of business.

Subject to the fulfilment of the above conditions, it is expected that the final dividend will be paid in cash on or about 16 June 2015 to the shareholders whose names appear on the register of members of the Company at close of business on 9 June 2015, being the record date for determination of entitlements to the final dividend.

The conditions set out above cannot be waived. If the conditions set out above are not satisfied, the final dividend will not be paid.

Reasons for and Effect of the Payment of Final Dividend out of Share Premium Account

As the business and operations of the Group have generated positive retained earnings and cash flow, the Board considers it appropriate to distribute the final dividend in recognition of Shareholders' support.

The Company is a holding company and a significant part of the Group's business is carried out through operating subsidiaries of the Company at which level earnings are retained. As such, the Company may not have sufficient retained earnings to pay the final dividend at the holding company level. In addition, despite the fact that the Company recorded a loss for the year ended 31 December 2014, the loss was mainly due to recognition of the net decrease in fair value of the Group's biological assets which is non-cash in nature and has no effect on the cash flow of the Group.

Having taken into account a number of factors including cash flow and financial condition of the Company, the Board considers it appropriate and proposes that final dividend be paid out of the Company's Share Premium Account in accordance with Article 134 of the Articles of Association and the Cayman Companies Law. The Board considers such an arrangement to be in the interests of the Company and its Shareholders as a whole.

The Board believes that the payment of the final dividend will not have any material adverse effect on the financial position of the Group and does not involve any reduction in the authorized or issued share capital of the Company or reduction in the nominal value of the Shares or result in any change in the trading arrangements in respect of the Shares.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 5 June 2015 to 9 June 2015 (both days inclusive), during which period no transfer of shares in the Company will be effected. In order to qualify for the proposed 2014 final dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on 4 June 2015. The 2014 final dividend is subject to the approval of shareholders at the forthcoming annual general meeting, and if approved, will be payable on or about 16 June 2015 to shareholders on the register of members of the Company on 9 June 2015.

SUBSIDIARIES

Particulars of the Company's major subsidiaries as at 31 December 2014 are set out in Note 15(a) to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in Note 11 to the financial statements.

SHARE CAPITAL AND SHARE OPTION SCHEMES

Details of the Company's share capital and share option schemes are set out in Note 28 and Note 26 to the financial statements and the paragraph headed "Share Option Schemes" below, respectively.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and Note 29 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2014, the Company's distributable reserves calculated under the Companies Law of the Cayman Islands comprise the share premium, other reserves and accumulated losses totaling approximately HKD1,672,000,000 (equivalent to RMB1,314,000,000).

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 139 to 140 of this annual report.

BANK AND OTHER LOANS

Particulars of bank and other loans of the Group as at 31 December 2014 are set out in Note 25 to the financial statements.

DIRECTORS

The directors of the Company during the year were:

Executive Directors

Mr. Se Hok Pan *(Chairman)*
Mr. Liang Zhihua *(President)*
Ms. Un Son I
Mr. She Jan Bin

Non-executive Directors

Mr. Homer Sun
Mr. Teoh Chun Ming

Independent Non-executive Directors

Professor Li Kwok Cheung, Arthur
Mr. Zhang Sen Lin
Mr. Chan Siu Wing, Raymond
Mr. Ho King Fung, Eric

Alternate Director

Mr. Law Wing Cheung, Ryan
(alternate director to Mr. Homer Sun)

In accordance with Article 84 of the articles of association of the Company, Mr. She Jian Bin, Mr. Teoh Chun Ming, Mr. Zheng Sin Lin and Mr. Ho King Fung, Eric shall retire by rotation at the forthcoming annual general meeting and they, being eligible, offer themselves for re-election.

None of the directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

The Company has received an annual confirmation from each of the independent non-executive directors as regards their independence to the Company, and considers them to be independent.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2014, the interests and short positions of the Directors or the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") were as follows:

	Number of shares held			
Name of Director	Personal Interest	Corporate Interest	Total	Percentage of shareholding
Mr. Se Hok Pan	25,900,000 1,500,000 (Note 1) 27,400,000	654,255,730 (Note 2)	681,655,730	46.43%
Mr. Liang Zhihua	22,576,780 (Note 1)	Nil	22,576,780	1.54%
Ms. Un Son I	1,500,000 (Note 1)	654,255,730 (Note 2)	655,755,730	44.66%
Mr. She Jian Bin	1,500,000 (Note 1)	Nil	1,500,000	0.10%
Mr. Teoh Chun Ming	4,677,900 (Note 3)	Nil	4,677,900	0.32%
Professor Li Kwok Cheung, Arthur	1,000,000 (Note 1)	Nil	1,000,000	0.07%
Mr. Zhang Sen Lin	1,000,000 (Note 1)	Nil	1,000,000	0.07%
Mr. Chan Siu Wing, Raymond	1,000,000 (Note 1)	Nil	1,000,000	0.07%
Mr. Ho King Fung, Eric	1,000,000 (Note 1)	Nil	1,000,000	0.07%

Notes:

1. These interests represent the options granted to the directors pursuant to the terms of the Share Option Scheme adopted by the Company, which entitle the directors to subscribe for shares of the Company. Details of such options are disclosed under the paragraph headed "Share Option Schemes" below.

2. Amongst these 654,255,730 shares, 653,855,730 shares are owned by Freewings Development Co., Ltd. and 400,000 shares are owned by Loyal Winner Limited. Freewings Development Co., Ltd. is a private company owned by Team One Investments Limited as to 60.19% and Trader World Limited as to 39.81%. Team One Investments Limited and Trader World Limited are wholly-owned by Mr. Se Hok Pan and Ms. Un Son I, respectively. Loyal Winner Limited is a private company beneficially owned as to 50% by Mr. Se Hok Pan and 50% by Ms. Un Son I. Ms. Un Son I is the spouse of Mr. Se Hok Pan.

3. These interests represent the options granted to Mr. Teoh pursuant to the terms of the Pre-IPO Share Option Scheme and the Share Option Scheme adopted by the Company, which entitle him to subscribe for shares of the Company. Details of such options are disclosed under the paragraph headed "Share Option Schemes" below.

4. All interest stated are long positions.

SHARE OPTION SCHEMES

Pre-IPO Share Option Scheme

On 16 December 2008, a Pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") of the Company was approved and adopted by the shareholders of the Company. The rules of the Pre-IPO Share Option Scheme were subsequently amended pursuant to a written resolution passed by our then shareholders on 30 June 2010 and a written resolution of the Board on 26 April 2011. The purpose of the Pre-IPO Share Option Scheme is to incentivize and reward the eligible persons for their contribution to the Group and to align their interests with that of the Company so as to encourage them to work towards enhancing the value of the Company. Eligible persons of the Pre-IPO Share Option Scheme include all employees (full-time or part-time) of the Company or any of its subsidiaries or investee companies.

As at 31 December 2014, the maximum number of shares that may be issued pursuant to the options granted and outstanding under the Pre-IPO Share Option Scheme is 27,002,610 shares, representing approximately 1.84% of the issued share capital of the Company as at the date of this report.

Subject to the satisfactory performance of the participants of the Pre-IPO Share Option Scheme, the options granted to each of the participants shall be vested in accordance with the following schedule:

For options granted on 17 December 2008

Vesting period	Maximum cumulative percentage of options vested
30 December 2008	10%
30 December 2009	20%
30 December of the year of the Listing Date (Being 26 May 2011)	40%
30 December of the year 12 months from the Listing Date	70%
30 December of the year 24 months from the Listing Date	100%

For options granted on 1 July 2010

Vesting period	Maximum cumulative percentage of options vested
30 December 2010	20%
30 December of the year of the Listing Date	40%
30 December of the year 12 months from the Listing Date	70%
30 December of the year 24 months from the Listing Date	100%

Each option granted under the Pre-IPO Share Option Scheme has a ten-year exercise period provided that none of the options (whether they are vested or not) shall be exercisable before the expiry of 18 months from the Listing Date.

The exercise price per share for options granted under the Pre-IPO Share Option Scheme was determined by the Board with reference to the then fair market price per share as determined by an independent valuer appointed by the Company, which shall be subject to adjustment in the event of any alteration to the capital structure of the Company. The consideration payable for the acceptance of each grant of options under the Pre-IPO Share Option Scheme was HK$1.00 (or the equivalent amount in RMB). Details of the share options movements during the year ended 31 December 2014 under the Pre-IPO Share Option Scheme are as follows:

Category of participants	Date of Grant	Exercise period	Exercise price per share	No. of Shares involved in the options outstanding at the beginning of the period	Exercised during the period	Lapsed during the period	No. of Shares involved in the options outstanding at period end
Director of the Company							
Teoh Chun Ming	17/12/2008	17/12/2008–16/12/2018	HK$2.35	1,677,900	—	—	1,677,900
	1/7/2010	1/7/2010–30/6/2020	HK$3.38	1,500,000	—	—	1,500,000
Liang Zhihua	17/12/2008	17/12/2008–16/12/2018	HK$2.35	576,780	—	—	576,780
	1/7/2010	1/7/2010–30/6/2020	HK$3.38	7,000,000	—	—	7,000,000
Former Director of the Company							
Nam Cheung Ming	17/12/2008	17/12/2008–16/12/2018	HK$2.35	1,887,640	—	—	1,887,640
Employees							
Employees	17/12/2008	17/12/2008–16/12/2018	HK$2.35	11,185,700	—	325,410	10,860,290
	1/7/2010	1/7/2010–30/6/2020	HK$3.38	3,500,000	—	—	3,500,000
Total				27,328,020	—	325,410	27,002,610

No option under the Pre-IPO Share Option Scheme has been granted or cancelled during the year ended 31 December 2014. No further option has been or will be granted under the Pre-IPO Share Option Scheme after the listing of the Company.

Share Option Scheme

The Company has also adopted a share option scheme on 3 May 2011 (the "Share Option Scheme"), the purpose of which is to incentivize and reward eligible persons for their contribution to the Group and to align their interests with that of the Company so as to encourage them to work towards enhancing the value of the Company. The rules of the Share Option Scheme were subsequently amended pursuant to a resolution of the Board on 28 November 2011. The Share Option Scheme shall be valid and effective for a period of 10 years commencing on the Listing Date, after which period no further options will be granted but the provisions of the Share Option Scheme will remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto. Eligible persons under the Share Option Scheme include, among others, employees, directors, customers, business or joint venture partners, advisors, consultant, contractor, suppliers, agents or service providers of the Group and their respective full-time employees.

The maximum number of shares which may be issued upon exercise of all options that are or may be granted under the Share Option Scheme and the Pre-IPO Share Option Scheme equals to 10% of the shares in issue as at the Listing Date. Options lapsed or cancelled in accordance with the terms of the Pre-IPO Share Option Scheme or the Share Option Scheme will not be counted for the purpose of calculating this 10% limit.

As at 31 December 2014, the total number of shares which may be issued on the exercise of options to be granted under the Share Option Scheme is 122,331,389, representing approximately 8.33% of the issued share capital of the Company as at the date of this report. In addition, no options shall be granted under the Share Option Scheme to any eligible person which, if exercised, would result in such eligible person becoming entitled to subscribe for such number of shares as, when aggregated with the total number of shares already issued or to be issued to him under all options granted to him (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of offer, exceeds 1% of the shares in issue at such date.

An option granted under the Share Option Scheme shall be subject to such terms and conditions (if any) as may be determined by the Board at the date of offer and specified in the offer. Such terms and conditions may include a minimum period for which any option must be held before it can be exercised and/or any performance target which need to be achieved by an option-holder before the option can be exercised.

The exercise price in respect of any option granted under the Share Option Scheme shall be such price as determined by the Board and notified to an option-holder and which shall not be less than the higher of:

(i) the closing price of the shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on the date of offer;

(ii) the average closing price of the shares on the Stock Exchange as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer; and

(iii) the nominal value of the shares.

An amount of HK$1.00 is payable upon acceptance of the grant of options.

Details of the share options movements during the year ended 31 December 2014 under the Share Option Scheme are as follows:

Category of participants	Date of Grant	No. of shares involved in the options outstanding at the beginning of the year	Exercised during the year	Lapsed during the year	Granted during the year	No. of shares involved in the options outstanding at year end
Directors						
Se Hok Pan	4 January 2012	1,500,000	—	—	—	1,500,000
Liang Zhihua	4 January 2012	15,000,000	—	—	—	15,000,000
Un Son I	4 January 2012	1,500,000	—	—	—	1,500,000
She Jian Bin	4 January 2012	1,500,000	—	—	—	1,500,000
Teoh Chun Ming	4 January 2012	1,500,000	—	—	—	1,500,000
Li Kwok Cheung, Arthur	4 January 2012	1,000,000	—	—	—	1,000,000
Zhang Sen Lin	4 January 2012	1,000,000	—	—	—	1,000,000
Chan Siu Wing, Raymond	4 January 2012	1,000,000	—	—	—	1,000,000
Ho King Fung, Eric	4 January 2012	1,000,000	—	—	—	1,000,000
Employees						
Employees	4 January 2012	43,000,000	—	—	—	43,000,000
	8 October 2013	31,500,000	—	—	—	31,500,000
Total		99,500,000	—	—	—	99,500,000

Notes:

1. For options granted on 4 January 2012, they shall be vested and become exercisable upon the third anniversary of the date of grant. Vested options shall be exercisable until the expiry of a ten-year period from the date of grant. Grantees of such options are entitled to exercise the options at an exercise price of HK$1.45 per share.

2. For options granted on 8 October 2013, they shall be vested and become exercisable upon the third anniversary of the date of grant. Vested options shall be exercisable until the expiry of a ten-year period from the date of grant. Grantees of such options are entitled to exercise the options at an exercise price of HK$1.61 per share.

During the year ended 31 December 2014, no option has been granted under the Share Option Scheme. No option has been cancelled or lapsed during the year ended 31 December 2014.

RIGHTS TO ACQUIRE THE COMPANY'S SECURITIES

Save as disclosed under the sections "Share Option Schemes" above, at no time during the year was the Company, or any of its holding companies or subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executive of the Company or their respective associates (as defined under the Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company, its holding company or any of its subsidiaries or fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the date of this report, none of the directors of the Company and directors of the Company's subsidiaries, or their respective associates had interests in businesses, other than being a director of the Company and/or its subsidiaries and their respective associates, which compete or are likely to compete either directly or indirectly, with the businesses of the Company and its subsidiaries as required to be disclosed pursuant to the Listing Rules.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2014, the following persons (other than the Directors or the chief executive of the Company) has interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholders	Capacity and nature of interest	Number of shares held	Percentage of shares in issue
Freewings Development Co., Ltd.	Beneficial owner	653,855,730 (Note 1)	44.53%
Team One Investments Limited	Interest in controlled corporations	653,855,730 (Note 1)	44.53%
Trader World Limited	Interest in controlled corporations	653,855,730 (Note 1)	44.53%
MS Flooring Holdings Co., Ltd.	Beneficial owner	269,999,990 (Note 2)	18.39%
Morgan Stanley Private Equity Asia III Holdings (Cayman) Ltd	Interest in controlled corporations	269,999,990 (Note 2)	18.39%
Morgan Stanley Private Equity Asia III, Inc.	Interest in controlled corporations	269,999,990 (Note 2)	18.39%
Morgan Stanley Private Equity Asia III, L.L.C.	Interest in controlled corporations	269,999,990 (Note 2)	18.39%
Morgan Stanley Private Equity Asia III, L.P.	Interest in controlled corporations	269,999,990 (Note 2)	18.39%
International Finance Corporation	Beneficial owner	108,000,000	7.36%

Notes:

1. Freewings Development Co., Ltd. is a private company owned by Team One Investments Limited as to 60.19% and Trader World Limited as to 39.81%. Team One Investments Limited and Trader World Limited are wholly-owned by Mr. Se Hok Pan and Ms. Un Son I, respectively. Mr. Se Hok Pan and Ms. Un Son I are directors of Freewings Development Co., Ltd.

2. MS Flooring Holdings Co., Ltd. is an exempted company incorporated in the Cayman Islands, and is wholly owned by Morgan Stanley Private Equity Asia III Holdings (Cayman) Ltd. Morgan Stanley Private Equity Asia III Holdings (Cayman) Ltd. is an exempted company incorporated in the Cayman Islands with limited liability, whose majority shareholder is Morgan Stanley Private Equity Asia III, L.P., a fund managed by the private equity arm of Morgan Stanley. The general partner of Morgan Stanley Private Equity Asia III, L.P. is Morgan Stanley Private Equity Asia III, L.L.C., the managing member of which is Morgan Stanley Private Equity Asia III, Inc., an investment advisor registered with the U.S. Securities and Exchange Commission and which is an indirect wholly-owned subsidiary of Morgan Stanley.

3. All interests stated are long positions.

Save as disclosed above, the Directors are not aware that there is any party who, as at 31 December 2014, had interests or short positions in the shares and underlying shares of the Company, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

CONNECTED TRANSACTIONS

During the year ended 31 December 2014, the Group has not conducted any connected transaction or continuing connected transaction (as defined under the Listing Rules) which are subject to reporting and annual review requirements under the Listing Rules.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the articles of association of the Company, although there are no restrictions against such rights under the laws in the Cayman Islands.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2014, the Company repurchased 13,586,000 shares of the Company on the Stock Exchange at an aggregate consideration of HK$19,761,261.10 pursuant to the share repurchase mandate approved by the shareholders of the Company at the annual general meeting held on 28 May 2013 for enhancing its net asset value and earnings per share. All the repurchased shares were subsequently cancelled. Details of the repurchases are summarised as follows:

Date of repurchase	Price per share Highest HKD	Price per share Lowest HKD	Number of ordinary shares of USD0.001 each	Total consideration HKD
4 April 2014	1.27	1.27	70,000	88,900.00
8 April 2014	1.31	1.31	777,000	1,017,870.00
9 April 2014	1.34	1.34	454,000	608,360.00
10 April 2014	1.37	1.36	293,000	401,292.80
11 April 2014	1.39	1.39	783,000	1,088,370.00
14 April 2014	1.41	1.38	651,000	916,217.40
15 April 2014	1.43	1.43	501,000	716,430.00
16 April 2014	1.45	1.40	2,716,000	3,877,904.80
17 April 2014	1.48	1.44	800,000	1,169,600.00
22 April 2014	1.50	1.45	1,000,000	1,480,800.00
23 April 2014	1.52	1.50	2,242,000	3,395,060.60
24 April 2014	1.54	1.52	699,000	1,072,615.50
25 April 2014	1.55	1.49	1,000,000	1,527,900.00
28 April 2014	1.55	1.52	500,000	770,250.00
29 April 2014	1.52	1.45	500,000	751,650.00
2 May 2014	1.48	1.43	600,000	878,040.00
Total:			13,586,000	19,761,261.10

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of revenue attributable to the Group's five largest customers was less than 30% of the Group's total revenue for the year ended 31 December 2014. Purchases of raw materials attributable to the Group's five largest suppliers amounted to less than 30% of the Group's total cost of sales for the year ended 31 December 2014.

EMOLUMENT POLICY

The Company is well aware of the importance of incentivising and retaining its employees. The Group offers competitive remuneration packages to its employees, including salaries and bonuses to qualified employees, as well as a long-term incentive scheme in the form of share option schemes for eligible employees, details of which are set out under the paragraph headed "Share Option Schemes" above.

EMPLOYEE RETIREMENT BENEFITS

During the year ended 31 December 2014, the Company has complied, in all material respects, with relevant PRC labour laws and regulations, including contributing to employee retirement benefit schemes, medical and social security insurance schemes and housing provident fund. In Hong Kong, the Company has participated in a mandatory provident fund scheme for its employees in Hong Kong in accordance with applicable Hong Kong laws and regulations.

DONATION

During the year ended 31 December 2014, the Group made a charitable donation amounting to RMB1,635,000.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors of the Company, as at the latest practicable date prior to the issue of this report, the Company has maintained the prescribed public float under the Listing Rules.

AUDIT COMMITTEE

The Audit Committee has reviewed the accounting principles and policies adopted by the Group and discussed the Group's internal controls and financial reporting matters with the management. The Audit Committee has reviewed the audited financial statements of the Group for the financial year ended 31 December 2014.

AUDITORS

The financial statements have been audited by KPMG who shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for reappointment.

On behalf of the Board

Se Hok Pan
Chairman

Hong Kong, 30 March 2015

Independent Auditor's Report

To the shareholders of Nature Home Holding Company Limited (formerly named as Nature Flooring Holding Company Limited)
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Nature Home Holding Company Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 61 to 138, which comprise the consolidated and company statements of financial position as at 31 December 2014, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards adopted by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and of the Group's result and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

30 March 2015

Consolidated Statement of Profit or Loss

For the year ended 31 December 2014
(Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
Turnover	3	**1,979,285**	1,488,949
Cost of sales		**(1,359,662)**	(988,351)
Gross profit		**619,623**	500,598
Other net income	4(a)	**16,579**	83,246
Net change in fair value of biological assets	14	**(144,349)**	47,761
Distribution costs		**(307,659)**	(235,099)
Administrative expenses		**(193,596)**	(176,634)
Other operating expenses	4(b)	**(10,438)**	(9,253)
(Loss)/profit from operations		**(19,840)**	210,619
Finance income		**5,128**	11,792
Finance costs		**(24,764)**	(11,845)
Net finance costs	5(a)	**(19,636)**	(53)
(Loss)/profit before taxation	5	**(39,476)**	210,566
Income tax	6(a)	**(33,766)**	(70,435)
(Loss)/profit for the year		**(73,242)**	140,131
Attributable to:			
Equity shareholders of the Company		**(75,356)**	138,102
Non-controlling interests		**2,114**	2,029
(Loss)/profit for the year		**(73,242)**	140,131
(Loss)/earnings per share (RMB):	10		
Basic and diluted		**(0.051)**	0.093

The notes on pages 69 to 138 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 29(h).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014
(Expressed in Renminbi)

	2014 RMB'000	2013 RMB'000
(Loss)/profit for the year	**(73,242)**	140,131
Other comprehensive (loss)/income for the year		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of the financial statements of entities not using RMB as functional currency	**3,375**	(23,765)
Total comprehensive (loss)/income for the year	**(69,867)**	116,366
Attributable to:		
Equity shareholders of the Company	**(72,040)**	114,606
Non-controlling interests	**2,173**	1,760
Total comprehensive (loss)/income for the year	**(69,867)**	116,366

The notes on pages 69 to 138 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2014
(Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
Non-current assets			
Fixed assets	11		
— Investment properties		**49,139**	—
— Other property, plant and equipment		**604,118**	525,996
Intangible assets	12	**21,255**	16,621
Lease prepayments	13	**139,201**	56,928
Biological assets	14	**361,258**	518,555
Investment in joint venture	15(b)	**—**	5,000
Investment in unlisted equity securities	16	**33,351**	4,796
Deposits, prepayments and other receivables	19	**82,596**	59,658
Deferred tax assets	27(c)	**28,459**	21,184
		1,319,377	1,208,738
Current assets			
Inventories	17	**543,991**	412,633
Trade and bills receivables	18	**713,201**	692,807
Deposits, prepayments and other receivables	19	**172,553**	176,275
Financial assets at fair value through profit or loss	20	**32,500**	—
Pledged deposits	21	**133,654**	97,878
Cash and cash equivalents	22	**472,749**	399,133
		2,068,648	1,778,726
Current liabilities			
Trade and bills payables	23	**272,018**	141,785
Deposits received, accruals and other payables	24	**260,836**	174,333
Bank loans	25	**394,206**	121,202
Income tax payables	27(a)	**20,096**	22,196
		947,156	459,516
Net current assets		**1,121,492**	1,319,210
Total assets less current liabilities		**2,440,869**	2,527,948

The notes on pages 69 to 138 form part of these financial statements.

Consolidated Statement of Financial Position (Continued)

At 31 December 2014

(Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
Non-current liabilities			
Bank loans	25	**9,000**	—
Deferred tax liabilities	27(c)	**12,186**	14,421
		21,186	14,421
NET ASSETS		**2,419,683**	2,513,527
CAPITAL AND RESERVES			
Share capital	28	**9,596**	9,680
Reserves		**2,393,116**	2,493,402
Total equity attributable to equity shareholders of the Company		**2,402,712**	2,503,082
Non-controlling interests		**16,971**	10,445
TOTAL EQUITY		**2,419,683**	2,513,527

Approved and authorised for issue by the board of directors on 30 March 2015.

Se Hok Pan
Chairman and Executive Director

Liang Zhihua
President and Executive Director

The notes on pages 69 to 138 form part of these financial statements.

Statement of Financial Position

At 31 December 2014
(Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
Non-current assets			
Investments in subsidiaries	15	**277,936**	278,053
Other receivables	19	**1,272,444**	—
		1,550,380	278,053
Current assets			
Deposits, prepayments and other receivables	19	**—**	1,270,133
Cash and cash equivalents	22	**3,904**	17,100
		3,904	1,287,233
Current liabilities			
Deposits received, accruals and other payables	24	**234,344**	197,507
		234,344	197,507
Net current (liabilities)/assets		**(230,440)**	1,089,726
NET ASSETS		**1,319,940**	1,367,779
CAPITAL AND RESERVES			
Share capital	28	**9,596**	9,680
Reserves	29	**1,310,344**	1,358,099
TOTAL EQUITY		**1,319,940**	1,367,779

Approved and authorised for issue by the board of directors on 30 March 2015

Se Hok Pan
Chairman and Executive Director

Liang Zhihua
President and Executive Director

The notes on pages 69 to 138 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

(Expressed in Renminbi)

	Attributable to equity shareholders of the Company									
	Share capital RMB'000 (Note 28)	Share premium RMB'000 (Note 29(d))	Capital redemption reserve RMB'000 (Note 29(e))	Statutory surplus reserve RMB'000 (Note 29(a))	Foreign currency translation reserve RMB'000 (Note 29(b))	Other reserves RMB'000 (Note 29(c))	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2013	9,680	1,360,787	—	159,006	(23,504)	30,759	1,025,432	2,562,160	—	2,562,160
Changes in equity for 2013										
Profit for the year	—	—	—	—	—	—	138,102	138,102	2,029	140,131
Other comprehensive income	—	—	—	—	(23,496)	—	—	(23,496)	(269)	(23,765)
Total comprehensive income	—	—	—	—	(23,496)	—	138,102	114,606	1,760	116,366
Dividends approved in respect of the previous year (note 29(h))	—	(27,603)	—	—	—	—	—	(27,603)	—	(27,603)
Special dividends approved in respect of the current year (note 29(h))	—	(161,715)	—	—	—	—	—	(161,715)	—	(161,715)
Transfer to statutory surplus reserve	—	—	—	12,337	—	—	(12,337)	—	—	—
Equity-settled share-based payment transactions (note 26)	—	—	—	—	—	19,634	—	19,634	—	19,634
Share options lapsed during the year	—	—	—	—	—	(267)	267	—	—	—
Acquisition of non-controlling interests	—	—	—	—	—	—	(4,000)	(4,000)	—	(4,000)
Contribution from a non-controlling interests holder	—	—	—	—	—	—	—	—	8,685	8,685
As at 31 December 2013	9,680	1,171,469	—	171,343	(47,000)	50,126	1,147,464	2,503,082	10,445	2,513,527
As at 1 January 2014	**9,680**	**1,171,469**	**—**	**171,343**	**(47,000)**	**50,126**	**1,147,464**	**2,503,082**	**10,445**	**2,513,527**
Changes in equity for 2014										
Loss for the year	**—**	**—**	**—**	**—**	**—**	**—**	**(75,356)**	**(75,356)**	**2,114**	**(73,242)**
Other comprehensive income	**—**	**—**	**—**	**—**	**3,316**	**—**	**—**	**3,316**	**59**	**3,375**
Total comprehensive income	**—**	**—**	**—**	**—**	**3,316**	**—**	**(75, 356)**	**(72,040)**	**2,173**	**(69,867)**
Purchase of own shares (note 28(c))										
– par value paid	**(84)**	**—**	**—**	**—**	**—**	**—**	**—**	**(84)**	**—**	**(84)**
– premium paid	**—**	**(15,665)**	**—**	**—**	**—**	**—**	**—**	**(15,665)**	**—**	**(15,665)**
– transfer between reserves	**—**	**(84)**	**84**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Dividends approved in respect of the previous year (note 29(h))	**—**	**(29,466)**	**—**	**—**	**—**	**—**	**—**	**(29,466)**	**—**	**(29,466)**
Transfer to statutory surplus reserve	**—**	**—**	**—**	**6,482**	**—**	**—**	**(6,482)**	**—**	**—**	**—**
Equity-settled share-based payment transactions (note 26)	**—**	**—**	**—**	**—**	**—**	**16,885**	**—**	**16,885**	**—**	**16,885**
Share options lapsed during the year (note 26)	**—**	**—**	**—**	**—**	**—**	**(367)**	**367**	**—**	**—**	**—**
Contribution from a non-controlling interests holder	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**5,000**	**5,000**
Dividends declared to non-controlling interests holder	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(647)**	**(647)**
As at 31 December 2014	**9,596**	**1,126,254**	**84**	**177,825**	**(43,684)**	**66,644**	**1,065,993**	**2,402,712**	**16,971**	**2,419,683**

The notes on pages 69 to 138 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2014
(Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
Operating activities			
(Loss)/profit before taxation		**(39,476)**	210,566
Adjustments for:			
Net change in fair value of biological assets	14	**144,349**	(47,761)
Net finance costs		**19,636**	53
Equity-settled share-based payment transactions		**16,885**	19,634
Depreciation of property, plant and equipment		**56,167**	48,057
Amortisation of lease prepayments in respect of land use rights		**1,645**	1,406
Net gain on the resumption of land and assets of Nature (Zhangjiagang) Wood Industry Company, Limited ("Nature Zhangjiagang")	4(a)(i)	**—**	(51,394)
Net loss/(gain) on disposal of property, plant and equipment		**5,484**	(627)
Amortisation of intangible assets		**2,451**	2,173
Impairment loss on investments in unlisted equity securities		**2,522**	5,424
Loss on disposal of an unlisted equity security		**—**	1,088
Loss on disposal of a subsidiary	4(b)(i)	**1,147**	—
Changes in working capital:			
Increase in inventories		**(117,353)**	(53,472)
Increase in trade and bills receivables		**(20,394)**	(21,019)
Decrease/(increase) in deposits, prepayments and other receivables		**3,722**	(78,260)
Increase in trade and bills payables		**130,233**	4,053
Increase in deposits received, accruals and other payables		**4,960**	22,724
Cash generated from operations		**211,978**	62,645
The People's Republic of China (the "PRC") income tax paid		**(44,190)**	(52,719)
Non-PRC income tax paid		**(1,246)**	(7)
Net cash generated from operating activities		**166,542**	9,919

The notes on pages 69 to 138 form part of these financial statements.

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2014
(Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
Investing activities			
Interest received		**5,128**	7,398
Proceeds from the resumption of land and assets of Nature Zhangjiagang	4(a)(i)	**—**	120,029
Proceeds from disposal of other property, plant and equipment		**22,627**	13,076
Proceeds from disposal of investment in unlisted equity securities		**—**	3,162
Payment for acquisition of property, plant and equipment		**(174,031)**	(225,633)
Payment for acquisition of intangible assets		**(7,085)**	(893)
Lease prepayments for land use rights		**(65,077)**	(10,299)
Net cash inflow from acquisition of a subsidiary	15(b)	**522**	—
Payment for acquisitions of unlisted equity investment		**(31,077)**	—
Payment for investment in joint venture		**—**	(5,000)
Net cash used in investing activities		**(248,993)**	(98,160)
Financing activities			
Proceeds from bank loans		**320,541**	392,778
Repayment of bank loans		**(38,537)**	(439,911)
Contribution from non-controlling interests		**—**	8,685
Collection of deposits placed with banks for loans and borrowings		**97,878**	13,528
Dividends paid		**(29,466)**	(189,318)
Interest paid	5(a)	**(12,230)**	(6,796)
Costs of early repayment of loans from a third party	5(a)	**—**	(5,049)
Purchase of own shares		**(15,749)**	—
Payment for acquisition of non-controlling interests		**—**	(1,600)
Deposits placed with banks for loans and borrowings		**(133,654)**	(97,878)
Purchase of financial assets at the fair value through profit or loss		**(32,500)**	—
Net cash generated from/(used in) financing activities		**156,283**	(325,561)
Net increase/(decrease) in cash and cash equivalents		**73,832**	(413,802)
Cash and cash equivalents at 1 January		**399,133**	815,706
Effect of foreign exchange rate changes		**(216)**	(2,771)
Cash and cash equivalents at 31 December	22	**472,749**	399,133

The notes on pages 69 to 138 form part of these financial statements.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual IFRSs, International Accounting Standards ("IASs") and Interpretations adopted by the International Accounting Standards Board ("IASB"). These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("HKSE") and the disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. A summary of the significant accounting policies adopted by Nature Home Holding Company Limited (the "Company") (formerly named as Nature Flooring Holding Company Limited) and its subsidiaries (together the "Group") is set out below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2014 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set out below:

- biological assets (see note 1(k)) ; and

- financial assets at fair value through profit or loss (see note 1(n)(i))

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies

The IASB has issued a number of amendments to IFRSs and one new interpretation that are first effective for the current accounting period of the Group. Of these, the following development is relevant to the Group's financial statements:

- Amendments to IAS 32, *Offsetting financial assets and financial liabilities*

The amendments to IAS 32 clarify the offsetting criteria in IAS 32. The amendments do not have an impact on the Group's financial statements as they are consistent with the policies already adopted by the Group.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. The Group measure any non-controlling interests at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Subsidiaries and non-controlling interests (Continued)

In a business combination achieved in stages, the cost of combination is the aggregate of the consideration paid at the acquisition date and the fair value at the acquisition date of the acquirer's previously held interest in the acquiree. The Group remeasures its previously held equity interest in the acquiree to its fair value at the acquisition date, with any difference between its fair value and its carrying amount being recognised in profit or loss for the current period.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss.

In the Company's statement of financial position, and investment in a subsidiary is stated at cost less impairment losses (see note 1(l)).

(e) Joint venture

A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in a joint venture is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 1(l)). The Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

Unrealised profits and losses resulting from transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

In all other cases, when the group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss.

In the Company's statement of financial position, investments in joint venture are stated at cost less impairment losses (see note 1(l)).

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Investments in unlisted equity securities

Investments in unlisted equity securities that do not have a quoted market price in an active market for an identical instrument and whose fair value cannot be reliably measured are recognised in the statement of financial position at cost less impairment losses (note 1(l)).

(g) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both. Investment property is accounted for using the cost model and stated in the statement of financial position at cost less accumulated depreciation, amortisation and impairment losses (note 1(l)). The cost of investment property, less its estimated residual value and accumulated impairment losses, is depreciated or amortised using the straight-line method over its estimated useful life.

The estimated useful lives of investment properties are as follows:

• Land use right	45 years
• Buildings	30 years

(h) Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses (note 1(l)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(t)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Property, plant and equipment (Continued)

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values, if any, using the straight-line basis over their estimated useful lives, and is recognised in profit or loss. Land in Peru is not amortised.

The estimated useful lives of property, plant and equipment are as follows:

• Buildings and plant	20–30 years
• Machinery and equipment	5–10 years
• Motor vehicles	5 years
• Office equipment and furniture	3–5 years

- Leasehold improvements are depreciated over the shorter of their estimated useful lives, being 3 years from the date of completion, and the unexpired terms of the lease.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Construction in progress represents property, plant and equipment items which are under construction or machinery pending for installation, which is stated at cost less impairment losses (note 1(l)).

Cost comprises direct costs of construction during the construction period. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when all of the activities necessary to prepare the assets for their intended use are substantially complete. No depreciation is provided in respect of construction in progress.

(i) Intangible assets

Intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses (note 1(l)).

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated brands, is recognised in profit or loss as incurred.

Amortisation is calculated to write off intangible assets less their estimated residual values using straight-line method over their estimated useful lives, and is recognised in profit or loss.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Intangible assets (Continued)

The estimated useful lives are as follows:

• Patents	7–10 years
• Computer software	5–10 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Lease prepayments

Lease prepayments represent cost of land use rights paid to the PRC government authorities. Land use rights are stated at cost less accumulated amortisation and impairment losses (note 1(l)). Amortisation is recognised in profit or loss on a straight-line basis over the respective period of rights which are 34 to 50 years.

(k) Biological assets

Biological assets are measured at its fair value less costs to sell, with any change therein recognised in profit or loss. Costs to sell include all costs that would be necessary to sell the assets, including transportation costs. Standing timber is transferred to inventory at its fair value less estimated costs to sell at the date of harvest.

(l) Impairment of assets

(i) Impairment of interest in joint venture, investments in unlisted equity securities and other receivables

Interest in joint venture, investments in unlisted equity securities and other current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Impairment of assets (Continued)

(i) Impairment of interest in joint venture, investments in unlisted equity securities and other receivables (Continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For interest in joint venture accounted for under the equity method in the consolidated financial statements (see note 1(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(l)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(l)(ii).

- For unlisted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for unlisted equity securities carried at cost are not reversed.

- For trade and other receivables carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Impairment of assets (Continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- investment property;
- lease prepayments;
- intangible assets; and
- investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for intangible assets that are not yet available for use, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- *Calculation of recoverable amount*
  The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- *Recognition of impairment losses*
  An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill, if any, allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use (if determinable).

- *Reversals of impairment losses*
  An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

  A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Impairment of assets (Continued)

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(l)(i) and (ii)).

Impairment losses recognised in an interim period in respect of investments in unlisted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(m) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion, and other costs incurred in bringing them to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(n) Financial instruments

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction cost.

Financial assets at fair value through profit or loss are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. Any income earned on these financial assets is recognised in profit or loss.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Financial instruments (Continued)

(ii) Non-derivative financial assets and financial liabilities

Non-derivative financial assets and financial liabilities comprise the followings:

(i) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (note 1(l)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(ii) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(iii) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(iv) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(q)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Employee benefit

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in other reserves within equity. The fair value is measured at grant date using the Binomial Option Pricing 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 options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to other reserves. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to other reserves) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in other reserves until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained earnings).

(p) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Income tax (Continued)

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
  - in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
    - the same taxable entity; or
    - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

Where the guarantee is issued by the Company in respect of banking facilities granted to its wholly owned subsidiaries, the asset identified is a form of capital contribution, i.e. an addition to the cost of the investment in those subsidiaries.

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

(ii) Trademark and distribution network usage fees

Revenue from provision of trademark and distribution network usage is accrued in accordance with the terms of the relevant agreements with reference to the sales volume and sales amount of the manufacturers of the wood flooring products.

(iii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

(v) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Renminbi ("RMB") at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the foreign currency translation reserve.

(t) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

(u) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

(v) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Related parties (Continued)

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

The critical accounting judgments in applying the Group's accounting policies are described below:

(i) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews annually the useful life of an asset and its residual value, if any. The depreciation expense for future periods is adjusted if there are significant changes from previous estimation.

(ii) Impairments

In considering the impairment losses that may be required for certain property, plant and equipment, intangible assets, lease prepayments, investment property, interest in joint venture, investments in unlisted equity securities and investments in subsidiaries in the Company's statement of financial position, recoverable amount of these assets needs to be determined. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgment relating to items such as level of turnover and amount of operating costs. The Group uses all readily available information in determining an amount that is reasonable and supportable assumptions and projections of items such as turnover and operating costs.

Impairment losses for bad and doubtful debts are assessed and provided based on the management's regular review of ageing analysis and evaluation of collectability. A considerable level of judgment is exercised by the management when assessing the credit worthiness and past collection history of each individual customer. An increase or decrease in the above impairment losses would affect the profit or loss in future periods.

(iii) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs to completion and selling expenses. These estimates are based on the current market condition and the experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer preferences and competitor actions in response to severe industry cycle. Management reassess these estimates at each reporting period end date.

2 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(iv) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for unused tax losses and deductible temporary differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which they can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

(v) Fair value of biological assets

The Group's biological assets are valued at fair value less estimated costs to sell. In determining the fair value of the biological assets, the professional valuers have applied the net present value approach which requires a number of key assumptions and estimates to be made such as discount rate, log prices, harvest profile, transportation and processing costs, growth and harvesting. Any changes in the estimates may affect the fair value of the biological assets significantly. The professional valuers and management review the assumptions and estimates periodically to identify any significant change in the fair value of biological assets.

3 TURNOVER AND SEGMENT REPORTING

(a) Turnover

The principal activities of the Group are manufacturing and sale of wood products, provision of trademark and distribution network, sale of timber and wood products and harvesting and sale of timber and wood products.

Turnover represents the sales value of goods supplied to customers and income from trademark and distribution network usage fees. Revenue excludes value added tax or other sales taxes and is after deduction of returns. The amount of each significant category of revenue recognised in turnover is as follows:

	2014 **RMB'000**	2013 RMB'000
Sale of self-produced wood products	**1,408,479**	991,179
Provision of trademark and distribution network	**199,466**	235,016
Sale of timber and wood products	**362,672**	254,957
Sale of self-harvested timber and wood products	**8,668**	7,797
	1,979,285	1,488,949

The Group's customer base is diversified and did not have any customer with whom transactions exceeded 10% of the Group's aggregate revenue for the year ended 31 December 2014 (2013: Nil). Details of concentrations of credit risk arising from customers are set out in note 30(a).

3 TURNOVER AND SEGMENT REPORTING (Continued)

(a) Turnover (Continued)

Further details regarding the Group's principal activities are disclosed below:

(b) Segment reporting

The Group manages its business by different lines of businesses and geographical locations. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following four (2013: three) reportable segments. The comparative figures have been adjusted to conform with current year's segment reporting. No operating segments have been aggregated to form the above reportable segments.

- Manufacturing and sale of wood products: this segment manufactures and sells wood products.
- Trademark and distribution network: this segment generates fees income from products manufactured by authorised manufacturers which sell products under the Group's trademarks and distribution network.
- Trading of timber and wood products: this segment trades timber and wood products.
- Forestry management: this segment operates forestry assets including harvest and sale of timber and wood products.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of cash and cash equivalents, pledged deposits, investment in unlisted equity securities, deferred tax assets and other corporate assets. Segment liabilities include trade creditors, accruals and bills payable attributable to the individual segments managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. However, assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

The measure used for reporting segment profit is "profit from operations". To arrive at "profit from operations", the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as head office or corporate administration costs.

3 TURNOVER AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(i) Segment results, assets and liabilities (Continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance are set out below:

	Manufacturing and sale of wood products		Trademark and distribution network		Trading of timber and wood products		Forestry management		Total	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Revenue from external customers (note 3(a))	1,408,479	991,179	199,466	235,016	362,672	254,957	8,668	7,797	1,979,285	1,488,949
Inter-segment revenue	26,286	18,636	–	–	42,097	28,727	3,064	2,196	71,447	49,559
Reportable segment revenue	1,434,765	1,009,815	199,466	235,016	404,769	283,684	11,732	9,993	2,050,732	1,538,508
Reportable segment result	120,989	85,415	60,600	88,383	20,716	19,523	(167,175)*	15,259*	35,130	208,580
Depreciation and amortisation for the year	(26,347)	(21,375)	–	–	(2,288)	(1,579)	(4,461)	(2,999)	(33,096)	(25,953)
Net impairment losses (recognised)/reversed for trade receivables during the year	(2,180)	(12,199)	–	–	1,306	1,396	–	–	(874)	(10,803)
Reportable segment assets	1,736,323	1,492,459	136,399	136,780	813,400	739,780	457,747	593,008	3,143,869	2,962,027
Reportable segment liabilities	458,173	449,644	–	–	1,150,896	1,176,293	203,265	170,719	1,812,334	1,796,656

* The amounts included net change in fair value of biological assets recognised in profit or loss for the year.

3 TURNOVER AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(ii) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	2014 RMB'000	2013 RMB'000
Revenue		
Reportable segment revenue	**2,050,732**	1,538,508
Elimination of inter-segment revenue	**(71,447)**	(49,559)
Consolidated revenue	**1,979,285**	1,488,949
Profit		
Reportable segment result	**35,130**	208,580
Elimination of inter-segment profits	**(10,165)**	(1,879)
Reportable segment result derived from external customers	**24,965**	206,701
Other net income	**16,579**	83,246
Other operating expenses	**(10,438)**	(9,253)
Depreciation and amortisation	**(27,167)**	(25,683)
Net finance costs	**(19,636)**	(53)
Unallocated head office and corporate expenses	**(23,779)**	(44,392)
Consolidated (loss)/profit before taxation	**(39,476)**	210,566

3 TURNOVER AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(ii) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities (Continued)

	2014 RMB'000	2013 RMB'000
Assets		
Reportable segment assets	**3,143,869**	2,962,027
Elimination of inter-segment balances	**(211,954)**	(367,406)
Elimination of receivables from corporate headquarters	**(279,178)**	(130,310)
	2,652,737	2,464,311
Cash and cash equivalents	**472,749**	399,133
Pledged deposits	**133,654**	97,878
Investment in unlisted equity securities	**33,351**	4,796
Deferred tax assets	**28,459**	21,184
Unallocated head office and corporate assets	**67,075**	162
Consolidated total assets	**3,388,025**	2,987,464

	2014 RMB'000	2013 RMB'000
Liabilities		
Reportable segment liabilities	**1,812,334**	1,796,656
Elimination of inter-segment balances	**(211,954)**	(367,406)
Elimination of payables to corporate headquarters	**(1,095,083)**	(1,113,773)
	505,297	315,477
Banks loans	**403,206**	121,202
Income tax payables	**20,096**	22,196
Deferred tax liabilities	**12,186**	14,421
Unallocated head office and corporate liabilities	**27,557**	641
Consolidated total liabilities	**968,342**	473,937

3 TURNOVER AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(iii) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, lease prepayments, investment properties, intangible assets and biological assets ("specified non-current assets"). The geographical location of customers is based on the location of customers. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, lease prepayments, investment properties and biological assets, the location of the operation to which they are allocated, in the case of intangible assets.

	Revenue from external customers		Specified non-current assets At 31 December	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
The PRC, Hong Kong and Macau	**1,716,943**	1,301,192	**825,143**	724,232
Peru	**57,795**	20,461	**349,770**	382,254
USA	**204,547**	167,296	**58**	73
	1,979,285	1,488,949	**1,174,971**	1,106,559

4 OTHER NET INCOME/OTHER OPERATING EXPENSES

(a) Other net income

	2014 RMB'000	2013 RMB'000
Net gain on the resumption of land and assets of Nature Zhangjiagang (i)	**—**	51,394
Government grants (ii)	**12,096**	27,281
Net (loss)/gain on disposal of other property, plant and equipment	**(5,484)**	627
Rental income from operating leases (note 11)		
— investment properties	**798**	—
— machineries	**4,435**	—
Others	**4,734**	3,944
	16,579	83,246

4 OTHER NET INCOME/OTHER OPERATING EXPENSES (Continued)

(a) Other net income (Continued)

(i) During the year ended 31 December 2013, Jingang County Government made a total compensation of RMB150,029,000 to Nature Zhangjiagang in respect of resumption of land and assets of Nature Zhangjiagang. After deduction of net loss on disposal of assets of RMB98,635,000, a gain of RMB51,394,000 was recognised by the Group in the consolidated statement of profit or loss.

(ii) Government grants for the year ended 31 December 2014 mainly represented unconditional cash awards granted by government authorities in the PRC.

(b) Other operating expenses

	2014 **RMB'000**	2013 RMB'000
Impairment loss for investment in unlisted equity securities (note 16(ii))	**2,522**	5,424
Loss on disposal of an unlisted equity security	**—**	1,088
Loss on disposal of a subsidiary (i)	**1,147**	—
Donations	**1,635**	1,260
Others	**5,134**	1,481
	10,438	9,253

(i) Disposal of a subsidiary

On 16 March 2014, the Group disposed of its entire equity interests in Jiangxi Nature Wood Based Panels Co., Ltd. ("Jiangxi Nature") to an independent third party for a consideration of RMB1,000,000. The principal activity of Jiangxi Nature was manufacturing and sales of wood flooring.

	Net book value as of the disposal date **RMB'000**
Cash and cash equivalents	**1,000**
Other net current assets	**1,147**
Net identifiable assets	**2,147**
Consideration received, satisfied in cash	**(1,000)**
Loss on disposal	**1,147**

5 (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after (crediting)/charging:

(a) Finance income and finance costs

	2014 RMB'000	2013 RMB'000
Interest income on bank deposits	**(5,128)**	(7,398)
Net foreign exchange gain	**—**	(4,394)
Finance income	**(5,128)**	(11,792)
Interest expense on bank loans	**12,230**	6,796
Cost of early repayment of loans from a third party (note)	**—**	5,049
Net foreign exchange loss	**12,534**	—
Finance costs	**24,764**	11,845
Net finance costs recognised in profit or loss	**19,636**	53

Note: On 18 September 2013, the Company early repaid a term loan of RMB185,388,000 and a convertible loan of RMB61,796,000. Such loans were obtained in May 2013 and were intended to be used for funding the acquisition of forestry assets in the PRC. An early repayment cost of RMB5,049,000 was incurred as the Group did not identify any target forestry assets in the PRC.

(b) Staff costs

	2014 RMB'000	2013 RMB'000
Salaries, wages and other benefits	**209,560**	159,581
Contributions to defined contribution retirement plan	**8,103**	6,557
Equity-settled share-based payment expenses (note 26)	**16,885**	19,634
	234,548	185,772

The employees of the companies in the PRC participate in a defined contribution retirement scheme operated by the local government authorities whereby the Group is required to contribute to the scheme at rate of 10–20% of the eligible employees' basic salary. The local government authorities are responsible for the entire pension obligations payable to the retired employees.

Contributions to the Mandatory Provident Fund ("MPF") are required under the Hong Kong Mandatory Provident Fund Schemes Ordinance. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000 (HK$25,000 prior to June 2014).

5 (LOSS)/PROFIT BEFORE TAXATION (Continued)

(c) Other items

	Note	2014 RMB'000	2013 RMB'000
Cost of inventories*	17	**1,354,889**	983,564
Net impairment losses			
— trade and other receivables	18(b)	**874**	10,803
— investments in unlisted equity securities	16	**2,522**	5,424
Depreciation		**56,167**	48,057
Amortisation			
— lease prepayments		**1,645**	1,406
— intangible assets		**2,451**	2,173
Net loss/(gain) on disposal of property, plant and equipment		**5,484**	(627)
Operating lease charges:			
— hire of plant and machinery		**10,404**	9,257
— other assets (including property rental)		**7,752**	5,173
Auditors' remuneration		**4,114**	3,906

* For the year ended 31 December 2014, cost of inventories includes RMB118,799,000 (2013: RMB92,533,000) relating to staff costs, depreciation and operating lease charges, amounts of which are also included in the respective total amounts disclosed separately above or in note 5(b) for each of these types of expenses.

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Income tax in the consolidated statement of profit or loss represents:

	2014 RMB'000	2013 RMB'000
Current tax		
Provision for PRC income tax (note 27(a))	**41,423**	65,405
Provision for income tax from subsidiaries in other jurisdictions (note 27(a))	**1,913**	247
	43,336	65,652
Deferred tax		
Origination and reversal of temporary differences (note 27(b))	**(9,570)**	4,783
	33,766	70,435

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

(b) Reconciliation between tax expense and accounting (loss)/profit at applicable tax rates:

	2014 RMB'000	2013 RMB'000
(Loss)/profit before taxation	**(39,476)**	210,566
Notional tax on (loss)/profit before taxation, calculated at the rates applicable to the jurisdictions concerned (i)	**8,728**	47,239
Tax effect of non-deductible expenses (ii)	**32,898**	11,001
Tax effect of non-taxable income	**(335)**	(381)
Tax effect of un-recognised tax losses	**395**	12,576
Utilisation of previously unrecognised tax losses	**(7,920)**	—
Income tax expense	**33,766**	70,435

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

The Group's subsidiaries incorporated in the USA were subject to federal income tax at progressive rates from 15% to 35% and state income tax for the years ended 31 December 2014 and 2013.

The Group's subsidiaries incorporated in Hong Kong were subject to Profits Tax rate of 16.5% for the years ended 31 December 2014 and 2013.

The Group's subsidiaries incorporated in Macau were subject to Macau Complementary Tax. The provision for Macau Complementary Tax for the years ended 31 December 2014 and 2013 is calculated at the rate of 12%, of which assessable profits of the first MOP300,000 is exempted from tax.

The Group's subsidiaries incorporated in Peru were subject to income tax rates from 5% to 30% for the years ended 31 December 2014 and 2013.

The PRC's statutory income tax rate is 25% for the years ended 31 December 2014 and 2013.

(ii) For the year ended 31 December 2014, the tax effect of non-deductible expenses mainly include impairment losses recognised and losses from change in fair value of biological assets (note 14) recorded by Jiangxi Yingran Forest Development Company Limited ("Jiangxi Forest"). According to relevant Corporate Income Tax Law in the PRC, income derived from projects in the forestry industry is exempted from corporate income tax.

7 DIRECTORS' REMUNERATION

The details of directors' remuneration are disclosed as follows:

Year ended 31 December 2014

	Directors' fees RMB'000	Salaries, allowances and other benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Sub-total RMB'000	Equity-settled share-based payment expenses RMB'000	Total RMB'000
Executive directors							
Mr. Se Hok Pan	–	537	2,272	–	2,809	238	3,047
Ms. Un Son I	–	604	1,509	–	2,113	238	2,351
Mr. She Jian Bin	–	576	256	7	839	238	1,077
Mr. Liang Zhihua (i)	–	233	728	–	961	2,383	3,344
Non-executive directors							
Mr. Homer Sun	–	–	–	–	–	–	–
Mr. Teoh Chun Ming	158	–	–	–	158	238	396
Independent non-executive directors							
Professor Li Kwok Cheung, Arthur	158	–	–	–	158	159	317
Mr. Zhang Sen Lin	158	–	–	–	158	159	317
Mr. Chan Siu Wing	158	–	–	–	158	159	317
Mr. Ho King Fung	158	–	–	–	158	238	396
	790	1,950	4,765	7	7,512	4,050	11,562

7 DIRECTORS' REMUNERATION (Continued)

Year ended 31 December 2013

	Directors' fees RMB'000	Salaries, allowances and other benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Sub-total RMB'000	Equity-settled share-based payment expenses RMB'000	Total RMB'000
Executive directors							
Mr. Se Hok Pan	—	535	2,298	—	2,833	355	3,188
Ms. Un Son I	—	602	1,526	—	2,128	355	2,483
Mr. Chow Chi Keung (ii)	—	240	1,222	—	1,462	355	1,817
Mr. She Jian Bin	—	475	359	12	846	355	1,201
Non-executive directors							
Mr. Homer Sun	—	—	—	—	—	—	—
Mr. Teoh Chun Ming	160	—	—	—	160	599	759
Independent non-executive directors							
Professor Li Kwok Cheung, Arthur	160	—	—	—	160	236	396
Mr. Zhang Sen Lin	160	—	—	—	160	236	396
Mr. Chan Siu Wing	160	—	—	—	160	236	396
Mr. Ho King Fung	160	—	—	—	160	236	396
	800	1,852	5,405	12	8,069	2,963	11,032

Notes:

(i) Mr. Liang Zhihua was appointed as an executive director and the president of the Company with effect from 1 January 2014.

(ii) Mr. Chow Chi Keung resigned as an executive director of the Company with effect from 1 January 2014.

There were no amounts paid during the year ended 31 December 2014 (2013: nil) to the directors as inducement to join or upon joining the Company or the Group or as compensation for loss of office.

8 INDIVIDUAL WITH HIGHEST EMOLUMENTS

During the year ended 31 December 2014, three (2013: three) of the five highest paid individuals were also the directors of the Company.

The remuneration of the remaining individuals is as follows:

	2014 RMB'000	2013 RMB'000
Salaries and other emoluments	**1,573**	727
Equity-settled share-based payment expenses	**2,911**	7,915
Contributions to retirement benefit scheme	**16**	7
	4,500	8,649

The emoluments of the two (2013: two) individuals with the highest emoluments are within the following bands:

HKD	**2014 Number of individuals**	2013 Number of individuals
1,500,001—2,000,000	**1**	—
3,500,001—4,000,000	**1**	—
5,000,001—5,500,000	**—**	1
5,500,001—6,000,000	**—**	1

9 RESULT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a loss of RMB23,525,000 (2013: RMB27,756,000) which has been dealt with in the financial statements of the Company.

Details of dividends paid and payable to equity shareholders of the Company are set out in note 29(h).

10 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the result attributable to equity shareholders of the Company and the weighted average number of ordinary shares in issue, calculated as follows:

(i) Loss attributable to equity shareholders of the Company of RMB75,356,000 (2013: a profit of RMB138,102,000).

(ii) Weighted average number of ordinary shares

	2014	2013
	'000	'000
Issued ordinary shares at 1 January	**1,481,824**	1,481,824
Effect of repurchase and cancellation of own shares (note 28(c))	**(9,697)**	—
Weighted average number of ordinary shares at 31 December	**1,472,127**	1,481,824

(b) Diluted (loss)/earnings per share

For the years ended 31 December 2014 and 2013, the effect of the Company's outstanding share options was anti-dilutive. Therefore, diluted (loss)/earnings per share were the same as the basic (loss)/earnings per share.

11 PROPERTY, PLANT AND EQUIPMENT

	Land, buildings and plant RMB'000	Leasehold improvement RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Office equipment and furniture RMB'000	Construction in progress RMB'000	Sub-total RMB'000	Investment properties RMB'000	Total RMB'000
Cost:									
At 1 January 2013	206,395	13,933	289,851	26,800	12,475	25,659	575,113	—	575,113
Additions	7,241	—	38,681	4,638	1,542	127,165	179,267	—	179,267
Transfer from construction in progress	42,096	1,548	21,486	87	1,492	(66,709)	—	—	—
Exchange adjustments	(2,366)	—	(2,980)	(1,906)	(2)	(128)	(7,382)	—	(7,382)
Disposals	(26,950)	—	(42,752)	(5,877)	(949)	—	(76,528)	—	(76,528)
At 31 December 2013	226,416	15,481	304,286	23,742	14,558	85,987	670,470	—	670,470
At 1 January 2014	226,416	15,481	304,286	23,742	14,558	85,987	670,470	—	670,470
Additions	42,797	1,118	55,316	2,003	6,018	77,809	185,061	—	185,061
Additions through acquisition of a subsidiary (note 15(b))	—	—	—	—	16	13,384	13,400	—	13,400
Transfer from construction in progress	44,225	—	93,035	—	414	(137,674)	—	—	—
Exchange adjustments	(472)	—	(1,639)	(175)	(183)	(49)	(2,518)	—	(2,518)
Disposals	(8,197)	(5,994)	(20,298)	(8,784)	(953)	(947)	(45,173)	—	(45,173)
Transfer to investment properties	(39,882)	—	—	—	—	—	(39,882)	39,882	—
Transfer from lease prepayments to investment properties	—	—	—	—	—	—	—	17,442	17,442
At 31 December 2014	264,887	10,605	430,700	16,786	19,870	38,510	781,358	57,324	838,682
Accumulated depreciation:									
At 1 January 2013	19,683	1,874	77,873	11,282	6,002	—	116,714	—	116,714
Charge for the year	8,281	7,656	27,107	2,373	2,640	—	48,057	—	48,057
Exchange adjustments	(47)	—	(242)	(550)	(16)	—	(855)	—	(855)
Disposals	(2,770)	—	(12,474)	(3,675)	(523)	—	(19,442)	—	(19,442)
At 31 December 2013	25,147	9,530	92,264	9,430	8,103	—	144,474	—	144,474
At 1 January 2014	25,147	9,530	92,264	9,430	8,103	—	144,474	—	144,474
Charge for the year	11,379	3,750	35,249	1,881	2,600	—	54,859	1,308	56,167
Exchange adjustments	(33)	—	(219)	(42)	(8)	—	(302)	—	(302)
Disposals	(2,798)	(5,810)	(5,296)	(2,488)	(670)	—	(17,062)	—	(17,062)
Transfer to investment properties	(4,729)	—	—	—	—	—	(4,729)	4,729	—
Transfer from lease prepayments to investment properties	—	—	—	—	—	—	—	2,148	2,148
At 31 December 2014	28,966	7,470	121,998	8,781	10,025	—	177,240	8,185	185,425
Carrying amounts:									
At 31 December 2014	235,921	3,135	308,702	8,005	9,845	38,510	604,118	49,139	653,257
At 31 December 2013	201,269	5,951	212,022	14,312	6,455	85,987	525,996	—	525,996

As at 31 December 2014, certain buildings and plants with carrying value of RMB22,162,000 were pledged to secure the Group's bank loans (2013: nil) (note 25(i)).

The fair value of the Group's investment property as at 31 December 2014, valued by an independent valuation firm, is RMB53,813,000.

11 PROPERTY, PLANT AND EQUIPMENT (Continued)

During the year ended 31 December 2014, the Group leased out a land use right, certain buildings (classified as investment properties) and machineries under operating leases. The leases run for a period of three years with an option to renew the lease after the date at which time all terms are renegotiated. The minimum rental charge is RMB7,500,000 per annum with contingent rentals ranged from RMB1,500,000 to RMB3,000,000 per annum, which depends on the annual sales volume of the leasee. No contingent rentals were recognised by the Group for the year ended 31 December 2014.

12 INTANGIBLE ASSETS

	Patents and trademark RMB'000	Computer software RMB'000	Total RMB'000
Cost:			
At 1 January 2013	13,512	7,206	20,718
Additions	51	842	893
At 31 December 2013	13,563	8,048	21,611
At 1 January 2014	13,563	8,048	21,611
Additions	1,367	5,718	7,085
At 31 December 2014	14,930	13,766	28,696
Accumulated amortisation:			
At 1 January 2013	1,874	943	2,817
Charge for the year	1,432	741	2,173
At 31 December 2013	3,306	1,684	4,990
At 1 January 2014	3,306	1,684	4,990
Charge for the year	1,492	959	2,451
At 31 December 2014	4,798	2,643	7,441
Carrying amount:			
At 31 December 2014	10,132	11,123	21,255
At 31 December 2013	10,257	6,364	16,621

The amortisation of intangible assets is included in the administrative expenses.

13 LEASE PREPAYMENTS

	Land use rights RMB'000
Cost:	
At 1 January 2013	71,319
Additions	21,149
Disposal	(30,590)
At 31 December 2013	61,878
At 1 January 2014	61,878
Additions	51,777
Additions through acquisition of a subsidiary (note 15(b))	47,435
Transfer to investment properties	(17,442)
At 31 December 2014	143,648
Accumulated amortisation:	
At 1 January 2013	6,669
Amortisation for the year	1,406
Disposal	(3,125)
At 31 December 2013	4,950
At 1 January 2014	4,950
Amortisation for the year	1,645
Transfer to investment properties	(2,148)
At 31 December 2014	4,447
Carrying amounts:	
At 31 December 2014	139,201
At 31 December 2013	56,928

Lease prepayments represent the Group's land use rights on leasehold land located in the PRC. At 31 December 2014, the remaining period of the land use rights ranges from 33 to 50 years (2013: 43 to 49 years).

As at 31 December 2014, lease prepayments with carrying value of RMB71,775,000 were pledged for bank loans (2013: nil) (note 25 (i)).

Amortisation of lease prepayments is included in cost of sales and the administrative expenses.

14 BIOLOGICAL ASSETS

(a) Reconciliation of carrying amount

	Standing timber RMB'000
Balance at 1 January 2013	479,247
Net change in fair value less estimated costs to sell	47,761
Harvested timber transferred to inventories	(5,163)
Effect of movements in exchange rate	(3,290)
Balance at 31 December 2013	518,555
Balance at 1 January 2014	518,555
Net change in fair value less estimated costs to sell	(144,349)
Harvested timber transferred to inventories	(14,005)
Effect of movements in exchange rate	1,057
Balance at 31 December 2014	361,258

As at 31 December 2014 and 2013, the Group's biological assets represent the following concession rights:

- harvest standing timber in 46,345 hectares of natural forest in Peru Yurimaguas for a period up to 2045;
- harvest standing timber in 91,754 hectares of natural forest in Peru Sepahua for a period up to 2042;
- harvest standing timber in 4,436 hectares of natural forest in Yunnan Ninglang for a period through the year 2060, 2077 or 2078; and
- harvest standing timber in 3,718 hectares of natural forest in Yunnan Yingjiang for a period through the year 2041 or 2042.

During the year ended 31 December 2014, 38,659 and 16,394 cubic meters of timbers in Peru and Yunnan, respectively were harvested (2013: 31,875 and 4,541 cubic meters).

14 BIOLOGICAL ASSETS (Continued)

(b) Measurement of fair values

(i) Fair value hierarchy

The fair value measurement for standing timber has been categorised as Level 3 valuations (fair value measured using significant unobservable inputs) under the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The fair value of the standing timber as at the end of each reporting period and the fair value of harvested timber transferred to inventories during the year were determined by an external independent valuer engaged by the Group. The valuation reports with analysis of changes in fair value measurement are prepared by the valuer at annual reporting date, and are reviewed and approved by the management.

(ii) Level 3 fair values

The following table shows reconciliation from the opening balances to the closing balances for level 3 fair values.

	2014 RMB'000	2013 RMB'000
Balance at 1 January	**518,555**	479,247
Harvested timber transferred to inventories	**(14,005)**	(5,163)
Included in "Net change in fair value of biological assets"		
— Change in fair value (unrealised)	**(144,349)**	47,761
Included in other comprehensive income		
— Effect of movements in exchange rate	**1,057**	(3,290)
Balance at 31 December	**361,258**	518,555

During the years ended 31 December 2014 and 2013, there were no transfers into or out of Level 3.

(Expressed in Renminbi)

14 BIOLOGICAL ASSETS (Continued)

(b) Measurement of fair values (continued)

The following table shows the valuation techniques used in measuring fair values, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationship between key inputs and fair value measurement
Discounted cash flow: The valuation model considers the present value of the net cash flows expected to be generated by the standing timber. The cash flow projections include specific estimates for the periods as disclosed in note 14(a). The expected net cash flows are discounted using risk-adjusted discount rates.	Standing timber in Peru Yurimaguas: • Estimated future timber market prices per stere (USD156–USD232) (2013: USD83–USD188) • Estimated yields per hectare (average 14 cubic meters) (2013: 16–29 cubic meters) • Estimated harvest and transportation costs per stere (average USD90) (2013: USD41–USD50) • Risk-adjusted discount rate (12%) (2013: 12%) Standing timber in Peru Sepahua: • Estimated future timber market prices per stere (USD83–USD258) (2013: USD104–USD188) • Estimated yields per hectare (average 30 cubic meters) (2013: 19–42 cubic meters) • Estimated harvest and transportation costs per stere (average USD94) (2013: USD29–USD44) • Risk-adjusted discount rate (12%) (2013: 14%) Standing timber in Yunnan Ninglang: • Estimated future timber market prices per stere (RMB600–RMB1200) (2013: RMB611–RMB1,188) • Estimated yields per hectare (90–240 cubic meters) (2013: 90–240 cubic meters) • Estimated harvest and transportation costs per stere (RMB363–RMB541) (2013: RMB347–RMB409) • Risk-adjusted discount rate (11.5%) (2013: 11.5%) Standing timber in Yunnan Yingjiang: • Estimated future timber market prices per stere (RMB580–RMB1050) (2013: RMB400–RMB1003) • Estimated yields per hectare (average 115 cubic meters) (2013: 140–240 cubic meters) • Estimated harvest and transportation costs per stere (RMB450–RMB583) (2013: RMB355–RMB384) • Risk-adjusted discount rate (11.5%) (2013: 11.5%)	The estimated fair value would increase (decrease) if: • the estimated timber prices per stere were higher (lower); • the estimated yields per hectare were higher (lower); • the estimated harvest and transportation costs were lower (higher); or • the risk-adjusted discount rates were lower (higher).

14 BIOLOGICAL ASSETS (Continued))

(c) Risk management strategy related to agricultural activities

The Group is exposed to the following risks related to its standing timber:

Regulatory and environmental risks

The Group is subject to laws and regulations in Peru and the PRC. The forest protection project launched by the PRC government may affect the harvesting volume of the Group's forestry assets in the PRC. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

Supply and demand risk

The Group is exposed to risks arising from fluctuations in the price and sales volume of standing timber. When possible the Group manages this risk by aligning its harvest volume to market supply and demand. Management performs regular industry trend analyses to ensure that the Group's pricing structure is in line with the market and to ensure that projected harvest volumes are consistent with the expected demand.

Climate and other risks

The Group's standing timber is exposed to the risk of damage from unfavourable local weather conditions and natural disasters. Weather conditions such as floods, droughts, cyclones and windstorms and natural disasters such as earthquakes, fire, disease, insect infestation and pests are examples of such events. The occurrence of severe weather conditions or natural disasters may diminish the value of the Group's standing timber. The Group has processes in place aimed at monitoring and mitigating those risks, including regular forest health inspections and industry pest and disease surveys.

(d) Net change in fair value of biological assets

The decrease in fair value of biological assets during the year ended 31 December 2014 was mainly attributable to three factors:

(i) An increased allowance for uncertainty over the entitlement to harvest part of the resource that is located in Yunnan. The authorities have confirmed that the resource is designated a "commercial forest", and that harvesting is not therefore precluded. However it is still within the jurisdiction of the Forestry Bureau to determine the nature and level of harvest;

(ii) A more cautionary approach to the future expansion in harvest in the Peruvian concessions. Such expansion depends not only on escalating the activities in the forests, but an expansion of the Group's processing plants to which all of the forests' output is supplied; and

(iii) An increased allowance for production costs in the Peruvian concessions. This has been based on a more detailed analysis of equipment operating costs and reference to the costs incurred in other tropical concessions internationally.

15 INVESTMENTS IN SUBSIDIARIES

	2014 RMB'000	2013 RMB'000
Unlisted investments, at cost	**277,936**	278,053

(a) List of major subsidiaries

The following list contains only the particulars of major subsidiaries which principally affected the results, assets or liabilities of the Group.

Name of company	Place of incorporation/ establishment and business	Particulars of issued and paid-up capital	Proportion of Group's effective interest held by a subsidiary	Principal activity
Nature (Zhongshan) Wood Industry Co., Ltd. 中山市大自然木業有限公司 (i)	the PRC	USD6,150,000	100%	Wood flooring manufacturing
Kunshan Nature 昆山盈意大自然木業有限公司 (i)	the PRC	USD9,600,000	100%	Wood flooring manufacturing
Guangdong Yingran Wood Industry Co., Ltd. 廣東盈然木業有限公司 (i)	the PRC	USD9,000,000	100%	Wood flooring manufacturing
Jiangxi Yingran Wood Industry Co., Ltd. 江西盈然地板有限公司 (i)	the PRC	USD10,000,000	100%	Floorboard manufacturing
Nature Flooring (China) Co., Ltd. 大自然家居 (中國)有限公司 (i)	the PRC	RMB50,000,000	100%	Trading of wood products
Zhuhai Nature Baigao Wood Industry Co., Ltd.("Nature Baigao") 珠海大自然柏高木業有限公司 (ii)	the PRC	RMB10,000,000	100%	Research, development, manufacturing and sale of wood doors

(Expressed in Renminbi)

15 INVESTMENTS IN SUBSIDIARIES (Continued)

(a) List of major subsidiaries (Continued)

Name of company	Place of incorporation/ establishment and business	Particulars of issued and paid-up capital	Proportion of Group's effective interest held by a subsidiary	Principal activity
Taizhou Nature Desenberg Wood Industry Co., Ltd. 泰州大自然德森堡木業有限公司 (i)	the PRC	USD12,000,000	100%	Research, development, manufacturing and sale of wood doors
Nature Desenberg (Xu Zhou) Wood Industry Co., Ltd. 徐州大自然德森堡木業有限公司 (i)	the PRC	USD1,500,000	100%	Manufacturing and sale of wood doors
Nature America S.A.C.	Peru	PEN500,000	100%	Trading of wood flooring, extraction and sale of timber and forest operations
Cheerway Industrial Limited 捷偉實業有限公司	Hong Kong	HKD100	100%	Investment holding and trading of wood cores and wood flooring
Jiang Xi Nature Home Co., Ltd 江西省大自然家居有限公司 (i)	the PRC	RMB1,244,880	100%	Trading of wood cores and wood flooring
Mico Incorporation Limited ("Mico") 民廣有限公司	Macau	MOP31,000,000	65%	Investment holding and trading of wood cores and wood flooring

15 INVESTMENTS IN SUBSIDIARIES (Continued)

(a) List of major subsidiaries (continued)

(i) These are wholly foreign owned enterprises in the PRC.

(ii) These are private limited liability companies in the PRC.

(iii) The official names of companies in (i) and (ii) above are in Chinese. The English translation of these companies' names is for reference only.

(b) Acquisition of a subsidiary

As at 31 December 2013, the Group held 50% equity interests in Foshan Shunde Nature Investment Management Co., Ltd. ("Foshan Nature") which was accounted for as a joint venture of the Group. During the year ended 31 December 2014, the Group's related party (note 32(ii)), who is acting in concert with the Group, acquired 10% equity interest in Foshan Nature. The Group has power to appoint three representatives in the board of directors (out of five) in Foshan Nature. Accordingly, the Group has control over Foshan Nature and Foshan Nature became a subsidiary of the Group during the year ended 31 December 2014.

The following summaries the nature of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

	Note	Carrying amount RMB'000	Fair value adjustments RMB'000	Recognised values on acquisition RMB'000
Property, plant and equipment	11	13,400	—	13,400
Lease prepayments	13	47,435	—	47,435
Trade and other receivables		4,044	—	4,044
Cash and cash equivalents		522	—	522
Trade and other payables		(56,834)	—	(56,834)
Net identifiable assets		8,567	—	8,567
Analysis of cash flow:				
Consideration paid				—
Less: cash acquired				(522)
Net cash inflow for acquisition of Foshan Nature				522

16 INVESTMENTS IN UNLISTED EQUITY SECURITIES

	2014 RMB'000	2013 RMB'000
Unlisted investments, at cost	**46,277**	15,200
Less: impairment loss	**(12,926)**	(10,404)
	33,351	4,796

As at 31 December 2014, the Group had direct equity interest in the following unlisted PRC established entities:

Name of company	Place of establishment and business	Particulars of issued and paid-up capital	Proportion of Group's effective interest held by a subsidiary	Principal activity
Liaoning Tai'an Yingfu Xinsheng Flooring Co., Ltd. 遼寧台安盈福新盛地板有限公司 (notes (i) and (ii))	the PRC	RMB40,000,000	19%	Manufacturing and trading of wood flooring
Hubei Xiangfan Yingfu Xinsheng Flooring Co., Ltd. 湖北襄樊盈福新盛地板有限公司 (notes (i) and (ii))	the PRC	RMB40,000,000	19%	Manufacturing and trading of wood flooring
Zhejiang Yongyu Bamboo Joint-stock Co., Ltd. 浙江永裕竹業股份有限公司 (note (i))	the PRC	RMB68,712,000	15%	Manufacturing and trading of bamboo flooring
Space Easy Home Decoration Engineering (Jiangsu) Co., Ltd. 空間易家裝飾工程(江蘇)有限公司 (note (i))	the PRC	RMB19,818,000	10%	Provision of decoration services
Smart Space Decoration (Beijing) Co., Ltd. 空間智慧裝飾裝修(北京)有限公司 (note (i))	the PRC	RMB40,000,000	7.5%	Provision of decoration services

16 INVESTMENTS IN UNLISTED EQUITY SECURITIES (Continued)

Notes:

(i) The English translation of these companies' names is for reference only.

(ii) During the year ended 31 December 2014, impairment loss on investments in unlisted equity securities was recognised as the economic performances of these investees are worse than expected. The impairment loss for investments in unlisted equity securities was measured as the difference between the carrying amount of the investment cost and the estimated fair value less costs of disposal.

17 INVENTORIES

	2014 RMB'000	2013 RMB'000
Raw materials	**109,749**	72,306
Work in progress	**43,503**	48,895
Finished goods	**363,065**	266,084
Spare parts and consumables	**27,674**	25,348
	543,991	412,633

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2014 RMB'000	2013 RMB'000
Carrying amount of inventories sold	**1,351,745**	976,668
Write down of inventories	**3,144**	6,896
	1,354,889	983,564

18 TRADE AND BILLS RECEIVABLES

	2014 RMB'000	2013 RMB'000
Trade debtors	**652,760**	568,747
Bills receivable	**91,122**	153,867
Less: allowance for doubtful debts (note 18(b))	**(30,681)**	(29,807)
	713,201	692,807

All of the trade and bills receivables are expected to be recovered within one year.

Note: As at 31 December 2014, trade debtors of RMB185,800,000 (2013: Nil) and bills receivable of RMB20,000,000 (2013: RMB13,000,000) were pledged to a bank to secure banking facilities obtained by the Group (note 25(i)).

18 TRADE AND BILLS RECEIVABLES (Continued)

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade debtors and bills receivable, based on the invoice date and net of allowance for doubtful debts, is as follows:

	2014 RMB'000	2013 RMB'000
Within 1 month	**288,306**	173,000
1 to 3 months	**210,447**	225,364
3 to 6 months	**141,551**	205,257
6 to 12 months	**53,077**	49,464
More than 12 months	**19,820**	39,722
	713,201	692,807

Trade debtors and bills receivable are due within 30 to180 days from the date of billing.

(b) Impairment of trade debtors and bills receivable

Impairment losses in respect of trade debtors and bills receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors and bills receivable directly (note 1(l)(i)).

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	2014 RMB'000	2013 RMB'000
Balance at 1 January	**29,807**	19,004
Impairment loss	**18,698**	23,679
Reversal of impairment	**(17,824)**	(12,876)
Balance at 31 December	**30,681**	29,807

As at 31 December 2014, the Group's trade receivables of RMB33,989,000 (2013: RMB30,727,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of RMB30,681,000 as at 31 December 2014 were recognised (2013: RMB29,807,000).

18 TRADE AND BILLS RECEIVABLES (Continued)

(c) Trade debtors and bills receivable that are not impaired

The ageing analysis of trade debtors and bills receivable that are neither individually nor collectively considered to be impaired are as follows:

	2014 RMB'000	2013 RMB'000
Neither past due nor impaired	**585,851**	532,995
Less than 3 months past due	**69,072**	73,620
More than 3 months but less than 12 months past due	**45,590**	53,161
More than 12 months past due	**9,380**	32,111
	124,042	158,892
	709,893	691,887

Receivables that were neither past due nor impaired and 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 experience, management believes that no impairment allowance 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.

19 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

The Group

	2014 RMB'000	2013 RMB'000
Deposits	**19,778**	11,781
Prepayments for purchase of raw materials	**45,398**	40,179
Prepayments for purchase of plant and equipment	**69,296**	59,658
Lease prepayments	**13,300**	—
Value added tax deductible	**43,439**	39,505
Other prepayments and receivables	**63,938**	84,810
	255,149	235,933

19 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (Continued)

An analysis of current and non-current portion of deposits, prepayments and other receivables is as follows:

	2014 RMB'000	2013 RMB'000
Non-current	82,596	59,658
Current	172,553	176,275
	255,149	235,933

The Company

	2014 RMB'000	2013 RMB'000
Current:		
Amounts due from subsidiaries	–	1,269,947
Other prepayments and receivables	–	186
	–	1,270,133
Non-current:		
Amounts due from subsidiaries	1,272,444	–

All of the deposits, prepayments and other receivables (including amounts due from subsidiaries), apart from those classified as non-current portion, are expected to be recovered or recognised as expense within one year. Amounts due from subsidiaries are unsecured and interest free.

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31 December 2014, the Group held investment in a wealth management product issued by a bank in the PRC with principal amount of RMB32,500,000. The wealth management product will mature on 11 June 2015. Based on the agreement, the expected yield is ranged from 3.30% to 4.65% per annum which is linked to London Gold Market Index during the investment period. The principal amount of the product will be fully paid back at maturity day.

As at 31 December 2014, this wealth management product has been pledged to a bank to secure banking facilities obtained by the Group (note 25(i)).

21 PLEDGED DEPOSITS

At the end of the reporting period, the deposits had been placed with banks as securities for the followings:

	2014 RMB'000	2013 RMB'000
Bank loans (note 25 (i))	**73,000**	73,000
Others	**60,654**	24,878
	133,654	97,878

Others mainly represented deposits placed in the financial institutions in the PRC for security of certain sales contracts and bidding transactions as required by the counter parties.

22 CASH AND CASH EQUIVALENTS

The Group

	2014 RMB'000	2013 RMB'000
Cash in hand	**590**	105
Deposits with banks	**472,159**	399,028
Cash and cash equivalents	**472,749**	399,133

At 31 December 2014, cash and cash equivalents placed with banks in the mainland China amounted to RMB371,502,000 (2013: RMB 314,384,000). Remittance of funds out of mainland China is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

The Company

	2014 RMB'000	2013 RMB'000
Cash at bank and in hand	**3,904**	17,100

23 TRADE AND BILLS PAYABLES

	2014 RMB'000	2013 RMB'000
Trade creditors	**223,779**	127,685
Bills payable	**48,239**	14,100
	272,018	141,785

All of the trade and bills payable are expected to be settled within one year or are repayable on demand.

As of the end of the reporting period, the ageing analysis of trade creditors and bills payable, based on invoice date, is as follows:

	2014 RMB'000	2013 RMB'000
Within 1 month	**152,730**	75,441
1 to 3 months	**84,241**	50,238
3 to 6 months	**18,480**	2,754
6 to 12 months	**15,369**	13,352
1 to 2 years	**1,198**	—
	272,018	141,785

24 DEPOSITS RECEIVED, ACCRUALS AND OTHER PAYABLES

The Group

	2014 RMB'000	2013 RMB'000
Payables for purchase of property, plant and equipment	**30,073**	9,405
Advanced payments and deposits received from customers	**65,971**	62,809
Accrued staff costs	**35,814**	25,933
Value added tax, business tax and consumption tax payable	**19,957**	16,057
Accrued transportation fees	**13,350**	13,214
Other payables and accruals	**95,671**	46,915
	260,836	174,333

24 DEPOSITS RECEIVED, ACCRUALS AND OTHER PAYABLES (Continued)

The Company

	2014 RMB'000	2013 RMB'000
Amounts due to subsidiaries	**229,578**	192,102
Other payables and accruals	**4,766**	5,405
	234,344	197,507

All of the deposits received, accruals and other payables (include amounts due to subsidiaries) are expected to be settled within 12 months or are repayable on demand.

25 BANK LOANS

An analysis of secured and unsecured bank loans is as follows:

	2014 RMB'000	2013 RMB'000
Current:		
— secured (note (i))	**258,787**	112,454
— unsecured	**135,419**	8,748
	394,206	121,202
Non-current:		
— secured (note (i))	**9,000**	—
	403,206	121,202

Notes:

(i) At the end of the reporting period, secured bank loans were secured by the following assets of the Group:

	2014 RMB'000	2013 RMB'000
Pledged deposits (note 21)	**73,000**	73,000
Property, plant and equipment (note 11)	**22,162**	—
Lease prepayments (note 13)	**71,775**	—
Trade debtors and bills receivable (note 18)	**205,800**	13,000
Financial assets at fair value through profit or loss	**32,500**	—
	405,237	86,000

(ii) As at 31 December 2014 and 2013, no bank loan was subject to the fulfillment of covenants.

(iii) The unutilised banking facilities as at 31 December 2014 amounted to RMB485,733,000 (31 December 2013: RMB231,274,000).

(Expressed in Renminbi)

26 EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company adopted two share option schemes on 16 December 2008 ("Pre-IPO Plan") and 3 May 2011 ("Post-IPO Plan") respectively whereby the directors of the Company are authorised at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up share options at a consideration of HKD1. Each option entitles the option holders to subscribe one ordinary share of the Company. Options will lapse when the grantee ceases to be an employee of the Group for reasons other than death, ill-health or retirements.

(a) The terms and conditions of the grants are as follows:

Plans	Date of grant	Batch	Numbers of options granted	Vesting period	Exercise price (HKD)	Contractual life of options	Remaining contractual life
Options granted to employees:							
Pre-IPO Plan	17 December 2008	Batch 1	2,538,860	17 December 2008 to 25 November 2012	2.35	10 years	3.96 years
	17 December 2008	Batch 2	2,538,860	17 December 2008 to 25 November 2012	2.35	10 years	3.96 years
	17 December 2008	Batch 3	5,077,720	17 December 2008 to 25 November 2012	2.35	10 years	3.96 years
	17 December 2008	Batch 4	7,616,580	17 December 2008 to 30 December 2012	2.35	10 years	3.96 years
	17 December 2008	Batch 5	7,616,580	17 December 2008 to 30 December 2013	2.35	10 years	3.96 years
	1 July 2010	Batch 6	1,200,000	1 July 2010 to 25 November 2012	3.38	10 years	5.5 years
	1 July 2010	Batch 7	3,600,000	1 July 2010 to 25 November 2012	3.38	10 years	5.5 years
	1 July 2010	Batch 8	3,600,000	1 July 2010 to 30 December 2012	3.38	10 years	5.5 years
	1 July 2010	Batch 9	3,600,000	1 July 2010 to 30 December 2013	3.38	10 years	5.5 years
Post-IPO Plan	4 January 2012	Batch 10	58,000,000	4 January 2012 to 4 January 2015	1.45	10 years	8 years
	8 October 2013	Batch 11	31,500,000	8 October 2013 to 8 October 2016	1.61	10 years	8.75 years
Options granted to directors:							
Post-IPO Plan	4 January 2012	Batch 10	10,000,000	4 January 2012 to 4 January 2015	1.45	10 years	8 years
		Total	136,888,600				

26 EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

(b) The number and weighted average exercise prices of share options are as follows:

	2014		2013	
	Weighted average exercise price HKD	Number of options '000	Weighted average exercise price HKD	Number of options '000
Outstanding at the beginning of the year	**1.78**	**126,828**	1.84	95,758
Granted during the year	**—**	**—**	1.61	31,500
Lapsed during the year	**1.70**	**(2,725)**	2.35	(430)
Outstanding at the end of the year	**1.78**	**124,103**	1.78	126,828
Exercisable at the end of the year	**2.81**	**27,002**	2.80	27,328

27 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2014 RMB'000	2013 RMB'000
At 1 January	**22,196**	9,270
Provision for PRC income tax (note 6(a))	**41,423**	65,405
Provision for income tax from subsidiaries in other jurisdictions (note 6(a))	**1,913**	247
PRC income tax paid	**(44,190)**	(52,719)
Income tax paid by subsidiaries in other jurisdictions	**(1,246)**	(7)
At 31 December	**20,096**	22,196

27 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Write-downs of inventories RMB'000	Impairment of receivables RMB'000	Impairment of investment on unlisted equity securities RMB'000	Unused tax losses RMB'000	Unrealised profit in inventories RMB'000	Capitalised borrowing cost RMB'000	Change in fair value of biological assets RMB'000	Total RMB'000
Balance as at 1 January 2013	(3,910)	(4,462)	(1,245)	(9,969)	(2,955)	586	10,784	(11,171)
(Credited)/charged to profit or loss	(1,404)	(2,617)	(1,356)	6,689	45	(45)	3,471	4,783
Credited to foreign currency translation reserve	–	–	–	–	–	–	(375)	(375)
Balance as at 31 December 2013	(5,314)	(7,079)	(2,601)	(3,280)	(2,910)	541	13,880	(6,763)
Balance as at 1 January 2014	**(5,314)**	**(7,079)**	**(2,601)**	**(3,280)**	**(2,910)**	**541**	**13,880**	**(6,763)**
(Credited)/charged to profit or loss	**(113)**	**(1,206)**	**(631)**	**(5,643)**	**318**	**(45)**	**(2,250)**	**(9,570)**
Credited to foreign currency translation reserve	**–**	**–**	**–**	**–**	**–**	**–**	**60**	**60**
Balance as at 31 December 2014	**(5,427)**	**(8,285)**	**(3,232)**	**(8,923)**	**(2,592)**	**496**	**11,690**	**(16,273)**

27 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(c) Reconciliation to the consolidated statement of financial position

	2014 RMB'000	2013 RMB'000
Deferred tax assets recognised on the consolidated statement of financial position	**28,459**	21,184
Deferred tax liabilities recognised on the consolidated statement of financial position	**(12,186)**	(14,421)
	16,273	6,763

(d) Deferred tax assets not recognised

No deferred tax assets have been recognised in respect of unused tax losses from certain subsidiaries because it is not probable that future taxable profits will be available against which they can utilise the related benefits. As at the end of the reporting period, unused tax losses that:

	2014 RMB'000	2013 RMB'000
Expire by		
31 December 2014	**–**	5,467
31 December 2015	**1,986**	3,252
31 December 2016	**3,670**	9,340
31 December 2017	**9,947**	52,462
31 December 2018	**6,093**	45,367
31 December 2019	**21,999**	–
Sub-total	**43,695**	115,888
Unexpire under current tax legislation	**75,079**	43,201
Total	**118,774**	159,089

27 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(e) Deferred tax liabilities not recognised

At 31 December 2014, deferred tax liabilities in respect of the dividend withholding tax relating to the undistributed profits of the Company's subsidiaries were not recognised as the Company controls the dividend policy of these subsidiaries. Based on the assessment made by management as at the end of each reporting period, it was determined that the undistributed profits of the Company's subsidiaries would not be distributed in the foreseeable future. The amounts of undistributed profit of the Company's subsidiaries are set out below:

	At 31 December 2014 RMB'000	At 31 December 2013 RMB'000
Distributable profits earned by PRC subsidiaries on or after 1 January 2008	**1,144,070**	1,147,965
Distributable profits earned by Peru subsidiaries	**107,848**	109,523
Total	**1,251,918**	1,257,488

As all of the Company's PRC subsidiaries are directly or indirectly owned by a Hong Kong or Macau incorporated subsidiary which is a qualified tax resident, a rate of 5% is applicable to the PRC dividend withholding tax. Pursuant to the Corporate Income Tax Law of Peru, overseas investors of the domiciled legal entities shall be liable for withholding income tax at 4.1%.

28 SHARE CAPITAL

(a) Authorised

	As at 1 January 2013, 31 December 2013, 1 January 2014 and 31 December 2014	
	Number of shares	**Nominal value of shares** USD'000
Ordinary shares of USD0.001 each	4,000,000,000	4,000

28 SHARE CAPITAL (Continued)

(b) Issued and fully paid

	Number of ordinary shares	Ordinary shares Nominal value of fully paid ordinary shares USD'000	Nominal value of fully paid ordinary shares RMB'000
As at 1 January 2013, 31 December 2013 and 1 January 2014	1,481,823,990	1,482	9,680
Repurchase and cancellation of own shares	(13,586,000)	(14)	(84)
As at 31 December 2014	1,468,237,990	1,468	9,596

When shares recognised as equity are repurchased and cancelled, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity.

(c) Purchase of own shares

During the year ended 31 December 2014, the Company repurchased its own ordinary shares listed on The Stock Exchange of Hong Kong Limited as follows:

	Number of shares repurchased	Highest price paid per share HKD	Lowest price paid per share HKD	Aggregate price paid HKD'000
April 2014	12,986,000	1.55	1.27	18,883
May 2014	600,000	1.48	1.43	878
	13,586,000			19,761

The repurchased shares were cancelled and the issued share capital of the Company was reduced by the nominal value of these shares. An amount equivalent to par value of the shares cancelled of HKD105,000 (equivalent to RMB84,000) was deducted from share capital. The premium paid on the repurchase of the shares of HKD19,832,000 (equivalent to RMB15,665,000), including transaction cost paid of HKD176,000 (equivalent to RMB141,000), was charged to share premium.

An amount equivalent to the par value of the shares cancelled was transferred from share premium to the capital redemption reserve pursuant to section 37(4) of the Companies Law of the Cayman Islands.

29 RESERVES

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital RMB'000 (Note 28)	Share premium RMB'000 (Note 29(d))	Capital redemption reserve RMB'000 (Note 29(e))	Foreign currency translation reserve RMB'000 (Note 29 (b))	Other reserve RMB'000 (Note 29 (c))	Accumulated losses RMB'000	Total equity RMB'000
At 1 January 2013	9,680	1,360,787	—	(98,395)	348,062	(20,277)	1,599,857
Changes in equity for the year ended 31 December 2013							
Loss for the year	—	—	—	—	—	(27,756)	(27,756)
Other comprehensive income	—	—	—	(34,638)	—	—	(34,638)
Total comprehensive income	—	—	—	(34,638)	—	(27,756)	(62,394)
Dividends approved	—	(27,603)	—	—	—	—	(27,603)
Special dividends approved in respect of the current year (note 29(h))	—	(161,715)	—	—	—	—	(161,715)
Equity-settled share-based payment transactions (note 26)	—	—	—	—	19,634	—	19,634
Share options lapsed during the year	—	—	—	—	(267)	267	—
At 31 December 2013 and 1 January 2014	9,680	1,171,469	—	(133,033)	367,429	(47,766)	1,367,779
Changes in equity for the year ended 31 December 2014							
Loss for the year	—	—	—	—	—	(23,525)	(23,525)
Other comprehensive income	—	—	—	4,016	—	—	4,016
Total comprehensive income	—	—	—	4,016	—	(23,525)	(19,509)
Repurchase and cancelled share							
— par value paid	(84)	—	—	—	—	—	(84)
— premium paid	—	(15,665)	—	—	—	—	(15,665)
— transfer between reserves	—	(84)	84	—	—	—	—
Dividends approved in respect of the previous year (note 29(h))	—	(29,466)	—	—	—	—	(29,466)
Equity-settled share-based payment transactions (note 26)	—	—	—	—	16,885	—	16,885
Share options lapsed during the year	—	—	—	—	(367)	367	—
At 31 December 2014	9,596	1,126,254	84	(129,017)	383,947	(70,924)	1,319,940

29 RESERVES (Continued)

(a) Statutory surplus reserve

(i) According to the current PRC Company Law, the Group's entities in the PRC are required to transfer 10% of their profit after taxation to statutory surplus reserve until the surplus reserve balance reaches 50% of the registered capital. For the purpose of calculating the transfer to reserve, the profit after taxation shall be the amount determined based on the statutory financial statements prepared in accordance with PRC accounting standards. The transfer to this reserve has to be made before distribution of dividend by these entities.

Statutory surplus reserve can be used to make good previous years' losses, if any, and for capitalisation issue provided that the balance after such issue is not less than 25% of the registered capital of the respective entities.

(ii) The Macau Commercial Code requires that a company should set aside a minimum of 25% of the company's profit after taxation to the legal reserve until the balance of the reserve reaches 50% of the company's paid-in capital. The reserve can be used to make good previous years' losses, if any, and for capitalisation issue.

(iii) The Peru Corporation Law requires that a company should set aside a minimum of 10% of the company's profit after taxation to the legal reserve until the balance equal to 20% of the paid-in capital. The reserve can be used to offset future net losses.

(b) Foreign currency translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of operations with functional currencies other than the RMB presentation currency.

(c) Other reserves

Other reserves comprise the following:

The Group

	2014 RMB'000	2013 RMB'000
Equity-settled share-based payment transactions (note)	**65,949**	49,431
Capital contributions	**596**	596
Arising from reorganisation	**99**	99
	66,644	50,126

29 RESERVES (Continued)

(c) Other reserves (Continued)

The Company

	2014 RMB'000	2013 RMB'000
Equity-settled share-based payment transactions (note)	**65,949**	49,431
Arising from reorganisation	**317,998**	317,998
	383,947	367,429

Note: The equity share-based payment transactions represent the cumulative value of the equity-settled share options granted to employees recognised in accordance with the accounting policy adopted for share-based payments in note 1(o)(ii).

(d) Share premium

Under the Companies Law of the Cayman Islands, the funds in the Company's share premium account are distributable to the equity shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(e) Capital redemption reserve

Capital redemption reserve represents the nominal amount of the shares repurchased.

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

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

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes bills payable and bank loans), less cash and cash equivalents and pledged deposits. Adjusted capital comprises all components of equity.

In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to equity shareholders, return capital to equity shareholders, raise new debt financing or sell assets to reduce debt.

29 RESERVES (Continued)

(f) Capital management (Continued)

The adjusted net debt-to-capital ratio at 31 December 2014 and 2013 was as follows:

The Group

	2014 RMB'000	2013 RMB'000
Current liabilities:		
Bills payable	**48,239**	14,100
Bank loans	**394,206**	121,202
	442,445	135,302
Non-current liabilities:		
Bank loans	**9,000**	—
Total debt	**451,445**	135,302
Less: Cash and cash equivalents	**(472,749)**	(399,133)
Pledged deposits	**(133,654)**	(97,878)
Adjusted net debt	**(154,958)**	(361,709)
Total equity	**2,419,683**	2,513,527

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

(g) Distributability of reserves

The aggregate amount of reserves available for distribution to equity shareholders of the Company at 31 December 2014 was HKD1,672,000,000 (equivalent to RMB1,314,000,000) (2013: HKD1,737,000,000 (equivalent to RMB1,365,000,000)) which comprises of share premium, accumulated losses and other reserves.

29 RESERVES (Continued)

(h) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2014 RMB'000	2013 RMB'000
Special dividend declared and paid in 2013 of HKD0.128 per ordinary share	**–**	161,715
Final dividend of HKD0.014 (equivalent to RMB0.011) proposed after the end of the reporting period (2013: HKD0.025 (equivalent to RMB0.021)) per ordinary share	**16,216**	31,344

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2014 RMB'000	2013 RMB'000
Dividend in respect of the previous year, approved and paid during the year	**29,466**	27,603

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 to 180 days from the date of billing. Debtors with balances that are more than 12 months past due are generally requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers.

The Group has a concentration of credit risk of the total trade receivables due from the Group's largest customer and the five largest customers as follows:

	2014 RMB'000	2013 RMB'000
Due from		
— largest customer	**106,553**	106,100
— five largest customers	**396,724**	238,885

The Group does not provide any other guarantees which would expose the Group or the Company to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and bills receivables are set out in note 18.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically the Group ensures that it maintains sufficient reserves of cash on demand and adequate committed lines of funding from major financial institutions to meet its liquidity requirement in the short and longer term. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

The Group

At 31 December 2014	Carrying amount RMB'000	Contractual cash flows RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000
Bank loans	**403,206**	**417,490**	**406,830**	**664**	**9,996**
Trade and bills payables	**272,018**	**272,018**	**272,018**	**–**	**–**
Deposits received, accruals and other payables	**260,836**	**260,836**	**260,836**	**–**	**–**
	936,060	**950,344**	**939,684**	**664**	**9,996**

At 31 December 2013	Carrying amount RMB'000	Contractual cash flows RMB'000	Within 1 year or on demand RMB'000
Bank loans	121,202	123,088	123,088
Trade and bills payables	141,785	141,785	141,785
Deposits received, accruals and other payables	174,333	174,333	174,333
	437,320	439,206	439,206

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank loans. Bank loans issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest risk, respectively. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's total borrowings and deposits at the end of the reporting period:

	2014		2013	
	Effective interest rate %	**Carrying amount RMB'000**	Effective interest rate %	Carrying amount RMB'000
Variable rate instruments				
Deposit with banks	**0.35%**	**472,159**	0.35%	399,028
Pledged deposits	**0.35%**	**60,654**	0.35%	24,878
Bank loans	**2.18%**	**(162,206)**	2.24%	(108,202)
		370,607		315,704
Fixed rate instruments				
Pledged deposits	**0.35%**	**73,000**	0.35%	73,000
Bank loans	**5.50%**	**(241,000)**	4.25%	(13,000)
		(168,000)		60,000
Fixed rate borrowings as a percentage of total borrowings		**60%**		11%

(ii) Sensitivity analysis

At 31 December 2014, it is estimated that a general increase/decrease of 100 basis points in interest rates in bank loans, with all other variables held constant, would have increased/decreased the Group's loss for the year by RMB1,322,000 (2013: decrease of net profit by RMB923,000) respectively. The sensitivity analysis indicates the impact on the Group's loss for the year that would arise assuming that there is an annualised impact on interest expense by a change in interest rates on bank loans. The analysis is performed on the same basis for 2013.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payable and cash balances that are denominated in a foreign currency, i.e., a currency other than the functional currency of the entity to which they relate. The currencies giving rise to this risk are primarily RMB, USD, MOP, PEN and EUR. The Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

(i) Exposure to currency risk

The following table details the Group's and the Company's exposure at the end of reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB translated using the spot rate at the period end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(d) Currency risk (Continued)

The Group

	Exposure to foreign currencies									
	31 December 2014					31 December 2013				
	USD	PEN	MOP	EUR	RMB	USD	PEN	MOP	EUR	RMB
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	**50,237**	**5,007**	**1,931**	**582**	**10,020**	36,039	2,691	901	1,010	56,688
Trade and bills receivables	**26,630**	**1,654**	**–**	**15,262**	**–**	85,716	755	3,203	7,526	–
Deposits, prepayments and other receivables	**2,925**	**9,394**	**–**	**119**	**–**	10,871	16,181	–	8	–
Trade and bills payables	**(13,125)**	**(2,830)**	**–**	**(619)**	**–**	(29,363)	(5,024)	(71)	(1,179)	–
Deposits received, accruals and other payables	**(224,988)**	**(419)**	**–**	**–**	**–**	(185,888)	(662)	(5)	–	–
Bank loans	**(783)**	**–**	**–**	**(7,202)**	**–**	–	–	–	(8,377)	–
Gross exposure arising from recognised assets and liabilities	**(159,104)**	**12,806**	**1,931**	**8,142**	**10,020**	(82,625)	13,941	4,028	(1,012)	56,688

The Company

	Exposure to foreign currencies			
	31 December 2014		31 December 2013	
	USD	RMB	USD	RMB
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	**906**	**2,057**	73	1,203

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(d) Currency risk (Continued)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's result for the year and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables, in particular interest rates, remain constant.

The Group

	31 December 2014			31 December 2013		
	Increase/ (decrease) in foreign exchange rates	Effect on loss for the year RMB'000	Effect on other components of equity RMB'000	Increase/ (decrease) in foreign exchange rates	Effect on profit for the year RMB'000	Effect on other components of equity RMB'000
USD	1%	1,817	(1,817)	0.7%	(574)	(574)
USD	(1%)	(1,817)	1,817	(0.7%)	574	574
PEN	1%	(128)	128	0.8%	110	103
PEN	(1%)	128	(128)	(0.8%)	(110)	(103)
MOP	1%	(26)	26	0.65%	26	26
MOP	(1%)	26	(26)	(0.65%)	(26)	(26)
EUR	1%	(125)	125	0.65%	(7)	(7)
EUR	(1%)	125	(125)	(0.65%)	7	7
RMB	1%	(100)	100	0.65%	370	276
RMB	(1%)	100	(100)	(0.65%)	(370)	(276)

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(d) Currency risk (Continued)

(ii) Sensitivity analysis (Continued)

The Company

	31 December 2014			31 December 2013		
	Increase/ (decrease) in foreign exchange rates	Effect on loss for the year RMB'000	Effect on other components of equity RMB'000	Increase/ (decrease) in foreign exchange rates	Effect on loss for the year RMB'000	Effect on other components of equity RMB'000
USD	1%	(1)	1	0.7%	(1)	1
USD	(1%)	1	(1)	(0.7%)	1	(1)
RMB	1%	(21)	21	0.65%	(101)	101
RMB	(1%)	21	(21)	(0.65%)	101	(101)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group's entities' result for the year and equity measured in the respective functional currencies, translated into reporting currency (RMB) at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including intercompany payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2014.

(e) Commodity price risk

Various wood cores and timber are the major materials of the Group's products which accounted for 78% (2013: 61%) of total cost of sales. Fluctuation on commodity price of wood cores and timber will have significant impact on the Group's earnings, cash flows as well as the value of inventories. The Group minimises the cost of materials by bulk purchase of major raw materials and acquisition of natural resources. The Group has not entered into any commodity derivative instruments to hedge the potential commodity price changes.

(f) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's and the Company's financial instruments are not materially different from their fair values as at 31 December 2014 and 2013.

31 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

Capital commitments outstanding at the end of the reporting period not provided for in the consolidated financial statements were as follows:

	2014 RMB'000	2013 RMB'000
Contracted for	**52,888**	22,335

(b) Operating lease commitments

At the end of the reporting period, the total future minimum lease payments under operating leases are as follows:

	2014 RMB'000	2013 RMB'000
Within 1 year	**27,059**	19,136
After 1 year but within 3 years	**38,138**	32,328
After 3 years but within 5 years	**25,517**	22,082
After 5 years	**15,545**	15,278
	106,259	88,824

The Group leases a number of manufacturing facilities under operating leases. The leases typically run for an initial period of half a year to seventeen years, with an option to renew the lease when all terms are negotiated. None of the leases included contingent rentals.

(c) Financial guarantees issued

At 31 December 2014, bank loans amounted to RMB3,731,000 (2013: RMB7,748,000) was guaranteed by the Company to its subsidiaries.

32 MATERIAL RELATED PARTY TRANSACTIONS

(i) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7 and certain of the highest paid employees, as disclosed in note 8, is as follows:

	2014 RMB'000	2013 RMB'000
Short-term employee benefits	**9,078**	8,784
Post-employment benefits	**23**	19
Equity-settled share-based payment expenses	**6,961**	10,878
	16,062	19,681

Total remuneration is included in "staff costs" (note 5(b)).

(ii) As disclosed in note 15(a), a related party, who is a family member of Ms. Un Son I, acquired 10% equity interest in Foshan Nature during the year ended 31 December 2014. The related party is acting in concert with the Group's 50% equity interest in Foshan Nature.

33 SUBSEQUENT EVENTS

On 30 March 2015, the Company entered into an investment agreement, pursuant to which the Company has conditionally agreed to subscribe for 5,500,000 new shares in the share capital of ALNO AG ("ALNO", together with its subsidiaries, the "ALNO Group") at a total subscription price of EUR5,775,000 (equivalent to approximately RMB38,635,000) (the "Subscription"). On the same date, the Company entered into a share purchase agreement pursuant to which the Company has conditionally agreed to purchase 1,375,000 existing shares in the issued share capital of ALNO from Whirlpool Germany GmbH ("Whirlpool"), the largest shareholder of ALNO, at a total consideration of EUR412,500 (equivalent to approximately RMB2,760,000) (the "Acquisition"). ALNO is listed on the Frankfurt Stock Exchange. The ALNO Group is principally engaged in the industrial development, designing, producing and selling of kitchen cabinet and furniture. Upon completion of the Subscription and Acquisition, the Company will hold an aggregate of 6,875,000 shares, representing approximately 9.09% of the enlarged issued share capital of ALNO, and will become the third largest shareholder of ALNO.

34 IMMEDIATE AND ULTIMATE CONTROLLING PARTIES

At 31 December 2014, the directors consider the immediate parent of the Group to be Freewings Development Co., Ltd., which is incorporated in BVI. This entity does not produce financial statements available for public use. The ultimate controlling parties are Mr. Se Hok Pan and Ms. Un Son I.

(Expressed in Renminbi)

35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2014

Up to the date of issue of these financial statements, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2014 and which have not been adopted in these financial statements.

These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Annual improvements to IFRSs 2010–2012 Cycle	1 July 2014
Annual improvements to IFRSs 2011–2013 Cycle	1 July 2014
Annual improvements to IFRSs 2012–2014 Cycle	1 January 2016
Amendments to IAS 16 and IAS 38 *Clarification of acceptable methods of depreciation and amortisation*	1 January 2016
IFRS 15, *Revenue from contracts with customers*	1 January 2017
IFRS 9, *Financial instruments (2014)*	1 January 2018

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

In addition, the requirements of Part 9, "Accounts and Audit", of the new Hong Kong Companies Ordinance (Cap. 622) come into operation from the company's first financial year commencing after 3 Match 2014 (i.e. the Company's financial year which began on 1 January 2015) in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of the expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9. So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.

Five Year Summary

(Expressed in Renminbi)

	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000
Results					
Turnover	**1,979,285**	1,488,949	1,117,904	1,560,985	1,623,908
Net change in fair value of biological assets	**(144,349)**	47,761	65,541	92,707	106,798
(Loss)/profit from operations	**(19,840)**	210,619	93,200	335,646	442,886
Net finance (costs)/income	**(19,636)**	(53)	(723)	23,427	(39,194)
(Loss)/profit before taxation	**(39,476)**	210,566	92,477	359,073	403,692
Income tax	**(33,766)**	(70,435)	26,498	(53,320)	(63,555)
(Loss)/profit for the year	**(73,242)**	140,131	118,975	305,753	340,137
Attributable to:					
Equity shareholders of the Company	**(75,356)**	138,102	122,711	306,017	340,137
Non-controlling interests	**2,114**	2,029	(3,736)	(264)	—
(Loss)/profit for the year	**(73,242)**	140,131	118,975	305,753	340,137
Assets and liabilities					
Non-current assets	**1,319,377**	1,208,738	1,094,768	885,547	694,641
Current assets	**2,068,648**	1,778,726	1,990,329	2,219,486	1,185,048
Total assets	**3,388,025**	2,987,464	3,085,097	3,105,033	1,879,689
Current liabilities	**(947,156)**	(459,516)	(495,218)	(480,874)	(395,641)
Non-current liabilities	**(21,186)**	(14,421)	(27,719)	(111,727)	(141,781)
NET ASSETS	**2,419,683**	2,513,527	2,562,160	2,512,432	1,342,267
Share capital	**9,596**	9,680	9,680	9,848	775
Reserves	**2,393,116**	2,493,402	2,552,480	2,498,848	1,341,492
Non-controlling interests	**16,971**	10,445	—	3,736	—
TOTAL EQUITY	**2,419,683**	2,513,527	2,562,160	2,512,432	1,342,267
(Loss)/Earnings per share (Note)					
Basic	**(0.05)**	0.09	0.08	0.23	0.25
Diluted	**(0.05)**	0.09	0.08	0.23	0.25

Five Year Summary (Continued)

(Expressed in Renminbi)

Note:

The calculation of basic and diluted earnings per share for the years ended 31 December 2010 was adjusted retrospectively for the effect of 1,007,999,991 ordinary shares issued by way of capitalization on 26 May 2011.

There were no potential dilutive ordinary shares in existence during the years ended 31 December 2010.

The calculation of diluted earnings per share for the year ended 31 December 2011 was based on the profit attributable to ordinary shareholders of RMB306,017,000 and weighted average number of ordinary shares of 1,338,028,000, after adjusting for the effects of all dilutive potential ordinary shares under the Company's share option plan and convertible preference shares.

For the years ended 31 December 2014, 2013 and 2012, the effect of the Company's share option plans were anti-dilutive.