大自然地板
Nature

China Flooring Holding Company Limited
中國地板控股有限公司

Incorporated in the Cayman Islands with limited liability
Stock Code: 2083

2011 INTERIM REPORT

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Se Hok Pan *(Chairman and President)*
Ms. Un Son I
Mr. She Jian Bin
Mr. Chow Chi Keung Savio

Non-executive Directors

Mr. Homer Sun
Mr. Eddy Huang

Independent non-executive Directors

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

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

EXECUTIVE COMMITTEE

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

COMPANY SECRETARY

Mr. Teoh Chun Ming

AUTHORISED REPRESENTATIVES

Mr. Se Hok Pan
Mr. Teoh Chun Ming

AUDITORS

KPMG

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China
Standard Chartered Bank (Hong Kong) Limited

REGISTERED OFFICE

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Grand Cayman KY1-1111
Cayman Islands

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HEAD OFFICE IN THE PRC

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Foshan City
Guangdong Province
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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
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183 Queen's Road East
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COMPLIANCE ADVISOR

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WEBSITE

www.china-flooring.com.hk

STOCK CODE

2083

Chairman's Statement

Dear Shareholders,

The listing of China Flooring Holding Company Limited ("the Company") together with its subsidiaries ("the Group" or "We") on the main board of the Stock Exchange of Hong Kong in May 2011 marked a significant milestone in the Company's development. I hereby present the first results report to all shareholders since our listing. On behalf of the Board of Directors, I am pleased to announce that the Group has achieved encouraging results during the first six months of 2011.

I. BUSINESS REVIEW

The accelerated recovery of the global economy in 2011 further intensified the demand in the flooring market, and China's flooring industry has begun a new growth cycle. Benefiting from strong domestic consumer demand, the industry has boomed further. However, the PRC government's concern over the prices in the real estate market has caused temporary psychological impact on consumers. In view of the co-existence of opportunities and challenges in the market, the Group adjusts its business focus from time to time according to the economic development and changes in major markets. By doing so, we can adapt to the competitive features of the new market status and achieved sustainable business development.

1. The flooring business

As the market is ever changing, the Group is gradually adjusting its product structure. The sales performance of laminated flooring is very strong and the segment is taking up an increasing proportion. Cost effective laminated flooring has become the best "trump card" in the market competition. With the consumers improved living standard, the solid wood flooring market also enjoys development potential.

In respect of manufacturing, in collaboration with Guangdong Weihua Corporation, the Group's authorized manufacturing plants have commenced operation and have started to bring in trademark and distribution network usage fees for the Group.

The network of flooring stores is growing steadily. As at 30 June 2011, there were 1,901 "Nature" stores, 975 "Nature • No. 1 My Space" stores and 107 "Nature • Aesthetics" stores. With respect to flooring sales, the wholesale volume of the Group's laminated flooring, engineered flooring and solid wood flooring for the six months ended 30 June 2011 was 6.8 million sq.m., 1.6 million sq.m. and 2.2 million sq.m. respectively, up 31.6%, 31.6% and 38.7%, respectively compared to the corresponding period of last year.

2. New business

According to the report dated February 2011 prepared by Frosts Sullivan (Beijing) Inc. on the wooden flooring market in the PRC under the commission of the Company, the retail sales volume in the PRC wooden door industry is estimated to increase to 525 million sets in 2014 from 142 million sets in 2009, representing a CAGR of 29.9%. The retail sales volume of wardrobes in the PRC is expected to increase to 42 million sets in 2014 from 14 million sets in 2009, representing a CAGR of 23.7%. Being China's largest wood flooring brand, we strive to seize this market opportunity to make foray into the businesses of wooden doors and wardrobe stores.

3. Forest resources business

As at 30 June 2011, the Company held standing trees and relevant concession rights for 4,445 hectares and 46,347 hectares of forest in China's Yunan Province and Peru's Loreto Province respectively. These forest holdings include certain types of trees suitable for manufacturing highend solid wood flooring products. Commercial logging in the Group's forest in Peru was commenced in June 2011, and an independent third party local contractor was appointed to manage the Company's logging, transport and logistic loading in Peru's forest. Meanwhile, initial preparation has already begun in Yunan's forest. The development of the forest resource business ensures a more stable supply of quality wooden materials to authorised manufacturers for the production of the Company's branded solid wood flooring products. This not only reinforces authorised manufacturers' loyalty, but also ensures stable fees received from authorised manufacturers.

II. PROSPECT

Year 2011 marks a milestone in the development of the Group. Through the successful listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company established stronger capital and development platforms. The Company's next mission is to expand the business quickly by fully utilising these resources, generating more profits and value for our shareholders.

Last August, wooden door and wood flooring enterprises, two major representatives in China's National Forest Products Association (中國林產工業協會), initiated the pilot scheme of "national wooden building materials entering rural areas". Driven by the "wooden building materials entering rural areas" policy, the demand for newly constructed or renovated housing is expected to be robust in the next two years, which will create an enormous growth potential for wood flooring products and wooden building materials.

China's property market is becoming more stable as the PRC government has launched stimulus policies in the past few years. The future development of the wood flooring market will feature gradually increased demand and small price fluctuation, while a tendency of steady growth. The next five years will be the prime time for China's economy and flooring market. Demand in China's real estate market is expected to remain strong, implying huge demand in the flooring market.

Looking ahead, the Company will continue to innovate and optimize our sales and marketing and service model. Our integrated corporate competitiveness and market risks resistance capability will be strengthened through a rich product line and a low carbon environmental friendly development mode.

From the development of product functionality segmentation, the Company learnt that the essence of market competition lies in product strength. The Company will continue to increase the launch of tailor made products such as creative flooring, wooden doors, wardrobes and kitchen cabinets. This will enable us to leverage a more robust commercial model and achieve bigger development room, while the product RD system will also develop towards the refined management model.

III. CORPORATE SOCIAL RESPONSIBILITY

The Company is fully aware that exercising corporate social responsibility is an integral part of corporate development. The Company takes into account the interest of relevant interest stakeholders, aiming at doing business in a balanced and sustainable manner. The Company's corporate responsibility is aimed for providing relevant interest stakeholders with long term benefits. We also focus on areas such as eco environment, education, sustainable resources and humanity relief work. The Company has been directly involving in charity activities for many years and has initiated some charity activities such as the "China's green map project" (中國綠化版圖工程), and the "China's green cradle scheme" (中國綠色搖籃計劃). The Company's commitment to corporate social responsibility will continue to be an integral element of our business.

IV. APPRECIATION

On behalf of the Board of Directors, I hereby express our sincere gratitude to the outstanding contributions and endless efforts made by the management and all employees, as well as the strong support from all of our customers, business partners, and shareholders.

Se Hok Pan
Chairman and President

Hong Kong, 26 August 2011

FINANCIAL REVIEW

Revenue

We generate revenue from three business segments: 1) manufacturing and sale of flooring products, 2) trademark and distribution network usage fees; and 3) trading of timber and flooring products.

Revenue from manufacturing and sale of flooring products represent the revenue generated in the course of sales activities of laminated flooring, engineered flooring and other products we manufacture at our own factories and is measured at the fair value of the consideration received or receivable, net of returns, trade discounts.

Revenue from trademark and distribution network usage fees is the fees for which we charged to authorized manufacturers in accordance with the terms of the relevant agreements with reference to the production output and sales volume of our branded flooring products.

Revenue from trading of timber and flooring products represent the revenues generated primarily from our branded flooring products trading to customers in oversea markets and timber trading to various customers, including our authorized manufacturers and other wood products manufacturers.

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

	Six months ended 30 June		
	2011	2010	
	RMB'000	RMB'000 (unaudited)	Growth rate
Revenue			
Manufacturing and sale of flooring products	**491,431**	418,254	17.5%
Trademark and distribution network usage fees	**97,917**	71,539	36.9%
Trading of timber and flooring products	**108,697**	119,958	(9.4%)
Total	**698,045**	609,751	14.5%

For the six months ended 30 June 2011, the Group recorded approximately RMB698,045,000, representing an increase of 14.5% as compared with approximately RMB609,751,000 recorded in the corresponding period of 2010.

During the Period, the revenue from manufacturing and sale of flooring products increased by 17.5% and the revenue from trademark and distribution network usage fees increased by 36.9%. They were mainly attributable to the increase in consumer demand for our branded flooring products, the addition of authorized manufacturers, the expansion of our distribution network, and the enhancement of our brand recognition.

Trading of timber and flooring products decreased by 9.4% mainly due to the reduction in sales volume of low-margin timber trading during the Period.

Cost of Sales

Cost of sales for manufacturing and sale of flooring products consists primarily of raw materials costs, staff costs and overhead. 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 usage fees consists primarily of the labour costs and travelling expenses relating to our representatives who provide authorized manufacturers with on- site technical and logistics support and conduct quality control measures on their products.

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

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

	Six months ended 30 June		
	2011	2010	
	RMB'000	RMB'000 (unaudited)	Growth rate
Cost of Sales			
Manufacturing and sale of flooring products	**366,631**	318,143	15.2%
Trademark and distribution network usage fees	**2,023**	758	166.9%
Trading of timber and flooring products	**94,074**	104,169	(9.7%)
Total	**462,728**	423,070	9.4%

During the Period, the cost of sales increased by 9.4% to approximately RMB462,728,000 in the first half of 2011 from approximately RMB423,070,000 for the corresponding period of 2010. Such an increase primarily reflects the increase in sales volume of flooring products manufactured by us and our authorized manufacturers.

Gross Profit and Gross Profit Margin

Gross profit is calculated by revenue less cost of sales.

The tables below shows the gross profit and gross profit margin by each business segments during the periods as indicated:

	Six months ended 30 June		
	2011	2010	
	RMB'000	RMB'000	Growth rate
		(unaudited)	
Gross Profit			
Manufacturing and sale of flooring products	**124,800**	100,111	24.7%
Trademark and distribution network usage fees	**95,894**	70,781	35.5%
Trading of timber and flooring products	**14,623**	15,789	(7.4%)
Total	**235,317**	186,681	26.1%

	Six months ended 30 June	
	2011	2010
	%	%
		(unaudited)
Gross Profit Margin		
Manufacturing and sale of flooring products	**25.4%**	23.9%
Trademark and distribution network usage fees	**97.9%**	98.9%
Trading of timber and flooring products	**13.5%**	13.2%
Total	**33.7%**	30.6%

For the six months ended 30 June 2011, the overall gross profit increased by approximately RMB48,636,000 or 26.1% to approximately RMB235,317,000 from approximately RMB186,681,000 and the gross profit margin also increased to 33.7% from 30.6% for the corresponding period of 2010. The increase in overall gross profit and gross profit margin was primarily reflecting the increase in sales volume and the increased share of the trademark and network usage fee segment which has a higher gross profit margin than other segments.

During the Period, manufacturing and sale of flooring products contributed a gross profit of approximately RMB124,800,000 represented an increase of approximately RMB24,689,000 or 24.7% from approximately RMB100,111,000 for the corresponding period of 2010. The increase was mainly due to the increase in sales volume and the increase in gross profit margin to 25.4% from 23.9% for the corresponding period of 2010, which was mainly attributable to the rise in selling prices of flooring products and the effective cost control for the manufacturing of the flooring products.

During the Period, trademark and distribution network usage fees contributed a gross profit of approximately RMB95,894,000, representing an increase of approximately RMB25,113,000 or 35.5% from approximately RMB70,781,000 for the corresponding period of 2010. The increase was mainly due to the increase in sales volume resulted from more the trademark and network usage fees received from additional four authorised manufacturers in production of engineered flooring products and laminated flooring products.

During the Period, trading of timber and flooring products contributed a gross profit of approximately RMB14,623,000 represented a decrease of approximately RMB1,166,000 or 7.4% from approximately RMB15,789,000. The decrease was mainly due to the reduction in sales volume of low-margin timber trading during the Period.

Net change in fair value of biological assets

Net change in fair value of biological assets is recorded in connection of our forest assets acquired in prior years. Net change in fair value of biological assets of approximately RMB2,107,000 in current period of 2011 is represented by the increase in fair value of our forest assets based on the market valuation conducted by a forestry consultant, Poyry (Beijing) Consulting Co. Ltd.

Other Income and Gains

Other income and gains consist primarily of government grants which are subject to the discretion of the relevant authorities.

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 in the first half of 2011 were approximately RMB64,851,000, representing an increase of approximately RMB27,310,000 or 72.7% from approximately RMB37,541,000 in the corresponding period of 2010. The increase in distribution costs was primarily due to an increase in advertising costs for the promotion of our branded flooring products and an increase in transportation costs for the engagement of China Merchants Logistics to deliver our branded products manufactured by our self-owned factories and authorized manufacturers since May 2010.

Administrative Expenses

Administrative expenses consist of primarily of salaries, wages and other benefits for the administrative staff, audit fee, consulting fee, depreciation, provision for the bad debt of trade receivables, office expenses, rental and other miscellaneous expenses.

Administrative expenses in the first half of 2011 were approximately RMB58,538,000, representing an increase of approximately RMB20,782,000 or 55.0% from approximately RMB37,756,000 for the corresponding period of 2010. The increase was primarily attributable to an increase in professional fees in connection with global offering of the Company's shares.

Other Operating Expenses

Other operating expenses mainly consist of loss on disposal of items of property, plant and equipment, scrap material and donations.

Net Finance Income/(Costs)

Net finance costs 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 and convertible notes.

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

	Six months ended 30 June		
	2011	2010	
	RMB'000	RMB'000	Growth rate
Finance income/(costs)			
Finance income	**9,200**	4,592	100.3%
Finance costs	**(4,366)**	(33,322)	86.9%
Net finance income/(costs)	**4,834**	(28,730)	116.8%

Finance income increased significantly by 100.3% to approximately RMB9,200,000 for the six months ended 30 June 2011 as compared to approximately RMB4,592,000 in the corresponding period of 2010, primarily due to the increase in interest income received resulted from higher bank deposit balances after the global offering during the period.

Finance costs decreased significantly by 86.9% to approximately RMB4,366,000 for the six months ended 30 June 2011 as compared to approximately RMB33,322,000 in the corresponding period of 2010, primarily due to no interest expenses (six months ended 2010: approximately RMB30,875,000) being recognized on our convertible notes as the notes were fully converted into preferred shares of the Company in June 2010.

Income Tax

Income tax represents our current income tax and deferred income tax. The member companies of the Group are subject to income tax on an individual legal entity basis on profits arising in or derived from the tax jurisdictions in which companies are domiciled or operated.

The table below sets out income tax in the periods indicated:

	Six months ended 30 June		
	2011	2010	
	RMB'000	RMB'000	Growth rate
Current	**19,130**	25,944	(26.3%)
Deferred	**3,516**	(4,446)	179.1%
Total	**22,646**	21,498	5.3%

Income tax charged for the Group was approximately RMB22,646,000 in the first half of 2011, representing an increase of 5.3% from approximately RMB21,498,000 for the corresponding period of 2010, which was a combined effect of the decrease of the current income tax of approximately RMB6,814,000 and the increase of the deferred income tax of approximately RMB7,962,000.

The movement was primarily due to the addition of withholding tax being accrued in first half of 2010 on the dividend relating to the 2009 undistributed profits retained by our subsidiaries in China, while such withholding tax provision in China and Peru was recorded in deferred income tax as no dividend was distributed from current period profit.

Profit Attributable to Equity Shareholders of the Company for the Period

Resulting from the factors mentioned above, our profit for the period increased to approximately RMB95,240,000 in the half of 2011 from approximately RMB65,025,000 for the corresponding period of 2010.

CASH FLOW AND LIQUIDITY

Cash Flows

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

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
		(unaudited)
Net cash used in operating activities	**(10,497)**	(111,757)
Net cash used in investing activities	**(25,683)**	(39,445)
Net cash from financing activities	**757,279**	111,152
Net increase/(decrease) in cash and cash equivalents	**721,099**	(40,050)
Cash and cash equivalents at the beginning of period	**297,652**	200,075
Effect of foreign exchange rate changes, net	**(4,970)**	(292)
Cash and cash equivalents at the end of the period	**1,013,781**	159,733

Net cash from operating activities

We derive our cash flows from operating activities principally from the receipt of payments from the sales of products. Our cash used in operating activities is mainly used to pay for the goods purchased and costs and expenses relating to operating activities.

For the six months ended 30 June 2011, our net cash used in operating activities of approximately RMB10,497,000 in the first half of 2011, while our net cash from operating activities before changes in working capital were approximately RMB130,954,000. The changes in working capital included (i) an increase of inventories of approximately RMB7,822,000; (ii) an increase of trade and other receivables of RMB174,019,000; (iii) an increase of trade and other payables of approximately RMB36,870,000; (iv) a decrease of pledge deposits of approximately RMB26,834,000; and (v) income tax paid amount to approximately RMB23,314,000.

During the corresponding period of 2010, our net cash used in operating activities of approximately RMB111,757,000 in the first half of 2011, while our net cash from operating activities before changes in working capital were approximately RMB131,601,000. The changes in working capital included (i) an increase of inventories of approximately RMB60,501,000; (ii) an increase of trade and other receivables of approximately RMB129,913,000; (iii) an increase of trade and other payables of approximately RMB28,374,000; (iv) a increase of pledge deposits of approximately RMB60,389,000; and (v) income tax paid amount to approximately RMB20,929,000.

Net cash used in investing activities

For the six months ended 30 June 2011, our net cash used in investing activities amounted to approximately RMB25,683,000, it primarily consists of (i) the payment for acquisition of property, plant and equipment of approximately RMB28,453,000; and (ii) payment for acquisition of intangible assets of approximately RMB2,237,000; and partially offset by (i) interest received of approximately RMB1,854,000; and (ii) proceeds from disposal of property, plant and equipment of approximately RMB3,153,000.

During the corresponding period of 2010, our net cash used in investing activities amounted to approximately RMB39,445,000, it primarily consists of (i) the payment for acquisition of property, plant and equipment of approximately RMB8,790,000; (ii) payment for acquisition of biological assets of approximately RMB24,646,000 relating to our acquisition of standing trees and related concession rights of forests located in Yunnan Province, the PRC; (iii) the lease prepayment for land uses right of approximately RMB7,371,000; and (iv) payment for acquisition of intangible assets of approximately RMB201,000 and partially offset by (i) interest received of approximately RMB903,000; and (ii) proceeds from disposal of property, plant and equipment of approximately RMB660,000.

Net cash from financing activities

For the six months ended 30 June 2011, our net cash from financing activities amounted to approximately RMB757,279,000, primarily due to; (i) the proceeds of approximately RMB890,093,000 from the issuance of new ordinary shares of the Company; and (ii) proceeds from new bank loans of approximately RMB24,150,000; and partially offset by (i) repayment of bank loans of approximately RMB152,598,000; and (ii) interest paid of approximately RMB4,366,000.

During the corresponding period of 2010, our net cash from financing activities amounted to approximately RMB111,152,000, primarily due to the proceeds from new bank loans of approximately RMB156,010,000; and partially offset by (i) repayment of bank loans of approximately RMB42,411,000; and (ii) interest paid of approximately RMB2,447,000.

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 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Current assets		
Inventories	**287,458**	279,636
Trade and other receivables	**754,794**	564,298
Pledged deposits	**16,628**	43,462
Cash and cash equivalents	**1,013,781**	297,652
	2,072,661	1,185,048
Current liabilities		
Trade and other payables	**247,528**	193,387
Loans and borrowings	**75,228**	183,458
Income tax payables	**14,612**	18,796
	337,368	395,641
Net current assets	**1,735,293**	789,407

As at 30 June 2011, net current assets totaled approximately RMB1,735,293,000, representing 119.8% increases from approximately RMB789,407,000 as at 31 December 2010. Liquidity was better than that as at 31 December 2010 and the current ratios as at 30 June 2011 and 31 December 2010 were 6.14 and 3.00, respectively. It was mainly attributable to the proceeds from the global offering available to us. In light of our current liquidity position, and the net proceeds available to the Company from the global offering, banking facilities available and our projected cash inflow generated from operations, the Directors believe that the Company has sufficient working capital for our present requirements and for the next 12 months.

CAPITAL MANAGEMENT

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

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Total debts	**171,774**	307,896
Less: Cash and cash equivalent	**(1,013,781)**	(297,652)
Pledged deposits	**(16,628)**	(43,462)
Adjusted net assets	**(858,635)**	(33,218)
Total equity attributable to owners of the Company	**2,326,917**	1,342,267
Gearing ratio	**(0.37)**	(0.02)

Our gearing ratios, which are derived by dividing adjusted net debt/(assets) by total equity attributable to owners of the Company, were negative 0.37 and negative 0.02 as at 30 June 2011 and 31 December 2010, 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 related to purchases of property, plant and equipment, lease prepayments, biological assets and intangible assets. Set forth below is our capital expenditure for the periods indicated:

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000 (unaudited)
Property, plant and equipment	**28,453**	8,790
Lease prepayment	—	7,371
Biological assets	—	24,646
Intangible assets	**2,237**	201
Total	**30,690**	41,008

For the six months ended 30 June 2011, our capital expenditures decreased by 25.2% to approximately RMB30,690,000 compared to approximately RMB41,008,000 for the corresponding period of 2010, primarily due to no acquisition of land and biological assets during the Period.

INDEBTEDNESS

Loans and Borrowings

Set forth below are the balances of loans and borrowings as at the end of the dates indicated:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Non-current		
Long-term bank loans		
Secured	**44,038**	52,852
Unsecured	**36,008**	50,629
Total non-current loans and borrowings	**80,046**	103,481
Current liabilities		
Short-term bank loans		
Secured	**16,826**	55,719
Unsecured	**58,402**	127,739
Total current loans and borrowings	**75,228**	183,458
Total debts	**155,274**	286,939

The following table details the interest rate profile of the Group's total borrowings at the end of the dates indicated:

	30 June 2011		31 December 2010	
	Effective interest rate %	**Carrying amount RMB'000**	Effective interest rate %	Carrying amount RMB'000
Variable rate instruments				
Bank loans	**+LIBOR**	**155,274**	+LIBOR	228,439
Fixed rate instruments				
Bank loans		**—**	5.103%	58,500
		155,274		286,939

Our total loans and borrowings decreased by 45.9% to approximately RMB155,274,000 as at 30 June 2011 from approximately RMB286,939,000 as at 31 December 2010, the decrease was primarily due to the improvement of liquidity and the repayment of bank loans.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

Capital commitments outstanding as at the end of the dates indicated not provided for in the financial statements were as follows:

	At 30 June 2011 RMB'000	At 31 December 2011 RMB'000
Contracted for	**13,163**	1,250
Authorised but not contracted	**—**	32,048

(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.

As at the end of the dates indicated, the future minimum lease payments under operating leases are as follows:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Within 1 year	**5,582**	4,631
After 1 year but within 3 years	**7,980**	7,437
After 3 years but within 5 years	**4,198**	5,024
After 5 years	**10,396**	10,379
	28,156	27,471

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.

PLEDGE OF ASSETS

As at the end of the dates indicated, loans and borrowings were secured by the following assets of the Group:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Property, plant and equipment	**98,161**	102,918
Lease prepayment	**22,057**	22,314
Bills receivable	**—**	18,500
	120,218	143,732

PLEDGED DEPOSITS

As at 30 June 2011, deposits of RMB16,628,000 (31 December 2010: RMB43,462,000) were placed with banks as securities for the issuance of letter of credit for construction projects and purchase of raw materials.

FOREIGN CURRENCY RISK

The Group's principal activities are carried out in the PRC. RMB is not 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. The currencies giving rise to this risk are primarily United States Dollars ("US$"), Hong Kong Dollars ("HK$"), Macau Pataca ("MOP"), Peruvian Nuevo Sol ("PEN"), Euro ("EUR") and Japanese yen ("JPY"). As at 30 June 2011, the cash and cash equivalents held by the Group were primarily in term of RMB, HK$ and US$, represented 62.7%, 35.1% and 2.1% (2010: 80.4%, 12.2% and 6.2%) of total amounts, respectively. The rest of the amounts were held in term of MOP, PEN and EUR. On the other hand, as at 30 June 2011, our bank loans were primarily in term of RMB, HK$ and US$, represented nil, 40.5% and 59.3% (2010: 20.8%, 27.3% and 51.5%) of total amount, respectively. The rest of the amounts were held in term of EUR and JPY.

We do not use foreign currency forward contracts to hedge the currency exposure to the change of foreign currency and the Group ensure 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.

EMPLOYEES

As at 30 June 2011, the Group had 2,001 employees (at 31 December 2010: 1,837) Relevant staff cost for the six months ended 30 June 2011 was approximately RMB51,878,000 (including share option expenses of approximately RMB2,526,000) while our staff cost was approximately RMB45,696,000 (including share option expenses of approximately RMB1,156,000) for the corresponding period of 2010. 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 during the six months ended 30 June 2011.

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 period from the listing of the Company's shares on the Stock Exchange to 30 June 2011, approximately RMB15 million raised from the global offering of the Company was used for the purposes and approximately in the amounts set out below:

- Approximately RMB13 million was used for working capital and general corporate purpose;
- Approximately RMB1 million was used for strengthen the distribution network; and
- Approximately RMB1 million was used for the development of existing brands.

Approximately RMB858.5 million raised from the global offering remains unused.

EVENTS AFTER REPORTING PERIOD

On 21 July 2011, Nature Flooring (China) Co., Ltd. ("Nature Flooring"), a subsidiary of the Company established in the PRC, has entered into a joint venture agreement with 廣東廣新柏高科技有限公司 (Guangdong Guangxinbaigao Technology Co,. Ltd.*) ("Guangdong Guangxinbaigao"), pursuant to which Nature Flooring and Guangdong Guangxinbaigao agreed to establish the Joint Venture in the PRC to engage in the business of research and development, manufacturing and sales of wood doors and other wood products. In addition Nature Flooring, Guangdong Guangxinbaigao and Guangdong Guangxinbaigao and 廣東輕出平步木業有限公司 (Guangdong Qingchupingbu Wood Industry Co,. Ltd.*) ("Guangdong Qingchupingbu") have entered into a lease agreement on 21 July 2011, pursuant to which Guangdong Qingchupingbu shall lease a property to Nature Flooring and Guangdong Guangxinbaigao for a term of 3 years and 4 months in consideration of an aggregate rental payment of RMB7,500,000 made by the joint venture to carry out the business of research and development, manufacturing and sales of wood doors and other wood products.

Details of the joint venture agreement and lease agreement are set out in the announcement of the Company dated 21 July 2011.

FUTURE PLANS FOR MATERIAL INVESTMENTS

There was no specific plan for material investments and acquisition of material capital assets as at 30 June 2011. However, the Group will continue to seek new business development opportunities.

** For identification purposes only*

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

As at 30 June 2011, 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 the Part XV of the Securities and Futures Ordinance (the "SFO")) (1) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (3) 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 (also the President)	4,600,000	719,321,730 *(Note)*	723,921,730	48.00%
Ms. Un Son I	Nil	719,321,730 *(Note)*	719,321,730	47.67%

Note: Amongst these 719,321,730 shares, 718,921,730 shares are owned by Freewings Development Co., Ltd. and 400,000 shares are owned by Royal Winner Limited. Freewings Development Co., Ltd. is a private company owned by Team One Investments Limited as to 44.92% 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.*

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2011, 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	718,921,730 *(Note 1)*	47.67%
Team One Investments Limited	Interest in controlled corporations	718,921,730 *(Note 1)*	47.67%
Trader World Limited	Interest in controlled corporations	718,921,730 *(Note 1)*	47.67%
MS Flooring Holdings Co., Ltd.	Beneficial owner	269,999,990 *(Note 2)*	17.90%
Morgan Stanley Private Equity Asia III Holdings (Cayman) Ltd.	Interest in controlled corporations	269,999,990 *(Note 2)*	17.90%
Morgan Stanley Private Equity Asia III, Inc.	Interest in controlled corporations	269,999,990 *(Note 2)*	17.90%
Morgan Stanley Private Equity Asia III, L.L.C.	Interest in controlled corporations	269,999,990 *(Note 2)*	17.90%
Morgan Stanley Private Equity Asia III, L.P.	Interest in controlled corporations	269,999,990 *(Note 2)*	17.90%
International Finance Corporation	Beneficial owner	108,000,000	7.16%

Notes:

1. *Freewings Development Co., Ltd. is a private company owned by Team One Investments Limited as to 44.92% 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.*

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 30 June 2011, 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.

RIGHTS TO ACQUIRE COMPANY'S SECURITIES

Other than as disclosed under the sections "Share Option Schemes" below, at no time during the period 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 in 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.

SHARE OPTION SCHEMES

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 Scheme 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.

Subject to the satisfactory performance of the participants, the options granted to each of the participants shall be vested in accordance with the following schedule:

For the options granted on 17 December 2008

Vesting period	**Maximum cumulative percentage of options vested**
30 December 2008	10%
30 December 2009	10%
30 December of the year of the date of listing i.e. 26 May 2011 (the "Listing Date")	20%
30 December of the year 12 months from the Listing Date	30%
30 December of the year 24 months from the Listing Date	30%

For the 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	20%
30 December of the year 12 months from the Listing Date	30%
30 December of the year 24 months from the Listing Date	30%

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.

Further details of principal terms of the Pre-IPO Share Option Scheme are set out in the prospectus of the Company dated 16 May 2011. Details of the share options movements during the six months ended 30 June 2011 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 our subsidiaries							
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
Ultimate Controlling Shareholder and 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	19,260,280	—	1,540,360	17,719,920
	1/7/2010	1/7/2010–30/6/2020	HK$3.38	5,000,000	—	—	5,000,000
Total				33,724,700	—	1,540,360	32,184,340

No option have been granted or cancelled during the six months ended 30 June 2011. No further options will be granted under the Pre-IPO Share Option Scheme after the listing of the Company.

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 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 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.

Further details of principal terms of the Share Option Scheme are set out in the prospectus of the Company dated 16 May 2011. No options have ever been granted by the Company under the Share Option Scheme.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules throughout the period commencing from the date of the listing of the Company's shares on the Stock Exchange on 26 May 2011 through to 30 June 2011, except for the code provision A.2.1 which requires that the role of chairman and chief executive officer should be separated and should not be performed by the same individual.

Under the code provision A.2.1, the role of chairman and chief executive officer should be separated and should not be performed by the same individual. As the duties of chairman and president of the Company are performed by Mr. Se Hok Pan, the Company has deviated from the Code. Mr. Se Hok Pan is the chairman and president of the Company and the founder of the Group. The Board believes that it is necessary to vest the roles of chairman and chief executive officer in the same person due to its unique role, Mr. Se Hok Pan's experience and established market reputation in the PRC wood flooring industry, and the importance of Mr. Se Hok Pan in the strategic development of the Company. The dual role arrangement provides strong and consistent market leadership and is critical for efficient business planning and decision making of the Company. As all major decisions are made in consultation with members of the Board and relevant Board committees, and there are four independent non-executive directors on the Board offering independent perspectives, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. The Board will also continue to review and monitor the practices of the Company for the purpose of complying with the Code and maintaining a high standard of corporate governance practices of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its code of conduct regarding Directors' securities transactions. Specific enquiry has been made to all Directors, and the Directors have confirmed that they have complied with all relevant requirements as set out in the Model Code throughout the period commencing from the date of the listing of the Company's shares on the Stock Exchange on 26 May 2011 through to 30 June 2011.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with the Code. As at the date of this report, the Audit Committee consists of the following members:

Independent non-executive Directors

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

The chief responsibilities of the Audit Committee include making recommendations to the Board on the appointment, reappointment and removal of the external auditors and to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of such auditors; reviewing the interim and annual reports and accounts of the Group; and supervising the financial reporting process and effectiveness of internal control system of the Group. The Audit Committee has reviewed and discussed the interim report for the six months ended 30 June 2011.

REMUNERATION COMMITTEE

The Company established a remuneration committee (the "Remuneration Committee") with written terms of reference in compliance with the Code. As at the date of this report, Remuneration Committee consists of the following members:

Independent Non-executive Directors

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

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for the remuneration of Directors and senior management, and reviewing the specific remuneration packages of all executive Directors and senior management by reference to the corporate goals and objectives resolved by the Board from time to time.

PURCHASES, SALE AND REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months period ended 30 June 2011.

INTERIM DIVIDEND

The Board does not recommend any payment of interim dividend for the six months ended 30 June 2011.

CHANGE IN DIRECTOR'S BIOGRAPHICAL DETAILS UNDER RULE 13.51B(1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in director's biographical details of the Company since 16 May 2011, being the date the prospectus of the Company, are as follows:

Mr. Homer Sun, a non-executive director of the Company, was appointed as a non-executive director of Yongye International, Inc., whose shares are listed on NASDAQ in the United States, on 9 June 2011.

Mr. Chan Siu Wing, Raymond, an independent non-executive director of the Company, was appointed as an independent non-executive director of Orient Energy and Logistics Holdings Limited, a company whose shares are listed on the Frankfurt Stock Exchange in Germany, on 18 June 2011.

Save as disclosed above, there is no other change in the Directors' biographical details which is required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules since 16 May 2011.

KPMG

To the shareholders of China Flooring Holding Company Limited
(Incorporated in Cayman Islands with limited liability)

We have audited the consolidated interim financial statements of China Flooring Holding Company Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 29 to 110, which comprise the consolidated and company statements of financial position as at 30 June 2011, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued 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 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 interim 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 as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 interim financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2011 and of the Group's profit and cash flows for the six months 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.

OTHER MATTER

Without qualifying our opinion, we draw attention to note 1(b) to the consolidated interim financial statements which states that the comparative amounts of the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows in respect of the six months ended 30 June 2010 and the related notes disclosed in the consolidated interim financial statements were derived from the Group's management accounts. Those comparative amounts have not been audited and we therefore do not express an audit opinion on them.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

26 August 2011

For the six months ended 30 June 2011 (Expressed in Renminbi)

	Note	Six months ended 30 June 2011 RMB'000	2010 RMB'000 (unaudited)
Turnover	*3 & 11(b)*	**698,045**	609,751
Cost of sales		**(462,728)**	(423,070)
Gross profit		**235,317**	186,681
Other net income	*4(a)*	**712**	5,286
Net change in fair value of biological assets	*17*	**2,107**	—
Distribution costs		**(64,851)**	(37,541)
Administrative expenses		**(58,538)**	(37,756)
Other operating expenses	*4(b)*	**(1,695)**	(1,417)
Profit from operations		**113,052**	115,253
Finance income		**9,200**	4,592
Finance costs		**(4,366)**	(33,322)
Net finance income/(costs)	*5(a)*	**4,834**	(28,730)
Profit before taxation	*5*	**117,886**	86,523
Income tax	*6(a)*	**(22,646)**	(21,498)
Profit attributable to equity shareholders of the Company for the period		**95,240**	65,025
Earnings per share (RMB):			
Basic	*10*	**0.08**	0.03
Diluted	*10*	**0.08**	0.03

The notes on pages 36 to 110 form part of these interim financial statements.

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011 (Expressed in Renminbi)

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
		(unaudited)
Profit for the period	**95,240**	65,025
Other comprehensive loss for the period		
Exchange differences on translation of financial statements of entities not using RMB as functional currency	**(9,076)**	(1,305)
Total comprehensive income attributable to equity shareholders of the Company for the period	**86,164**	63,720

The notes on pages 36 to 110 form part of these interim financial statements.

Consolidated Statement of Financial Position

At 30 June 2011 (Expressed in Renminbi)

	Note	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Non-current assets			
Property, plant and equipment	*14*	**358,448**	354,960
Intangible assets	*15*	**5,589**	622
Lease prepayments	*16*	**66,917**	67,672
Biological assets	*17*	**246,181**	246,211
Investments in equity securities	*13*	**19,450**	15,200
Other receivables	*19*	**10,162**	3,237
Deferred tax assets	*25(c)*	**8,139**	6,739
		714,886	694,641
Current assets			
Inventories	*18*	**287,458**	279,636
Trade and other receivables	*19*	**754,794**	564,298
Pledged deposits	*20*	**16,628**	43,462
Cash and cash equivalents	*21*	**1,013,781**	297,652
		2,072,661	1,185,048
Current liabilities			
Trade and other payables	*22*	**247,528**	193,387
Loans and borrowings	*23*	**75,228**	183,458
Income tax payables	*25(a)*	**14,612**	18,796
		337,368	395,641
Net current assets		**1,735,293**	789,407
Total assets less current liabilities		**2,450,179**	1,484,048
Non-current liabilities			
Loans and borrowings	*23*	**80,046**	103,481
Deferred tax liabilities	*25(c)*	**43,216**	38,300
Total non-current liabilities		**123,262**	141,781
NET ASSETS		**2,326,917**	1,342,267
CAPITAL AND RESERVES			
Share capital	*26*	**9,848**	775
Reserves	*27*	**2,317,069**	1,341,492
TOTAL EQUITY		**2,326,917**	1,342,267

Approved and authorised for issue by the board of directors on 26 August 2011

Chairman *Director*

The notes on pages 36 to 110 form part of these interim financial statements.

Statement of Financial Position

At 30 June 2011 (Expressed in Renminbi)

	Note	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Non-current assets			
Investment in subsidiaries	*12*	**293,952**	300,815
		293,952	300,815
Current assets			
Other receivables	*19*	**1,008,430**	641,782
Cash and cash equivalents	*21*	**432,685**	164
		1,441,115	641,946
Current liabilities			
Other payables and accruals	*22*	**16,247**	84,480
		16,247	84,480
Net current assets		**1,424,868**	557,466
NET ASSETS		**1,718,820**	858,281
CAPITAL AND RESERVES			
Share capital	*26*	**9,848**	775
Reserves	*27*	**1,708,972**	857,506
TOTAL EQUITY		**1,718,820**	858,281

Approved and authorised for issue by the board of directors on 26 August 2011

Chairman

Director

The notes on pages 36 to 110 form part of these interim financial statements.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011 (Expressed in Renminbi)

	Share capital RMB'000 *(Note 26)*	Share premium RMB'000 *(Note 27(d))*	Statutory surplus reserve RMB'000 *(Note 27(a))*	Foreign currency translation reserve RMB'000 *(Note 27(b))*	Other reserves RMB'000 *(Note 27(c))*	Retained earnings RMB'000	Total equity RMB'000
At 1 January 2010	490	73,190	88,753	17,182	39,514	377,988	597,117
Changes in equity for the six months ended 30 June 2010 (unaudited)							
Profit for the period	—	—	—	—	—	65,025	65,025
Other comprehensive loss	—	—	—	(1,305)	—	—	(1,305)
Total comprehensive income	—	—	—	(1,305)	—	65,025	63,720
Conversion of convertible notes to preference shares *(note 23(a))*	285	629,348	—	—	(30,271)	—	599,362
Dividends approved in respect of the previous years *(note 27(g))*	—	(100,939)	—	—	—	—	(100,939)
Equity settled share-based payment transactions *(note 24)*	—	—	—	—	1,156	—	1,156
At 30 June 2010 and 1 July 2010 (unaudited)	775	601,599	88,753	15,877	10,399	443,013	1,160,416
Changes in equity for the six months ended 31 December 2010 (unaudited)							
Profit for the period	—	—	—	—	—	275,112	275,112
Other comprehensive loss	—	—	—	(416)	—	—	(416)
Total comprehensive income	—	—	—	(416)	—	275,112	274,696
Transfer to statutory surplus reserve	—	—	40,400	—	—	(40,400)	—
Dividends approved in respect of the previous years	—	(99,680)	—	—	—	—	(99,680)
Equity settled share-based payment transactions *(note 24)*	—	—	—	—	6,835	—	6,835
At 31 December 2010 and 1 January 2011	775	501,919	129,153	15,461	17,234	677,725	1,342,267
Changes in equity for the six months ended 30 June 2011							
Profit for the period	—	—	—	—	—	95,240	95,240
Other comprehensive loss	—	—	—	(9,076)	—	—	(9,076)
Total comprehensive income	—	—	—	(9,076)	—	95,240	86,164
Capitalisation issue *(note 26(b))*	6,552	(6,552)	—	—	—	—	—
Issuance of shares by share offer *(note 26(b))*	2,521	893,439	—	—	—	—	895,960
Equity settled share-based payment transactions *(note 24)*	—	—	—	—	2,526	—	2,526
At 30 June 2011	9,848	1,388,806	129,153	6,385	19,760	772,965	2,326,917

The notes on pages 36 to 110 form part of these interim financial statements.

Consolidated Statement of Cash Flows

For the six months ended 30 June 2011 (Expressed in Renminbi)

	Note	Six months ended 30 June 2011 RMB'000	2010 RMB'000 (unaudited)
Operating activities			
Profit for the period		**95,240**	65,025
Adjustments for:			
Net change in fair value of biological assets	*17*	**(2,107)**	—
Net finance (income)/costs		**(4,834)**	28,730
Income tax expenses	*6(a)*	**22,646**	21,498
Equity settled share-based payment transactions	*24*	**2,526**	1,156
Depreciation of property, plant and equipment		**16,171**	14,308
Amortisation of lease prepayments in respect of land use rights		**755**	785
Net loss on disposal of property, plant and equipment		**275**	70
Amortisation of intangible assets		**282**	29
Changes in working capital			
Increase in inventories		**(7,822)**	(60,501)
Increase in trade and other receivables		**(174,019)**	(129,913)
Increase in trade and other payables		**36,870**	28,374
Decrease/(increase) in pledged deposits		**26,834**	(60,389)
Cash generated from/(used in) operations		**12,817**	(90,828)
PRC income tax paid		**(23,288)**	(13,534)
Non-PRC income tax paid		**(26)**	—
PRC dividend withholding tax paid		**—**	(7,395)
Net cash used in operating activities		**(10,497)**	(111,757)
Investing activities			
Interest received		**1,854**	903
Proceeds from disposal of property, plant and equipment		**3,153**	660
Payment for acquisition of property, plant and equipment		**(28,453)**	(8,790)
Payment for acquisition of biological assets		**—**	(24,646)
Payment for acquisition of intangible assets		**(2,237)**	(201)
Lease prepayments for land use rights		**—**	(7,371)
Net cash used in investing activities		**(25,683)**	(39,445)

The notes on pages 36 to 110 form part of these interim financial statements.

	Note	Six months ended 30 June 2011 RMB'000	2010 RMB'000 (unaudited)
Financing activities			
Net proceeds from issue of ordinary shares		**890,093**	—
Proceeds from new bank loans		**24,150**	156,010
Repayment of bank loans		**(152,598)**	(42,411)
Interest paid		**(4,366)**	(2,447)
Net cash generated from financing activities		**757,279**	111,152
Net increase/(decrease) in cash and cash equivalents		**721,099**	(40,050)
Cash and cash equivalents at 1 January		**297,652**	200,075
Effect of foreign exchange rate changes		**(4,970)**	(292)
Cash and cash equivalents at 30 June	*21*	**1,013,781**	159,733

The notes on pages 36 to 110 form part of these interim financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These interim financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, and all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual IFRSs, International Accounting Standards ("IASs") and Interpretations issued 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 and the disclosure requirements of the Hong Kong Companies Ordinance. A summary of the significant accounting policies adopted by 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 2 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 current and prior accounting period related in these financial statements.

(b) Basis of preparation of the consolidated interim financial statements

The comparatives of the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows in respect of the six months ended 30 June 2010 and the related notes disclosed in the consolidated interim financial statements were derived from the Group's management accounts and have not been audited.

(c) Basis of measurement

The consolidated interim financial statements are prepared on the historical cost basis except that biological assets are measured at fair value less costs to sell. The functional currency of the Company is United States Dollars ("US$"). The consolidated interim financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand, except for per share data, which is the functional currency of the Group's major operating entities.

(d) Use of estimates and judgments

The preparation of the 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 33.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

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 and transactions 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 was as unrealised gains but only to the extent that there is no evidence of impairment.

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

(f) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities dominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss.

(ii) Foreign operations

The assets and liabilities of entities with functional currencies other than RMB are translated into RMB at exchange rates at the reporting date. The income and expense of these entities are translated into RMB at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. When a Group entity with functional currency other than RMB is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the settlement of a monetary item receivable from or payable to a Group entity with functional currency other than RMB is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in that Group entity and are recognised in other comprehensive income, and are presented in the translation reserve in equity.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Investments in equity securities

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

(h) Financial instruments

(i) Non-derivative financial instruments

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit and loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Details of the recognition and measurement of the financial instruments of the Group are summarised below:

(i) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (note 1(n)), 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.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

(i) Non-derivative financial instruments (continued)

(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) Loans and borrowings

Loans and 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. 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.

(ii) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible notes that can be converted to voting preference share capital at the option of the holder upon the occurrence of certain events, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recorded in the other reserves within equity and is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Upon conversion of the convertible notes, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to preference share capital and share premium as consideration for the shares issued. If the note is redeemed, the capital reserve is released directly to retained earnings.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

(iii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Preference share capital

Preference share capital is classified as equity. Dividends thereon are recognised as distributions within equity upon approval by the Company's shareholders.

(i) Property, plant and equipment

(i) Recognition and measurement

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

Cost includes expenditures that are directly attributable to the acquisition of an asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain and loss on disposal of an item of property, plants and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income/other expenses in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Property, plant and equipment (continued)

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives for current and comparative periods are as follows:

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

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

(iv) Construction in progress

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(n)).

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.

(j) Intangible assets

(i) Recognition and measurement

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(n)).

(ii) Subsequent expenditure

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 goodwill and brands, is recognised in profit or loss as incurred.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Intangible assets (continued)

(iii) Amortisation

Amortisation is based on the cost of an asset less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

• Software	5 years
• Patents	7 years

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

(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) 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(n)). Amortisation is recognised in profit or loss on a straight-line basis over the respective period of rights which are 50 years.

(m) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of the production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs of completion and selling expenses.

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 realizable 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.

The cost of timber harvested from biological assets is its fair value less estimated costs to sell at the date of harvest, determined in accordance with the accounting policy for biological assets (note 1(k)).

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Impairment

(i) Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor will enter bankruptcy, adverse changes in the payment status of borrowers in the Group.

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

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)

(n) Impairment (continued)

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than biological assets, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit ("CGU") is the greater of its value in use and its fair value less costs to sell. 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 or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amounts of other assets in the CGU (group of CGUs) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(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 period 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 payment transactions

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve 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.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Employee benefit (continued)

(ii) Share-based payment transactions (continued)

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 periods is charged/credited to profit or loss for the period of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. 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 the capital reserve) 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 the capital reserve 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) Provisions and contingent liabilities

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

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.

(q) Revenue

(i) Sales of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable. Revenue excludes value added tax or other sales taxes and is after deduction of any returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that 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. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement. For sales of timber and wood flooring products, usually transfer occurs when the product is received at the customer's warehouse; however, for some international shipments transfer occurs upon loading the goods onto the relevant carrier at the port of the seller. Generally for such products the buyer has no right of return.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Revenue (continued)

(ii) Trademark and distribution network usage fees

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

(r) Government grants

Unconditional government grants are recognised in profit or loss when the grant becomes receivable. Other government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised.

(s) Lease payments

Payments made under operating leases, including lease prepayments in respect of land use rights, are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(t) Finance income and finance costs

Finance income comprises interest income on deposits in banks. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on bank loans and convertible notes.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

The capitalisation of borrowing costs as part of the cost of qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceased when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

Foreign exchange gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Income tax

Income tax expense comprises current tax and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are also recognised for unused tax losses. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and
- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses and deductible temporary difference, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Related parties

For the purposes of these consolidated interim financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's controlling shareholders, or, a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

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

(w) Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated interim 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 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 and the Company. Of these, the following development is relevant to the Group's financial statements:

- Improvements to IFRSs (2010)

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

This development related primarily to clarification of certain disclosure requirements applicable to the Group's financial statements. This development has had no material impact on the contents of this consolidated interim financial statement.

3 TURNOVER

The principal activities of the Group are manufacturing and sale of flooring products, trademark and distribution network usage fees and trading of timber and flooring 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 any returns, trade discounts and volume rebates. The amount of each significant category of revenue recognised in turnover is as follows:

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
		(unaudited)
Manufacturing and sale of flooring products	**491,431**	418,254
Trademark and distribution network usage fees	**97,917**	71,539
Trading of timber and flooring products	**108,697**	119,958
	698,045	609,751

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 six months ended 30 June 2011 (six months ended 30 June 2010 (unaudited): Nil). Details of concentrations of credit risk arising from these customers are set out in note 28(a).

Further details regarding the Group's principal activities are disclosed in note 11.

4 OTHER NET INCOME/OTHER OPERATING EXPENSES

(a) Other net income

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
		(unaudited)
Government grants	**240**	4,947
Others	**472**	339
	712	5,286

(b) Other operating expenses

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
		(unaudited)
Net loss on disposal of property, plant and equipment	**275**	70
Donations	**1,300**	1.082
Others	**120**	265
	1,695	1417

5 PROFIT BEFORE TAXATION

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

(a) Finance income and finance costs

	Six months ended 30 June 2011 RMB'000	2010 RMB'000 (unaudited)
Interest income on bank deposits	**(1,854)**	(903)
Net foreign exchange gain	**(7,346)**	(3,689)
Finance income	**(9,200)**	(4,592)
Interest expense on bank loans	**4,366**	2,447
Interest expense on convertible notes *(note 23(a))*	**—**	30,875
Finance costs	**4,366**	33,322
Net finance (income)/costs recognised in profit or loss	**(4,834)**	28,730

(b) Staff costs

	Six months ended 30 June 2011 RMB'000	2010 RMB'000 (unaudited)
Salaries, wages and other benefits	**47,184**	42,404
Contributions to defined contribution retirement plan	**2,168**	2,136
Equity settled share-based payment expenses *(note 24)*	**2,526**	1,156
	51,878	45,696

5 PROFIT BEFORE TAXATION (continued)

(b) Staff costs (continued)

Staff costs included directors' and senior management's remuneration.

The employees of the companies in the PRC participate in a defined contribution retirement scheme operated by the local government whereby the Group is required to contribute to the scheme at rate of 8-10% of the eligible employees' basic salary. The local government authority is responsible for the entire pension obligations payable to the retired employees.

Contributions to the MPF are required under the Hong Kong Mandatory Provident Fund Schemes Ordinance. The Group and its employees in Hong Kong make monthly mandatory contributions to the Mandatory Provident Fund Scheme at 5% of the employees' relevant income as defined under the Mandatory Provident Fund Schemes Ordinance. The contributions from employees and employer are subject to a cap of monthly relevant income of Hong Kong Dollars ("HK$")20,000.

The Group has no other obligations to make payment of retirement and other post-retirement benefits of its employees other than the contributions described above.

(c) Other items

		Six months ended 30 June	
		2011	2010
	Note	**RMB'000**	RMB'000
			(unaudited)
Cost of inventories*	*18*	**460,705**	422,346
Net impairment losses recognised for receivables	*19(b)*	**3,939**	2,867
Depreciation		**16,171**	14,308
Amortisation			
— lease prepayments		**755**	785
— intangible assets		**282**	29
Net loss on disposal of property, plant and equipment		**275**	70
Operating lease charges		**3,296**	1,982
Auditors remuneration		**1,536**	2,531

* *For the six months ended 30 June 2011, cost of inventories includes RMB37,984,000 (six months ended 30 June 2010 (unaudited): RMB35,864,000) 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 INCOME STATEMENT

(a) Income tax in the consolidated income statement represents:

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
		(unaudited)
Current tax		
Provision for PRC income tax *(note 25(a))*	**18,722**	18,549
Provision for income tax from subsidiaries in other jurisdictions *(note 25(a))*	**408**	—
Provision for PRC dividend withholding tax *(note 25(a))*	**—**	7,395
	19,130	25,944
Deferred tax		
Origination and reversal of temporary differences *(note 25(b))*	**3,516**	(4,446)
	22,646	21,498

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

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
		(unaudited)
Profit before taxation	**117,886**	86,523
Notional tax on profit before taxation, calculated at the rates applicable to the jurisdictions concerned *(i)*	**32,427**	29,284
Tax effect of non-deductible expenses	**532**	1,076
Tax effect of non-taxable income *(ii)*	**(1,263)**	(378)
Deferred tax recognised at different tax rates	**(356)**	(4,093)
Tax effect of un-recognised tax loss	**(192)**	1,510
Tax effect of (reversal of)/provision for un-recognised temporary difference	**(134)**	84
Deferred tax for withholding tax on distributable profits *(iv)*	**5,082**	8,013
Effect of tax concessions *(iii)*	**(13,450)**	(13,998)
Income tax expense	**22,646**	21,498

(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.

No provision for United States profits tax as the Group had no assessable profits subject to United States Profits Tax for the six months ended 30 June 2011 and 2010.

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (continued)

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

(i) (Continued)

No provision for Hong Kong Profits Tax for the six months ended 30 June 2011 and 2010 as the Group had no assessable profits subject to Hong Kong Profits Tax.

The Group's subsidiaries incorporated in Macau were subject to income tax at progressive tax rates from 9% to 12% for profits higher than MOP 200,000 on an annual basis for the six months ended 30 June 2011. No provision for Macau Complementary Tax for the six months ended 30 June 2010 as the Group had no assessable profits subject to Macau Complementary Tax.

The Group's subsidiaries incorporated in Peru were subject to income tax rates of 5% for the six months ended 30 June 2011 and 2010.

The PRC's statutory income tax rate is 25% for the six months ended 30 June 2011 and 2010.

(ii) For the six months ended 30 June 2011, the tax effect of non-taxable income of RMB998,000 (six months ended 30 June 2010 (unaudited): Nil) mainly consists of gains from change in fair value of biological assets (note 17) recorded by 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.

(iii) Prior to 1 January 2008, some of the Group's PRC entities, being manufacturing foreign invested enterprises, were each entitled to a tax holiday of 2-year full exemption followed by 3-year 50% reduction in the income tax rate commencing from their respective first profit-making years from a PRC tax perspective ("2+3 tax holiday").

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC (the "CIT Law"), which was effective on 1 January 2008. The CIT Law and its relevant regulations grandfather the 2+3 tax holidays until their expiry. Accordingly, the following preferential tax rates are noted for certain entities of the Group in the PRC:

- Zhongshan Nature is subject to income tax at 12.5% from 2008 to 2010;
- Kunshan Nature is subject to income tax at 12.5% from 2010 to 2012; and
- Guangdong Yingran is subject to income tax at 12.5% from 2009 to 2011.

(iv) According to the CIT Law and its implementation rules, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to withholding income tax at 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. Pursuant to the Sino-Hong Kong Double Tax Arrangement and Sino-Macau Double Tax Arrangement and the related regulations, a qualified Hong Kong or Macau tax resident will be liable for a reduced withholding tax rate of 5% on dividends from a PRC enterprise if the Hong Kong or Macau tax resident is the "beneficial owner" and holds 25% or more of the equity interest of the PRC enterprise. The Group has adopted the 5% withholding tax rate for PRC withholding tax purposes.

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%.

7 DIRECTORS' REMUNERATION

The details of directors' remuneration are disclosed as follows:

Six months ended 30 June 2011

	Directors' fees RMB'000	Salaries, allowances and other benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Subtotal RMB'000	Equity settled share-based payment expenses RMB'000	Total RMB'000
Executive directors							
Mr. Se Hok Pan	761	121	—	—	882	—	882
Ms. Un Son I	—	112	505	—	617	—	617
Mr. Chow Chi Keung	—	139	409	—	548	—	548
Mr. She Jian Bin	—	76	119	4	199	—	199
Non-executive directors							
Mr. Homer Sun	—	—	—	—	—	—	—
Mr. Eddy Huang	—	—	—	—	—	—	—
Independent non-executive directors							
Professor Li Kwok Cheung	17	—	—	—	17	—	17
Mr. Zhang Sen Lin	17	—	—	—	17	—	17
Mr. Chan Siu Wing	17	—	—	—	17	—	17
Mr. Ho King Fung	17	—	—	—	17	—	17
	829	448	1,033	4	2,314	—	2,314

7 DIRECTORS' REMUNERATION (continued)

Six months ended 30 June 2010 (unaudited)

	Directors' fees RMB'000	Salaries, allowances and other benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Subtotal RMB'000	Equity settled share-based payment expenses RMB'000	Total RMB'000
Executive directors							
Mr. Se Hok Pan	1,157	123	—	—	1,280	—	1,280
Ms. Un Son I	—	114	769	—	883	—	883
Mr. Chow Chi Keung	—	143	622	—	765	—	765
Mr. She Jian Bin	—	77	181	4	262	—	262
Non-executive directors							
Mr. Homer Sun	—	—	—	—	—	—	—
Mr. Eddy Huang	—	—	—	—	—	—	—
Independent non-executive directors							
Professor Li Kwok Cheung	—	—	—	—	—	—	—
Mr. Zhang Sen Lin	—	—	—	—	—	—	—
Mr. Chan Siu Wing	—	—	—	—	—	—	—
Mr. Ho King Fung	—	—	—	—	—	—	—
	1,157	457	1,572	4	3,190	—	3,190

8 INDIVIDUAL WITH HIGHEST EMOLUMENTS

During the six months ended 30 June 2011, three of the five highest paid individuals were also the directors of the Company (six months ended 30 June 2010 (unaudited): three).

The remuneration of the remaining individuals is as follows:

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
		(unaudited)
Salaries and other emoluments	**674**	402
Discretionary bonuses	**168**	688
Equity settled share-based payment expenses	**316**	82
	1,158	1,172

The emoluments of these remaining individuals with the highest emoluments are within the following bands:

	Six months ended 30 June	
	2011	2010
	Number of individuals	Number of individuals
HK$		
Nil–1,000,000	**2**	2

9 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a loss of RMB15,327,000 (30 June 2010: RMB31,268,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's profit for the period:

	30 June 2011	30 June 2010
	RMB'000	RMB'000
		(unaudited)
Amount of consolidated loss attributable to equity shareholders dealt with in the Company's financial statements	**(15,327)**	(31,268)
Final dividends from subsidiaries attributable to the profits of the previous financial year, approved and paid during the period	**—**	166,801
Company's (loss)/profit for the period *(note 27)*	**(15,327)**	135,533

Details of dividends paid and payable to equity shareholders of the Company are set out in note 27(g).

10 EARNINGS PER SHARE

(a) Basic earnings per share

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

(i) Profit attributable to ordinary equity shareholders of the Company

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
		(unaudited)
Profit attributable to equity shareholders of the Company	**95,240**	65,025
Dividends on preference shares	**—**	(37,852)
Profit attributable to ordinary equity shareholders of the Company	**95,240**	27,173

(ii) Weighted average number of ordinary shares

	Six months ended 30 June	
	2011	2010
	'000	'000
		(unaudited)
Issued ordinary shares at 1 January	**70,000**	70,000
Effect of conversion of preference shares to ordinary shares *(note26(b)(ii))*	**9,746**	—
Effect of capitalisation issue *(note26(b)(i))*	**1,008,000**	1,008,000
Effect of issuance of shares by share offer *(note 26(b)(i))*	**77,224**	—
Weighted average number of ordinary shares at 30 June	**1,164,970**	1,078,000

10 EARNINGS PER SHARE (continued)

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders after adjusting for the effects of all dilutive potential shares under the Company's convertible notes. During the six months ended 30 June 2010, the effects of share options and contingently issuable shares are anti-dilutive. The calculation of diluted earnings per share is based on the following data:

(i) Weighted average number of ordinary shares (diluted)

	Six months ended 30 June	
	2011	2010
	'000	'000
		(unaudited)
Weighted average number of ordinary shares at 30 June	**1,164,970**	1,078,000
Effect of deemed conversion of contingently issuable shares	**32,254**	—
Effect of deemed issue of shares under the Company's share option plan for nil consideration *(note 24)*	**1,828**	—
Weighted average number of ordinary shares (diluted) at 30 June	**1,199,052**	1,078,000

11 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 three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Manufacturing and sale of flooring products: this segment primarily consists of manufacturing and sale of flooring products
- Trademark and distribution network usage fees: this segment primarily consists of fees income for products manufactured by OEM companies but sold under the trademarks and distribution network owned by the Group
- Trading of timber and flooring products: this segment primarily consists of timber trading and export of flooring products

11 SEGMENT REPORTING (continued)

(a) 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:

Revenue and expenses are allocated to the reportable segments with reference to sales 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 and net change in fair value of biological assets.

Segment assets and liabilities are not regularly reported to the Group's chief operating decision maker and therefore information of reportable segment assets and liabilities are not presented in the consolidated interim financial statements.

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 flooring products Six months ended 30 June		Trademark and distribution network usage fees Six months ended 30 June		Trading of timber and flooring products Six months ended 30 June		Total Six months ended 30 June	
	2011 **RMB'000**	2010 RMB'000 (unaudited)	**2011** **RMB'000**	2010 RMB'000 (unaudited)	**2011** **RMB'000**	2010 RMB'000 (unaudited)	**2011** **RMB'000**	2010 RMB'000 (unaudited)
Revenue from external customers *(note 3)*	**491,431**	418,254	**97,917**	71,539	**108,697**	119,958	**698,045**	609,751
Inter-segment revenue	**198**	2,027	**—**	—	**—**	6,721	**198**	8,748
Reportable segment revenue	**491,629**	420,281	**97,917**	71,539	**108,697**	126,679	**698,243**	618,499
Reportable segment profit	**66,192**	63,649	**57,472**	46,686	**12,124**	3,044	**135,788**	113,379
Depreciation and amortisation for the period	**(13,854)**	(13,628)	**—**	—	**(1,319)**	—	**(15,173)**	(13,268)
Net impairment of trade receivables charged	**(2,550)**	(2,867)	**—**	—	**(1,389)**	—	**(3,939)**	(2,867)

11 SEGMENT REPORTING (continued)

(b) Reconciliations of reportable segment revenues and profits

	Six months ended 30 June 2011 RMB'000	Six months ended 30 June 2010 RMB'000 (unaudited)
Revenue		
Reportable segment revenue	**698,243**	618,499
Elimination of inter-segment revenue	**(198)**	(8,748)
Consolidated revenue	**698,045**	609,751

	Six months ended 30 June 2011 RMB'000	Six months ended 30 June 2010 RMB'000 (unaudited)
Profit		
Reportable segment profit	**135,788**	113,379
Elimination of inter-segment profits	**(15)**	—
Reportable segment profit derived from external customers	**135,773**	113,379
Other net (loss)/income	**(983)**	3,869
Net change in fair value of biological assets	**2,107**	—
Depreciation and amortisation	**(2,035)**	(1,854)
Net finance income/(costs)	**4,834**	(28,730)
Unallocated head office and corporate expenses	**(21,810)**	(141)
Consolidated profit before taxation	**117,886**	86,523

11 SEGMENT REPORTING (continued)

(c) Geographic information

Analysis of the Group's turnover by geographical market has not been presented as substantially all the Group's turnover is generated in the PRC, Hong Kong and Macau.

The following table sets out information about the geographical location of the Group's fixed assets, lease prepayments, intangible assets and biological assets ("specified non-current assets"). 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 and biological assets, and the location of the operation to which they are allocated, in the case of intangible assets.

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Specified non-current assets		
The PRC	**572,766**	563,406
Peru	**104,309**	105,988
USA	**60**	71
	677,135	669,465

12 INVESTMENTS IN SUBSIDIARIES

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Unlisted shares, at cost	**293,952**	300,815

(Expressed in Renminbi)

12 INVESTMENTS IN SUBSIDIARIES (continued)

As at 30 June 2011, the Company had direct or indirect interests in the following subsidiaries, all of which are private limited companies or, if incorporated/established outside Hong Kong have substantially the same characteristics as a Hong Kong private company. The particulars of the Company's subsidiaries are set out below:

Name of company	Place and date of incorporation/ establishment	Authorised capital/paid-up capital	Attributable equity interest		Principal activities
			Direct	Indirect	
China Wood Flooring Holding Company Limited 中國木地板控股有限公司	the British Virgin Islands 9 August 2007	US$50,000/ US$2	100%	—	Investment holding
Great Nature Investments and Holdings Company Limited 大自然投資控股有限公司	Macau 4 February 2004	MOP100,000/ MOP100,000	—	100%	Brand's holding
YS Nature International Trading Co., Ltd. ("YS Nature") 盈順國際貿易有限公司	Macau 20 October 2006	MOP50,000/ MOP50,000	—	100%	Investment holding and trading of wood cores and wood flooring
Grace Glory Limited 悅亮有限公司	Hong Kong 30 September 2005	HK$10,000/ HK$2	—	100%	Investment holding and trading of wood flooring
Good Harvest Worldwide Limited 豐收環球有限公司	Hong Kong 24 October 2007	HK$10,000/ HK$1	—	100%	Dormant
Asia Legend Industrial Limited 景駿實業有限公司	Hong Kong 7 December 2007	HK$10,000/ HK$1	—	100%	Investment Holding
Prime World International Investment Limited 栢匯國際投資有限公司	Hong Kong 22 January 2008	HK$10,000/ HK$1	—	100%	Investment Holding

(Expressed in Renminbi)

12 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place and date of incorporation/ establishment	Authorised capital/paid-up capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities
Fortune Team International Limited 富添國際有限公司	Hong Kong 11 February 2008	HK$10,000/ HK$1	—	100%	Investment Holding
Nature Flooring Holding Company Limited (formerly Cheerco Industrial Limited) 大自然地板控股有限公司 (原 "展豪實業有限公司")	Hong Kong 11 February 2008	HK$10,000/ HK$2	—	100%	Investment Holding and trading of wood flooring
Cheerway Industrial Limited 捷偉實業有限公司	Hong Kong 11 February 2008	HK$10,000/ HK$100	—	100%	Investment Holding and trading of wood cores and wood flooring
Ever Sharp Industrial Limited 國耀實業有限公司	Hong Kong 25 February 2008	HK$10,000/ HK$100	—	100%	Investment Holding and trading of wood cores and wood flooring
China Flooring Trading Company Limited 中國地板貿易有限公司	Hong Kong 5 September 2008	HK$10,000/ HK$1	—	100%	Investment Holding
Sun Pine Investment Limited 柏耀投資有限公司	Hong Kong 10 March 2009	HK$10,000/ HK$1	—	100%	Investment Holding and trading of
Nature Casa Holding Company Limited 大自然家居控股有限公司	Hong Kong 19 November 2010	HK$10,000/ HK$1	—	100%	Investment Holding
Nature (Zhongshan) Wood Industry Co., Ltd. ("Zhongshan Nature") 中山市大自然木業有限公司*	the PRC 13 October 2004	US$6,150,000/ US$6,150,000	—	100%	Wood flooring manufacturing

(Expressed in Renminbi)

12 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place and date of incorporation/ establishment	Authorised capital/paid-up capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities
Yingyi-Nature (Kunshan) Industry Co., Ltd. ("Kunshan Nature") 昆山盈意大自然木業有限公司*	the PRC 29 December 2006	US$9,600,000/ US$9,600,000	—	100%	Wood flooring manufacturing
Guangdong Yingran Wood Industry Co., Ltd. ("Guangdong Yingran") 廣東盈然木業有限公司*	the PRC 16 January 2007	US$9,000,000/ US$9,000,000	—	100%	Wood flooring manufacturing
Nature (Zhangjiagang) Wood Industry Co., Ltd. 大自然 (張家港) 木業有限公司*	the PRC 3 March 2008	US$10,000,000/ US$10,000,000	—	100%	Wood flooring manufacturing
Jiangxi Nature Wood Based Panels Co., Ltd. 江西大自然人造板有限公司*	the PRC 22 April 2008	US$10,000,000/ US$10,000,000	—	100%	Artificial board manufacturing
Jiangxi Yingran Wood Industry Co., Ltd. 江西盈然地板有限公司*	the PRC 15 July 2008	US$10,000,000/ US$10,000,000	—	100%	Floorboard manufacturing
Jiangxi Yingran Forest Development Co., Ltd. ("Jiangxi Forest") 江西盈然林業發展有限公司*	the PRC 30 June 2009	US$5,000,000/ US$3,450,000	—	100%	Extraction and sale of timber and forest operations
Nature Flooring (China) Co., Ltd. ("Nature China") 大自然地板 (中國) 有限公司*	the PRC 18 December 2009	RMB50,000,000/ RMB50,000,000	—	100%	Trading of wood flooring

(Expressed in Renminbi)

12 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place and date of incorporation/ establishment	Authorised capital/paid-up capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities
Nature Flooring Industries Inc. ("Nature Flooring")	the United States of America (the "USA") 7 May 2007	US$10,000/ US$10,000	—	100%	Trading of wood flooring
Nature Wood (Peru) S.A.C.	Peru 17 March 2008	PEN500,000/ PEN500,000	—	100%	Trading of wood flooring
Nature America S.A.C.	Peru 13 March 2008	PEN500,000/ PEN500,000	—	100%	Trading of wood flooring, extraction and sale of timber and forest operations

* *These subsidiaries are wholly foreign owned enterprises ("WFOEs") established in the PRC and the official names of these companies are in Chinese. The English translation of these companies' names is for reference only.*

The Company's attributable equity interests in its subsidiaries have remained unchanged during the current period.

13 INVESTMENTS IN EQUITY SECURITIES

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Equity securities	**19,450**	15,200

At 30 June 2011, the Group had direct equity interest in the following unlisted PRC incorporated entities:

Name of company	**Place and date of establishment**	**Authorised capital/paid-up capital**	**Direct equity interest**	**Principal activities**
Liaoning Tai'an Yingfu Xinsheng Flooring Co., Ltd. 遼寧台安盈福新盛地板有限公司*	the PRC 14 July 2010	RMB40,000,000/ 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*	the PRC 15 July 2010	RMB40,000,000/ RMB40,000,000	19%	Manufacturing and trading of wood flooring
Lejia Chengpin (Beijing) Technology Co., Ltd. 樂嘉誠品(北京)科技有限公司*	the PRC 11 January 2011	RMB25,000,000/ RMB25,000,000	17%	Trading of goods, provision of marketing and technical services

* *The English translation of these companies' names is for reference only.*

These companies were established by the Group in the PRC and therefore they do not have a quoted market price in an active market.

14 PROPERTY, PLANT AND EQUIPMENT

	Buildings & plant RMB'000	Machinery & equipment RMB'000	Motor vehicles RMB'000	Office equipment & furniture RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:						
At 1 January 2010	134,670	219,877	6,950	6,898	28,788	397,183
Additions	1,058	9,762	13,696	717	17,016	42,249
Transfer from construction in progress	31,756	6,476	—	—	(38,232)	—
Disposal of subsidiaries *(note)*	(23,113)	(5,685)	(568)	(602)	—	(29,968)
Disposals	(88)	(2,338)	(418)	(879)	—	(3,723)
At 31 December 2010	144,283	228,092	19,660	6,134	7,572	405,741
At 1 January 2011	144,283	228,092	19,660	6,134	7,572	405,741
Additions	50	6,134	697	1,006	15,198	23,085
Transfer from construction in progress	59	5,301	—	47	(5,407)	—
Disposals	—	(3,993)	(82)	(52)	—	(4,127)
At 30 June 2011	144,392	235,534	20,275	7,135	17,363	424,699
Accumulated depreciation:						
At 1 January 2010	(3,992)	(17,010)	(1,885)	(2,927)	—	(25,814)
Charge for the year	(5,194)	(21,236)	(2,510)	(1,162)	—	(30,102)
Exchange adjustments	—	—	—	(1)	—	(1)
Disposal of subsidiaries *(note)*	1,757	1,354	312	262	—	3,685
Disposals	1	325	273	852	—	1,451
At 31 December 2010	(7,428)	(36,567)	(3,810)	(2,976)	—	(50,781)
At 1 January 2011	(7,428)	(36,567)	(3,810)	(2,976)	—	(50,781)
Charge for the period	(2,720)	(10,977)	(1,882)	(592)	—	(16,171)
Exchange adjustments	—	—	4	(2)	—	2
Disposals	—	619	66	14	—	699
At 30 June 2011	(10,148)	(46,925)	(5,622)	(3,556)	—	(66,251)
Carrying amounts:						
At 30 June 2011	134,244	188,609	14,653	3,579	17,363	358,448
At 31 December 2010	136,855	191,525	15,850	3,158	7,572	354,960

14 PROPERTY, PLANT AND EQUIPMENT (continued)

The Group's buildings are located in the PRC. All of the Group's property, plant and equipment are located in the PRC (including Hong Kong and Macau), except for property, plant and equipment with net carrying amount of RMB13,745,000 as at 30 June 2011 (31 December 2010: RMB11,309,000) are located in Peru.

As at 30 June 2011, property, plant and equipment with net carrying amount of RMB98,161,000 (31 December 2010: RMB102,918,000) were pledged for loans and borrowings (note 23(b)).

Note: On 10 December 2010, the Group disposed of its entire equity interests in Asia Hero Enterprises Limited ("Asia Hero") and Yingtai (Hailin) Wood Industry Co., Ltd. ("Hailin Yingtai"). The aggregate net book value of the fixed assets held by Asia Hero and Hailin Yingtai as of the disposal date were RMB26,283,000.

15 INTANGIBLE ASSETS

	Patents RMB'000	**Computer software** RMB'000	**Total** RMB'000
Cost:			
At 1 January 2010	—	219	219
Additions	—	552	552
At 31 December 2010	—	771	771
At 1 January 2011	—	771	771
Additions	3,012	2,237	5,249
At 30 June 2011	3,012	3,008	6,020
Accumulated amortisation:			
At 1 January 2010	—	54	54
Charge for the year	—	95	95
At 31 December 2010	—	149	149
At 1 January 2011	—	149	149
Charge for the period	215	67	282
At 30 June 2011	215	216	431
Carrying amount:			
At 30 June 2011	2,797	2,792	5,589
At 31 December 2010	—	622	622

Amortisation of intangible assets is included in the administrative expenses.

16 LEASE PREPAYMENTS

	Land use rights RMB'000
Cost:	
At 1 January 2010	63,948
Additions	7,371
At 31 December 2010	71,319
At 1 January 2011	71,319
Additions	—
At 30 June 2011	71,319
Accumulated amortisation:	
At 1 January 2010	2,194
Amortisation for the year	1,453
At 31 December 2010	3,647
At 1 January 2011	3,647
Amortisation for the period	755
At 30 June 2011	4,402
Carrying amounts:	
At 30 June 2011	66,917
At 31 December 2010	67,672

Lease prepayments represent the Group's land use rights on leasehold land located in the PRC. At 30 June 2011, the remaining period of the land use rights ranges from 45 to 49 years (31 December 2010: 46 to 50 years).

As at 30 June 2011, lease prepayments with carrying amount of RMB22,057,000 (31 December 2010: RMB22,314,000) were pledged for loans and borrowings (note 23(b)).

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

17 BIOLOGICAL ASSETS

	Standing timber RMB'000
Balance at 1 January 2010	100,848
Increase due to acquisitions	41,530
Net change in fair value less estimated cost to sell	106,798
Effect of movements in exchange rate	(2,965)
Balance at 31 December 2010	246,211
Balance at 1 January 2011	246,211
Net change in fair value less estimated cost to sell	2,107
Effect of movements in exchange rate	(2,137)
Balance at 30 June 2011	246,181

In 2009, the Group entered into an agreement with a third party vendor in Peru to acquire the concession rights (originally granted by the Peru Government) to harvest standing timber in 46,347 hectares of natural forest in Peru for 40 years up to 2045, at a consideration of US$2,781,000 (equivalent to RMB18,991,000). Upon completion of the acquisition of the concession rights, the Group has the rights to harvest timber in the forest subject to the submission of harvest plans to the local authority. The directors of the Company are of the opinion that the submission process is compliance procedure which does not deprive the control and ownership of the forestry assets.

In 2009, the Group entered into an agreement with a third party vendor in Yunnan to acquire the concession rights to harvest standing timber in 4,445 hectares of natural forest in Yunnan, for a period through the year 2060 or 2078, at a consideration of RMB41,530,000. Upon completion of the acquisition of the concession rights in 2010, the Group has the rights to harvest timber in the forest.

During the six months ended 30 June 2011 and the year ended 31 December 2010, the Group did not harvest or sell any round logs.

The fair value of the standing timber as at 30 June 2011 and 31 December 2010 was valued by an independent valuation firm engaged by the Group, Pöyry (Beijing) Consulting Company Limited, Shanghai Branch ("Pöyry"). Pöyry has applied the net present value approach whereby projected future net cash flows, based on the international timber log prices, were discounted according to the harvest plans for the standing timber to provide a current market value of the biological assets. The discount rate adopted for the Peru and Yunan forest is 12.0% and 11.5% respectively.

The discount rate used in the valuation of the standing timber at the end of the reporting period was determined by reference to discount rates of companies that carry out similar business activities, weighted average cost of capital analysis and the implied discount rate of forest transactions over a period of time and after considering the risks associated with operating a venture in Peru and Yunnan.

17 BIOLOGICAL ASSETS (continued)

The principal valuation methodology and assumptions adopted are as follows:

— A stand-based approach was employed whereby the standing timber is scheduled to be harvested:

  - At or near their optimum economic rotation age in respect of the Chinese forest; and

  - Based on a sustainable forest management system in respect of the Peru forest.

— The cash flows are those arising from the current rotation of trees only. No account was taken of revenue or costs from re-establishment following harvest, or of land not yet planted;

— The cash flows do not take into account income taxation and finance costs;

— The cash flows have been prepared in real terms and have not therefore included inflationary effects;

— The impact of any planned future activity of the business that may impact the pricing of the logs harvested from the forest is not taken into account; and

— Costs are current average costs. No allowance has been made for cost improvements in future operations.

The Group is exposed to a number of risks related to its standing timber:

Regulatory and environmental risks

The Group is subject to laws and regulations in Peru and Yunnan in which it operates. 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 sawn 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 timbers is exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular forest health inspections and industry pest and disease surveys.

18 INVENTORIES

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Raw materials	**84,716**	72,246
Work in progress	**44,190**	45,129
Finished goods	**144,251**	148,688
Spare parts and consumables	**14,301**	13,573
	287,458	279,636

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

	Six months ended 30 June 2011 RMB'000	2010 RMB'000 (unaudited)
Carrying amount of inventories sold	**453,417**	419,346
Write-downs of inventories	**7,288**	3,000
	460,705	422,346

19 TRADE AND OTHER RECEIVABLES

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Trade debtors	**637,523**	430,941
Bills receivable *(note (i))*	**36,667**	72,470
Less: allowance for doubtful debts *(note 19(b))*	**(9,554)**	(5,615)
	664,636	497,796
Deposits	**1,796**	1,081
Prepayments for purchase of raw materials	**19,464**	16,171
Prepayments for purchase of equipment	**10,162**	3,237
Prepayments for investment in equity securities *(note (ii))*	**—**	4,250
Value added tax recoverable	**13,315**	24,466
Other prepayments and receivables	**55,583**	20,534
	764,956	567,535

The Group

An analysis of current and non-current portion of trade and other receivables is as follows:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Non-current	**10,162**	3,237
Current	**754,794**	564,298
	764,956	567,535

19 TRADE AND OTHER RECEIVABLES (continued)

The Company

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Amounts due from subsidiaries	**977,759**	641,089
Other prepayments and receivables	**30,671**	693
	1,008,430	641,782

All of the trade 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.

Note:

(i) *As at 30 June 2011, no bills receivable (31 December 2010: RMB18,500,000) has been pledged to banks as security in connection with certain banking facilities (note 23(b)(i)).*

(ii) *As at 31 December 2010, a prepayment of RMB4,250,000 was made by the Group for establishment of a PRC entity with registered capital of RMB25,000,000. The principal activities of the investee are trading of goods, provision of marketing and technical services. After the completion of the establishment on 11 January 2011, the Group holds 17% equity interests in the investee.*

(a) Ageing analysis

Included in trade and other receivables are trade debtors and bills receivable (net of allowance for doubtful debts) with the following ageing analysis as of the balance sheet date:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Current	**478,321**	422,593
Less than 3 months past due	**101,155**	67,161
More than 3 months but less than 12 months past due	**85,160**	8,042
Amounts past due	**186,315**	75,203
	664,636	497,796

19 TRADE AND OTHER RECEIVABLES (continued)

(a) Ageing analysis (continued)

Trade debtors and bills receivable are usually due within 30–180 days from the date of billing. Customers from trademark and distribution network usage are due within 180 days from the date of billing, these customers manufacture and sell the products under the trademarks and distribution network owned by the Group. These customers are responsible for their own raw materials procurement and other costs incurred in the manufacturing processes. The Group charges them trademark and distribution network usage fees accordingly. Generally, these customers will collect the amounts from their customers before making settlement to the Group. Further details on the Group's credit policy are set out in note 28(a).

(b) Impairment loss of trade debtors and bills receivable

Impairment loss 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(n)(i)).

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

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Balance at 1 January	**5,615**	9,309
Impairment loss recognised during the period/year	**5,162**	3,212
Reversal of impairment loss recognised during the period/year	**(1,223)**	(6,215)
Uncollectible amounts written off during the period/year	**—**	(691)
Balance at 30 June/31 December	**9,554**	5,615

At 30 June 2011, the Group's trade receivables of RMB10,037,000 (31 December 2010: RMB6,079,000) were individually determined to be impaired. The individually impaired receivables related to customers that have indicated that they are not expecting to be able to pay their outstanding balances, mainly due to economic circumstances and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of RMB9,554,000 as at 30 June 2011 were recognised (31 December 2010: RMB5,615,000). The Group does not hold any collateral over these balances.

19 TRADE AND OTHER 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:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Neither past due nor impaired	**478,191**	422,428
Less than 3 months past due	**100,946**	66,977
More than 3 months but less than 12 months past due	**85,016**	7,927
	185,962	74,904
	664,153	497,332

Receivables that were neither past due nor impaired relate to wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, 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 balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

20 PLEDGED DEPOSITS

As at 30 June 2011, deposits of RMB16,628,000 (31 December 2010: RMB43,462,000) were placed with banks as securities for the issuance of letter of credit for construction projects and purchase of raw materials.

21 CASH AND CASH EQUIVALENTS

The Group

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Cash in hand	**830**	152
Deposits with banks and other financial institutions	**1,012,951**	297,500
Cash and cash equivalents	**1,013,781**	297,652

The Company

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Cash at bank and in hand	**432,685**	164

22 TRADE AND OTHER PAYABLES

The Group

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Trade creditors	**119,831**	61,346
Bills payable	**16,500**	20,957
	136,331	82,303
Payables for purchase of property, plant and equipment	**9,156**	7,599
Payables for purchase of intangible assets	**3,012**	—
Advanced payments and deposits received from customers	**25,343**	38,474
Accrued staff costs	**12,495**	17,078
Value added tax, business tax and consumption tax payable	**11,201**	12,457
Accrued professional fees	**16,640**	8,910
Accrued transportation fees	**10,709**	13,433
Accrued advertising fees	**6,632**	212
Others payables and accruals	**16,009**	12,921
	247,528	193,387

22 TRADE AND OTHER PAYABLES (continued)

(i) Included in trade and other payables are trade creditors and bills payable with the following ageing analysis as of the end of the reporting period:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Due within 1 month or on demand	**85,647**	60,666
Due after 1 month but within 3 months	**39,868**	14,293
Due after 3 months but within 6 months	**8,515**	4,279
Due after 6 months but within 12 months	**2,301**	3,065
	136,331	82,303

The Company

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Others payables and accruals	**16,247**	84,480

23 LOANS AND BORROWINGS

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Bank loans *(note 23(b))*	**155,274**	286,939

23 LOANS AND BORROWINGS (continued)

An analysis of current and non-current loans and borrowings is as follows:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Current	**75,228**	183,458
Non-current	**80,046**	103,481
	155,274	286,939

All of the non-current loans and borrowings are carried at amortised cost. None of the non-current loans and borrowings is expected to be settled within one year.

(a) Convertible notes

The Group and the Company

	Convertible notes RMB'000
Carrying amount of liability at 1 January 2010	571,670
Accreted interest	30,875
Exchange difference	(3,183)
Conversion of convertible notes to voting preference shares (non-cash transaction)	(599,362)
Carrying amount of liability at 31 December 2010	—

Pursuant to convertible note purchase agreements, the Company issued convertible notes (the "Notes") in the amount of US$70 million to new investors (the "Holders") in May 2008.

On 30 June 2010, the Holders fully converted the Notes into 41,999,999 voting preference shares in the Company. Along with the conversion, the capital reserve, together with the carrying amount of the liability component at the time of conversion, was transferred to preference share capital and share premium as consideration for the shares issued.

23 LOANS AND BORROWINGS (continued)

(b) Bank loans

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Current:		
— secured *(note (i))*	**16,826**	55,719
— unsecured *(note (ii))*	**58,402**	127,739
	75,228	183,458
Non-current:		
— secured *(note (i))*	**44,038**	52,852
— unsecured *(note (ii))*	**36,008**	50,629
	80,046	103,481
	155,274	286,939

Notes:

(i) At each of the reporting date, loans and borrowings were secured by the following assets of the Group:

	At 30 June 2011 RMB'000	*At 31 December 2010 RMB'000*
Property, plant and equipment (note 14)	***98,161***	*102,918*
Lease prepayments (note 16)	***22,057***	*22,314*
Bills receivable (note 19)	***—***	*18,500*
	120,218	*143,732*

The above-mentioned secured loan facilities, totalling RMB60,864,000 as at 30 June 2011 (31 December 2010: RMB108,571,000), were utilised to the extent of RMB60,864,000 at 30 June 2011 (31 December 2010: RMB108,571,000).

23 LOANS AND BORROWINGS (continued)

(b) Bank loans (continued)

Notes: (continued)

(ii) *At 30 June 2011, bank loans amounted to RMB94,410,000 (31 December 2010: RMB178,368,000) were guaranteed by the Company, YS Nature, Mr Se Hok Pan and Ms Un Son I.*

At 30 June 2011, a bank loan of RMB11,891,000 (31 December 2010: RMB26,910,000) is subject to the fulfillment of covenants relating to certain of the Group's statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Group was to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 28(b). At 30 June 2011 and 31 December 2010, none of the covenants relating to drawn down facilities had been breached.

Unutilised unsecured loan facilities as at 30 June 2011 amounted to RMB441,971,000 (31 December 2010: RMB390,463,000).

24 SHARE-BASED PAYMENTS

The Company adopted a share option scheme on 16 December 2008 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 consideration of HK$1. Each option entitles the option holders to subscribe one ordinary share of the Company.

The analysis of the amount of share-based payments recognised as an expense and included in profit and loss is as follows:

		Six months ended 30 June	
		2011	2010
	Note	**RMB'000**	RMB'000 (unaudited)
Share-based payment transactions			
— 2008 Share option plan	*(a)*	**—**	1,156
— 2010 Share option plan	*(b)*	**2,526**	—
		2,526	1,156

24 SHARE-BASED PAYMENTS (continued)

(a) The 2008 share option plan

(i) The terms and conditions of the grants that existed during the periods are as follows, whereby all options are settled by physical delivery of shares:

Date granted	Vesting period	Exercise period	Options granted Directors '000	Options granted Employees '000	Total '000
17 December 2008	17 December 2008 to 30 December 2008	26 November 2012 to 16 December 2018	—	2,020	2,020
	17 December 2008 to 30 December 2009	26 November 2012 to 16 December 2018	—	2,020	2,020
	17 December 2008 to 30 December 2011	26 November 2012 to 16 December 2018	—	4,040	4,040
	17 December 2008 to 30 December 2012	31 December 2012 to 16 December 2018	—	6,050	6,050
	17 December 2008 to 30 December 2013	31 December 2013 to 16 December 2018	—	6,050	6,050
			—	20,180	20,180

Pursuant to the rules of the share option scheme, options will lapse when the grantee ceases to be an employee of the Group for reasons other than death, ill-health or retirement.

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

	Six months ended 30 June 2011 Weighted average exercise price HK$	**Six months ended 30 June 2011** Number of Options '000	Year ended 31 December 2010 Weighted average exercise price HK$	Year ended 31 December 2010 Number of Options '000
Outstanding at the beginning of the period/year	**2.35**	**21,819**	2.35	23,117
Forfeited during the period/year	**2.35**	**1,635**	2.35	1,298
Outstanding at the end of the period/year	**2.35**	**20,184**	2.35	21,819
Exercisable at the end of the period/year	**—**	**—**	—	—

(Expressed in Renminbi)

24 SHARE-BASED PAYMENTS (continued)

(a) The 2008 share option plan (continued)

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

The Options outstanding at 30 June 2011 had an exercise price of HK$2.35 per share (equivalent to RMB2.07 per share at the date of grant) (31 December 2010: HK$2.35 per share (equivalent to RMB2.07 per share at the date of grant)) and a weighted average remaining contracted life of 7.46 years (31 December 2010: 7.96 years).

(iii) Fair value of options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The fair value of the share options granted is measured by an independent valuer engaged by the Group, BMI Appraisals Limited ("BMI"), based on Binomial Option Pricing Model. The contractual life of the share option is used as an input into this model.

Fair value at measurement date	RMB19,634,000
Grant date Share price	RMB1.60
Exercise price	HK$2.35 (equivalent to RMB2.07)
Expected volatility	59.10%
Option life	10 years
Expected dividends	0%
Risk-free interest rate (based on Hong Kong Exchange Fund Notes)	1.348%

The expected volatility was based on the historical volatilities of the share prices of the comparable companies.

There were no market conditions associated with the share option grants.

24 SHARE-BASED PAYMENTS (continued)

(b) The 2010 share option plan

(i) The terms and conditions of the grants that existed during the periods are as follows, whereby all options are settled by physical delivery of shares:

Date granted	Vesting period	Options granted Exercise period	Directors '000	Employees '000	Total '000
1 July 2010	1 July 2010 to 30 December 2010	26 November 2012 to 30 June 2020	—	2,400	2,400
	1 July 2010 to 30 December 2011	26 November 2012 to 30 June 2020	—	2,400	2,400
	1 July 2010 to 30 December 2012	31 December 2012 to 30 June 2020	—	3,600	3,600
	1 July 2010 to 30 December 2013	31 December 2013 to 30 June 2020	—	3,600	3,600
			—	12,000	12,000

Pursuant to the rules of the share option scheme, options will lapse when the grantee ceases to be an employee of the Group for reasons other than death, ill-health or retirement.

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

	Six months ended 30 June 2011		Year ended 31 December 2010	
	Weighted average exercise price HK$	**Number of Options '000**	Weighted average exercise price HK$	Number of Options '000
Outstanding at the beginning of the period/year	**3.38**	**12,000**	—	—
Granted during the period/year	**—**	**—**	3.38	12,000
Outstanding at the end of the period/year	**3.38**	**12,000**	3.38	12,000
Exercisable at the end of the period/year	**—**	**—**	—	—

(Expressed in Renminbi)

24 SHARE-BASED PAYMENTS (continued)

(b) The 2010 share option plan (continued)

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

The Options outstanding at 30 June 2011 had an exercise price of HK$3.38 per share (equivalent to RMB2.95 per share at the date of grant) (31 December 2010: HK$3.38 per share (equivalent to RMB2.95 per share at the date of grant)) and a weighted average remaining contracted life of 9.00 years (31 December 2010: 9.50 years).

(iii) Fair value of options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The fair value of the share options granted is measured by an independent valuer engaged by the Group, BMI Appraisals Limited ("BMI"), based on Binomial Option Pricing Model. The contractual life of the share option is used as an input into this model.

Fair value at measurement date	RMB14,379,000
Grant date Share price	RMB2.51
Exercise price	HK$3.38 (equivalent to RMB2.95)
Expected volatility	63.53%
Option life	10 years
Expected dividends	0%
Risk-free interest rate (based on Hong Kong Exchange Fund Notes)	2.29%

The expected volatility was based on the historical volatilities of the share prices of the comparable companies.

There were no market conditions associated with the share option grants.

25 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
At 1 January	**18,796**	6,275
Provision for PRC income tax *(note 6(a))*	**18,722**	45,595
Provision for Hong Kong Profits Tax *(note 6(a))*	**—**	294
Provision for income tax from subsidiaries in other jurisdictions *(note 6(a))*	**408**	1,620
Provision for PRC dividend withholding tax *(note 6(a))*	**—**	7,395
PRC income tax paid	**(23,288)**	(33,995)
Income tax paid by subsidiaries in other jurisdictions	**(26)**	(993)
PRC dividend withholding tax paid	**—**	(7,395)
At 30 June/31 December	**14,612**	18,796

(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 period are as follows:

	Write-downs of inventories RMB'000	Impairment of receivables RMB'000	Unused tax losses RMB'000	Unrealised profit in inventories RMB'000	Capitalised borrowing cost RMB'000	Withholding tax on undistributed profits of subsidiaries RMB'000	Change in fair value of biological assets RMB'000	Total RMB'000
Balance as at 1 January 2010	(3,034)	(1,493)	(3,421)	(587)	716	21,122	7,980	21,283
Charged/(credited) to profit or loss	448	736	262	(1,277)	(86)	12,809	(4,241)	8,651
Disposal of subsidiaries *(note)*	—	—	1,627	—	—	—	—	1,627
Balance as at 31 December 2010	(2,586)	(757)	(1,532)	(1,864)	630	33,931	3,739	31,561
Balance as at 1 January 2011	(2,586)	(757)	(1,532)	(1,864)	630	33,931	3,739	31,561
Charged/(credited) to profit or loss	141	(1,002)	(153)	(386)	12	5,082	(178)	3,516
Balance as at 30 June 2011	(2,445)	(1,759)	(1,685)	(2,250)	642	39,013	3,561	35,077

Deferred tax assets in respect of write-downs of inventories, impairment of receivables, unrealised profit in inventories and unused tax losses in aggregate of RMB2,624,000 have been recognised by Nature Flooring as at 30 June 2011 (31 December 2010: RMB2,987,000). After assessment of the future profitability of Nature Flooring, the directors of the Company are of the opinion that future taxable profits will be available against which the Group can utilise the related benefits.

Note: Deferred tax assets in respect of unused tax losses from Hailin Yingtai was disposed of on 10 December 2010.

25 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

(c) Reconciliation to the consolidated statement of financial position

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Deferred tax assets recognised on the consolidated statement of financial position	**(8,139)**	(6,739)
Deferred tax liabilities recognised on the consolidated statement of financial position	**43,216**	38,300
	35,077	31,561

(d) Deferred tax assets not recognised

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Deductible temporary difference	**176**	713
Unused tax losses	**19,878**	19,737
	20,054	20,450

No deferred tax assets have been recognised in respect of these items because it is not probable that future taxable profits will be available against which the Group can utilise the related benefits. As at 30 June 2011, unused tax losses of RMB628,000, RMB4,059,000, RMB6,940,000 and RMB4,914,000 (31 December 2010: RMB1,343,000, RMB9,526,000, RMB8,206,000 and RMB Nil), if unused, will expire by 2013, 2014, 2015 and 2016 (31 December 2010: 2013, 2014, 2015 and 2016), respectively. Further, unused tax losses of RMB3,337,000 (31 December 2010: RMB662,000) do not expire under current tax legislation.

26 SHARE CAPITAL

(a) Authorised share capital of the Company

	Number of shares				
	Ordinary shares	Convertible preference shares	Special share	Total	Nominal value of shares US$'000
At 1 January 2010 31 December 2010 and 1 January 2011	282,000,000	123,999,999	1	406,000,000	406
Cancellation of convertible preference shares and special share on 26 May 2011	—	(123,999,999)	(1)	(124,000,000)	(124)
Creation on 26 May 2011	3,718,000,000	—	—	3,718,000,000	3,718
At 30 June 2011	4,000,000,000	—	—	4,000,000,000	4,000

On 26 May 2011, 123,999,999 authorised convertible preference shares and 1 special share were cancelled. On the same date, the authorised ordinary share capital was increased by 3,718,000,000 ordinary shares of US$0.001 each.

(b) Issued share capital of the Company

(i) Ordinary shares

	Number of ordinary shares	Nominal value of fully paid ordinary shares US$'000	Nominal value of fully paid ordinary shares RMB'000
At 1 January 2010 and 31 December 2010	70,000,000	70	490
Conversion of convertible preference shares to ordinary shares *(note 23(a))*	41,999,999	42	285
Capitalisation issue	1,007,999,991	1,008	6,552
Shares issued by share offer	388,265,000	388	2,521
At 30 June 2011	1,508,264,990	1,508	9,848

On 20 May 2011, all the issued convertible preference shares were converted into ordinary shares of the Company.

On 26 May 2011, 1,007,999,991 ordinary shares of US$0.001 each were issued at par value to the shareholders of the Company by way of capitalisation of US$1,008,000 (equivalent to RMB6,552,000) from the Company's share premium account.

26 SHARE CAPITAL (continued)

(b) Issued share capital of the Company (continued)

(i) *Ordinary shares (continued)*

The shares of the Company were listed on the Stock Exchange of Hong Kong Limited on 26 May 2011, with a total number of 1,508,264,990 shares, among which 388,265,000 shares (25.74% of the total number of shares of the Company) were issued to the public. The gross proceeds received by the Company from the global offering were approximately HK$1,145,382,000 (equivalent to RMB955,204,000).

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regards to the Company residual assets.

(ii) *Convertible preference shares*

	Number of shares	Nominal value of shares US$'000	Nominal value of shares RMB'000
At 1 January 2010	—	—	—
Conversion of convertible note to preference shares *(note 23(a))*	41,999,999	42	285
At 31 December 2010 and 1 January 2011	41,999,999	42	285
Conversion of preference shares to ordinary shares *(note 26(b)(i))*	(41,999,999)	(42)	(285)
At 30 June 2011	—	—	—

The convertible preference shares can be converted into ordinary shares of the Company at the option of the holders at any time without payment of any additional consideration. The preference shares will automatically be converted into ordinary shares upon the completion of a qualified initial public offering of the Company. The conversion ratio is 1:1, subject to adjustment for stock splits, stock dividends, combinations or other recapitalisations of the preference shares and ordinary shares. The holders of preference shares are entitled to receive a proportionate share of distribution of dividends with the holders of ordinary shares. The holders of voting preference shares are entitled to vote at the meeting of the Company, with voting right equals the number of ordinary shares which are convertible, whereas non-voting preference shares do not carry the right to vote. Preference shares rank prior to ordinary shares with regard to the Company's residual assets.

(Expressed in Renminbi)

26 SHARE CAPITAL (continued)

(b) Issued share capital of the Company (continued)

(iii) Special share

	Number of shares	**Nomina value of shares** US$	**Nominal value of shares** RMB
At 1 January 2010, 31 December 2010 and 1 July 2011	1	0.001	0.007
Redemption and cancellation	(1)	(0.001)	(0.007)
At 30 June 2011	—	—	—

The holder of special share is not entitled to dividends or to participate in the liquidation of the Company. The holder is entitled to vote on the "Reserved Matter" only. Reserved Matter refers to amendment of the Company charter documents, dissolution, liquidation, merger and restructuring or similar transactions of the Company, change in the total authorised number of directors on the board and adoption or change of dividend distribution policies of the Company. The holder of special share must present at a general meeting convened for the purpose of voting on a Reserved Matter. Upon the conversion of the voting preference shares, the Company shall have right to redeem and cancel the special share for a redemption price equal to the par value of the special share.

The special share was redeemed and cancelled by the Company on 20 May 2011.

27 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/period are set out below:

	Share capital RMB'000 *(Note 26)*	**Share premium** RMB'000 *(Note 27(d))*	**Foreign currency translation reserve** RMB'000 *(Note 27(b))*	**Other reserves** RMB'000 *(Note 27(c))*	**(Accumulated losses)/ retained earnings** RMB'000	**Total equity** RMB'000
Balance at 1 January 2010	490	73,190	(10,032)	384,311	(147,485)	300,474
Changes in equity for the six months ended 30 June 2010 (unaudited)						
Profit for the period	—	—	—	—	135,533	135,533
Other comprehensive loss	—	—	(4,072)	—	—	(4,072)
Total comprehensive income	—	—	(4,072)	—	135,533	131,461
Conversion of convertible notes to preference shares *(note 23(a))*	285	629,348	—	(30,271)	—	599,362
Dividends approved in respect of the previous years *(note 27(g))*	—	(100,939)	—	—	—	(100,939)
Equity settled share-based payment transactions *(note 24)*	—	—	—	1,156	—	1,156
At 30 June 2010 and 1 July 2010 (unaudited)	775	601,599	(14,104)	355,196	(11,952)	931,514
Changes in equity for the six months ended 31 December 2010 (unaudited)						
Profit for the period	—	—	—	—	59,867	59,867
Other comprehensive loss	—	—	(12,761)	—	—	(12,761)
Total comprehensive income	—	—	(12,761)	—	59,867	47,106
Disposal of subsidiaries	—	—	—	(27,494)	—	(27,494)
Dividends approved in respect of the previous years *(note 27(g))*	—	(99,680)	—	—	—	(99,680)
Equity settled share-based payment transactions	—	—	—	6,835	—	6,835
At 31 December 2010 and 1 January 2011	775	501,919	(26,865)	334,537	47,915	858,281
Changes in equity for the six months ended 30 June 2011						
Loss for the period	—	—	—	—	(15,327)	(15,327)
Other comprehensive loss	—	—	(22,620)	—	—	(22,620)
Total comprehensive loss	—	—	(22,620)	—	(15,327)	(37,947)
Capitalisation issue *(note 26(b))*	6,552	(6,552)	—	—	—	—
Issuance of shares by share offer *(note 26(b))*	2,521	893,439	—	—	—	895,960
Equity settled share-based payment transactions *(note26(b)(i))*	—	—	—	2,526	—	2,526
At 30 June 2011	9,848	1,388,806	(49,485)	337,063	32,588	1,718,820

27 RESERVES (continued)

(a) Statutory surplus reserve

		At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Recorded by:			
PRC subsidiaries	*(i)*	**118,641**	118,641
Macau subsidiaries	*(ii)*	**22**	22
Peru subsidiaries	*(iii)*	**10,490**	10,490
		129,153	129,153

(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 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.

27 RESERVES (continued)

(c) Other reserves

Other reserves comprise the following:

		At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Equity settled share-based payment transactions	*(i)*	**19,065**	16,539
Capital contributions	*(ii)*	**596**	596
Arising from Reorganisation	*(iii)*	**99**	99
		19,760	17,234

The Company

		At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Equity settled share-based payment transactions	*(i)*	**19,065**	16,539
Arising from Reorganisation	*(iv)*	**317,998**	317,998
		337,063	334,537

(i) The 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).

(ii) These represent property, plant and equipment contributed by Controlling Shareholders to the Group in prior years.

(iii) In the Group's consolidated statement of financial position, the difference between (a) the nominal value of shares of the subsidiaries acquired and (b) the nominal value of the shares issued by the Company in exchange under the reorganisation of the Group on 8 May 2008 was recognised in other reserves.

(iv) Pursuant to the Reorganisation, the Company became the holding company of the Group on 8 May 2008. The excess of the consolidated net assets represented by the shares acquired over the nominal value of shares issued by the Company in exchange under the reorganisation was transferred to other reserves.

27 RESERVES (continued)

(d) Share premium

Under the Companies Law of the Cayman Islands, the funds in the Company's share premium account are distributable to the 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 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 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 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 interest-bearing loans and borrowings), 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 issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Current liabilities:		
Bills payable	**16,500**	20,957
Loans and borrowings	**75,228**	183,458
	91,728	204,415
Non-current liabilities:		
Loans and borrowings	**80,046**	103,481
Total debt	**171,774**	307,896
Less: Cash and cash equivalents	**(1,013,781)**	(297,652)
Pledged deposits	**(16,628)**	(43,462)
Adjusted net asset	**(858,635)**	(33,218)
Total equity	**2,326,917**	1,342,267
Adjusted net debt-to-capital ratio	**(0.37)**	(0.02)

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

27 RESERVES (continued)

(f) Distributability of reserves

The aggregate amount of reserves available for distribution to equity shareholders of the Company, at 30 June 2011 were RMB1,739,392,000 (31 December 2010: RMB867,832,000).

(g) Dividends

(i) Dividends payable to ordinary shareholders of the Company attributable to the previous financial years, approved and paid during the period

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
		(unaudited)
Dividend in respect of the previous years, approved and paid during the period	—	63,087

(ii) Dividends on preference shares issued by the Company

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
		(unaudited)
Dividend in respect of the previous years, approved and paid during the period	—	37,852

(iii) No dividend has been proposed by the Company after 30 June 2011.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate, currency risks, commodity price risk and natural risk 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 past 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 30–180 days from the date of billing. Debtors with balances that are more than 12 months past due are 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:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Due from		
— largest customer	**50,071**	53,362
— five largest customers	**218,603**	180,397

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 19.

(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 maximum banking facilities and amounts utilised at the balance sheet dates are disclosed in note 23(b).

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(b) Liquidity risk (continued)

Timber prices are constantly affected by both demand and supply cycles of the timber industry. As a result, the movements of the prices would have significant impact on the Group's earnings and valuation of biological assets as well as cash flows and liquidity. Whilst efforts have been made to implement certain strategies, there can be no assurance that the Group will be fully shielded from negative effects resulting from cyclical movements of timber prices.

The following tables show the remaining contractual maturities at the reporting dates 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 balance sheet date) and the earliest date the Group can be required to pay:

The Group

At 30 June 2011	**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 year but less than 5 years RMB'000**
Loans and borrowings	**155,274**	**160,590**	**77,786**	**45,246**	**37,558**
Trade and other payables	**247,528**	**247,528**	**247,528**	**—**	**—**
	402,802	**408,118**	**325,314**	**45,246**	**37,558**

At 31 December 2010	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 year but less than 5 years RMB'000
Loans and borrowings	286,939	296,714	189,705	46,281	60,728
Trade and other payables	193,387	193,387	193,387	—	—
	480,326	490,101	383,092	46,281	60,728

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(b) Liquidity risk (continued)

The Company

At 30 June 2011	**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 year but less than 5 years RMB'000**
Other payables and accruals	**16,247**	**16,247**	**16,247**	**—**	**—**

At 31 December 2010	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 year but less than 5 years RMB'000
Other payables and accruals	84,480	84,480	84,480	—	—

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(c) Interest rate risk

The Group's interest rate risk arises primarily from deposits with banks and other financial institutions, short term and long term borrowings issued at variable rates and fixed rates that expose the Group to cash flow interest rate risk. Loans and borrowings 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 reporting dates:

	30 June 2011		31 December 2010	
	Effective interest rate %	**Carrying amount RMB'000**	Effective interest rate %	Carrying amount RMB'000
Variable rate instruments				
Deposit with banks and other financial institutions	**0.5%**	**1,012,951**	0.36%	297,500
Pledged deposits	**0.5%**	**16,628**	0.36%	43,462
Bank loans	**2.59% (+0.59%) +HIBOR/3.25% +LIBOR**	**(155,274)**	2.59% (+0.59%) +HIBOR/3.25% +LIBOR	(228,439)
		874,305		112,523
Fixed rate instruments				
Bank loans		**—**	5.103%	(58,500)
Fixed rate borrowings as a percentage of total borrowings		**0%**		20%

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(c) Interest rate risk (continued)

(ii) *Sensitivity analysis*

At each of the reporting date, it is estimated that a general increase/(decrease) in interest rates, with all other variables held constant, would have increased/(decreased) the Group's profit after tax and retained profits as follows:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
100 basis points increase	**7,063**	961
50 basis points decrease (31 December 2010: 36 basis points decrease)	**(3,532)**	(346)

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained earnings) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the reporting date and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the reporting date, the impact on the Group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates.

(d) Currency risk

The Group's principal activities are carried out in the PRC. RMB is not 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. The currencies giving rise to this risk are primarily US$, HK$, Macau Pataca ("MOP"), Peruvian Nuevo Sol ("PEN"), Euro ("EUR") and Japanese yen ("JPY"). Nearly all sales and purchases are denominated in functional currency of the entity to which they relate. In respect of other trade receivables and payables held in currencies other than the functional currency of the operations to which they relate, the Group ensure 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.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(d) Currency risk (continued)

(i) *Exposure to currency risk (continued)*

The Group

	Exposure to foreign currencies											
	30 June 2011						31 December 2010					
	HK$ RMB'000	**US$ RMB'000**	**PEN RMB'000**	**MOP RMB'000**	**EUR RMB'000**	**GBP RMB'000**	HK$ RMB'000	US$ RMB'000	PEN RMB'000	MOP RMB'000	EUR RMB'000	JPY RMB'000
Cash and cash equivalents	**12,042**	**17,642**	**780**	**113**	**346**	**—**	106	11,875	2,832	99	784	—
Trade and other receivables	**162,466**	**107,448**	**20,118**	**—**	**4,990**	**2,267**	693	45,491	10,240	488	—	—
Trade and other payables	**—**	**(7,203)**	**(132)**	**—**	**—**	**—**	(5,000)	(3,782)	(248)	(197)	—	—
Loans and borrowings	**—**	**(90,149)**	**—**	**—**	**(197)**	**—**	—	(147,865)	—	—	(889)	(296)
Gross exposure arising from recognised assets and liabilities	**174,508**	**27,738**	**20,766**	**113**	**5,139**	**2,267**	(4,201)	(94,281)	12,824	390	(105)	(296)

The Company

	Exposure to foreign currencies											
	30 June 2011						31 December 2010					
	HK$ RMB'000	**US$ RMB'000**	**PEN RMB'000**	**MOP RMB'000**	**EUR RMB'000**	**GBP RMB'000**	HK$ RMB'000	US$ RMB'000	PEN RMB'000	MOP RMB'000	EUR RMB'000	JPY RMB'000
Cash and cash equivalents	**12,042**	**—**	**—**	**—**	**—**	**—**	106	—	—	—	—	—
Other receivables	**1,008,430**	**—**	**—**	**—**	**—**	**—**	641,782	—	—	—	—	—
Other payables	**—**	**—**	**—**	**—**	**—**	**—**	(84,480)	—	—	—	—	—
Gross exposure arising from recognised assets and liabilities	**1,020,472**	**—**	**—**	**—**	**—**	**—**	557,408	—	—	—	—	—

28 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 profit after tax (and retained earnings) 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 variables, in particular interest rates, remain constant.

The Group

	30 June 2011			31 December 2010		
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after tax and retained profits RMB'000**	**Effect on other components of equity RMB'000**	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits RMB'000	Effect on other components of equity RMB'000
HK$	**0.55%**	**965**	**965**	0.50%	21	21
HK$	**(0.55%)**	**(965)**	**(965)**	(0.50%)	(21)	(21)
US$	**0.40%**	**111**	**307**	0.45%	(424)	(117)
US$	**(0.40%)**	**(111)**	**(307)**	(0.45%)	424	117
PEN	**—**	**—**	**—**	0.70%	90	90
PEN	**—**	**—**	**—**	(0.70%)	(90)	(90)
MOP	**0.35%**	**—**	**—**	0.60%	2	2
MOP	**(0.35%)**	**—**	**—**	(0.60%)	(2)	(2)
EUR	**1.45%**	**74**	**74**	2.75%	(3)	(3)
EUR	**(1.45%)**	**(74)**	**(74)**	(2.75%)	3	3
JPY	**—**	**—**	**—**	2.05%	6	6
JPY	**—**	**—**	**—**	(2.05%)	(6)	(6)
GBP	**1.35%**	**77**	**77**	—	—	—
GBP	**(1.35%)**	**(77)**	**(77)**	—	—	—

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(d) Currency risk (continued)

(ii) Sensitivity analysis (continued)

The Company

	30 June 2011			31 December 2010		
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after tax and retained profits RMB'000**	**Effect on other components of equity RMB'000**	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits RMB'000	Effect on other components of equity RMB'000
HK$	**0.55%**	**5,949**	**5,949**	0.50%	2,817	2,817
HK$	**(0.55%)**	**(5,949)**	**(5,949)**	(0.50%)	(2,817)	(2,817)

(e) Commodity price risk

Various wood cores and sawn timber are the major materials of the Group's products which amounted for more than 85% of total cost of sales. Fluctuation on commodity price of wood cores and sawn 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 historically has not entered into any commodity derivative instruments to hedge the potential commodity price changes.

(f) Natural risk

The condition of the Group's biological assets may be affected by 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 biological assets.

(g) Fair value

The carrying amounts of all financial assets and liabilities are not materially difference from their fair values as at 30 June 2011 and 31 December 2010.

(h) Estimation of fair value

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments, equity-settled share-based payment and biological assets.

(i) Trade and other receivables

Trade receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts. Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the end of the reporting period.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(h) Estimation of fair value (continued)

(ii) Loans and borrowings

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

(iii) Equity-settled share-based payment transactions

The fair value of employee share options is measured using a binomial option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on an evaluation of the Company's historic volatility, particularly over the historic period commensurate with the expected period), expected term of the instruments (based on historical experience and general option holder behaviour), and the risk-free interest rate (based on Hong Kong Exchange Fund Notes). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

(iv) Biological assets

The fair value of standing timber above minimum cutting diameter at which it becomes marketable, is based on the present value of net cash flows expected to be generated from the estimated recoverable wood volume, net of harvesting costs and costs of transportation of the assets to market, discounted at a current market determined pre-tax rate.

(v) Interest rate used for determining fair value

The market interest rates adopted for determining the fair value of convertible notes, interest-bearing loans and trade and other receivables are ranging from 2.59% to 3.65% as at 30 June 2011 (31 December 2010: 2.59% to 16.86%).

29 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

Capital commitments outstanding at the balance sheet date not provided for in the financial statements were as follows:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Contracted for	**13,163**	1,250
Authorised but not contracted	—	32,048

29 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

(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 future minimum lease payments under operating leases are as follows:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Within 1 year	**5,582**	4,631
After1 year but within 3 years	**7,980**	7,437
After 3 years but within 5 years	**4,198**	5,024
After 5 years	**10,396**	10,379
	28,156	27,471

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.

30 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the financial statements, the Group entered into the following material related party transactions.

During the periods presented, the directors are of the view that the following are related parties of the Group:

Name of Related Party	**Relationship**
Mr Se Hok Pan and Ms Un Son I	Ultimate controlling parties of the Company *(note 32)*
She Jian Bin	Executive director of the Company
She Zhuo Teng	Close family member of She Jian Bin
M & M Real Estate Investment Company Limited	A company controlled by the ultimate controlling parties

30 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(i) Sales of wood flooring products to related parties

	Six months ended 30 June 2011 RMB'000	2010 RMB'000 (unaudited)
She Zhuo Teng	**63**	1,882

(ii) Operating lease charges paid to related parties

	Six months ended 30 June 2011 RMB'000	2010 RMB'000 (unaudited)
M & M Real Estate Investment Company Limited	**141**	—

The Directors are of the opinion that the above transactions were conducted in accordance with the underlying agreements entered into with the related parties in the ordinary course of business of the Group.

(iii) Financial guarantee provided by related parties

At 30 June 2011, bank loan amounted to RMB94,410,000 (31 December 2010: RMB178,368,000) was guaranteed by the Company, YS Nature (a wholly-owned subsidiary of the Company), Mr Se Hok Pan and Ms Un Sun 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:

	Six months ended 30 June 2011 RMB'000	2010 RMB'000 (unaudited)
Short-term employee benefits	**3,084**	4,276
Post-employment benefits	**4**	4
Equity-settled share-based payment expenses	**316**	82
	3,404	4,362

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

31 SUBSEQUENT EVENTS

Pursuant to the joint venture agreement signed on 21 July 2011, a joint venture company with register capital of RMB10,000,000 will be established by Nature China and an independent third party. After the completion of the establishment, the Group will hold 60% equity interests in the investee.

The principal activities of the investee are research and development, manufacturing and sales of wood doors and other wood products in the PRC.

32 IMMEDIATE AND ULTIMATE CONTROLLING PARTIES

At 30 June 2011, 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.

33 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the consolidated interim 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 in the period in which the estimates are revised and in any future periods affected.

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, lease prepayments, 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 new profit or loss in future periods.

33 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

(iii) Net realisable value of inventories

Net realisable value of inventories, in particular wood flooring products, 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 historical 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.

(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, harvesting and establishment. 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.

(Expressed in Renminbi)

34 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Up to the date of issue of this report, the IASB has issued the following amendments, new standards and Interpretations which are not yet effective of the financial periods included in the periods presented.

Of these developments, the following relate to matters that may be relevant to the Group's operations and the financial statements:

	Effective for accounting periods beginning on or after
Amendments to IFRS 1, First-time adoption of Hong Kong Financial Reporting Standards — Severe hyperinflation and removal of fixed dates for first-time adopters	1 July 2011
Amendments to IFRS 7, Financial instruments: Disclosures — Transfers of financial assets	1 July 2011
Amendments to IAS 12, Income taxes — Deferred tax: Recovery of underlying assets	1 January 2012
Amendments to IAS 1, Presentation of financial statements — Presentation of items of other comprehensive income	1 July 2012
IFRS 9, Financial instruments (2009)	1 January 2013
IFRS 9, Financial instruments (2010)	1 January 2013
IFRS 10, Consolidated financial statements	1 January 2013
IFRS 11, Joint arrangements	1 January 2013
IFRS 12, Disclosure of interests in other entities	1 January 2013
IFRS 13, Fair value measurement	1 January 2013
IAS 27, Separate financial statements (2011)	1 January 2013
IAS 28, Investments in associates and joint ventures (2011)	1 January 2013
Revised IAS 19, Employee benefits	1 January 2013

The directors of the Company have confirmed that 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 Group's results of operations and financial position.