The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong.

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

May 16, 2011

The Directors
China Flooring Holding Company Limited

Morgan Stanley Asia Limited
The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Securities (Hong Kong) Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to China Flooring Holding Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") including the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group, for each of the years ended December 31, 2008, 2009 and 2010 (the "Relevant Period"), and the consolidated balance sheets of the Group and the balance sheets of the Company as at December 31, 2008, 2009 and 2010 together with the notes thereto (the "Financial Information"), for inclusion in the prospectus of the Company dated May 16, 2011 (the "Prospectus").

The Company was incorporated in the Cayman Islands on July 27, 2007 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganization completed on May 8, 2008 (the "Reorganization") as detailed in the section headed "History and Development" in the Prospectus, the Company became the holding company of the companies now comprising the Group, details of which are set out in Section A below. The Company has not carried on any business since the date of its incorporation saves for the aforementioned Reorganization.

As at the date of this report, no audited financial statements have been prepared for the Company, China Flooring Trading Company Limited, M.A. International Investments and Holdings Company Limited, Great Nature Investments and Holdings Company Limited, Nature Casa Holding Company Limited, Nature Flooring Industries, Inc., Nature Wood (Peru) S.A.C. and Nature America S.A.C. as they are not subject to statutory audit requirements under the relevant rules and regulations in the jurisdictions of incorporation.

The Company and its subsidiaries have adopted December 31, as their financial year end date. Details of the subsidiaries that are subject to statutory audit during the Relevant Period and the names of the respective auditors are set out in note 1(b) of Section C below. The statutory financial statements of these companies were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), General Financial Reporting Standards issued by the Government of Macau Special Administrative Region ("MFRSs") or the relevant accounting rules and regulations applicable to enterprises in the People's Republic of China (the "PRC").

The directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Period in accordance with the basis of preparation set out in Section A below and the accounting policies set out in Section C below (the "Underlying Financial Statements"). The Underlying Financial Statements for each of the years ended December 31, 2008, 2009 and 2010 were audited by us in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information has been prepared by the directors of the Company based on the Underlying Financial Statements, with no adjustments made thereon, and in accordance with the applicable disclosure provisions of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"), the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

Our responsibility is to form an opinion on the Financial Information based on our procedures.

BASIS OF OPINION

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have examined the Underlying Financial Statements and have carried out such appropriate procedures as we considered necessary in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA.

We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to December 31, 2010.

OPINION

In our opinion, for the purpose of this report, the Financial Information, on the basis of preparation set out in Section A below, gives a true and fair view of the Group's consolidated results and cash flows for the Relevant Period, and the state of affairs of the Group and the Company as at December 31, 2008, 2009 and 2010.

A BASIS OF PRESENTATION

The companies that took part in the Reorganization now comprising the Group were controlled by the same group of ultimate equity shareholders, Mr Se Hok Pan and Mrs Un Son I (together referred to as the "Controlling Shareholders") before and after the Reorganization. The control is not transitory and, consequently, there was a continuation of the risks and benefits to the Controlling Shareholders and, therefore, the Reorganization is considered to be a business combination of entities under common control.

Merger accounting has been applied in the accounting of the Reorganization. The consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated cash flow statements of the Group as set out in Section B include the results of operations of the Company and its subsidiaries for the Relevant Period (or where the Company and its subsidiaries were incorporated/established at a date later than January 1, 2008, for the period from the date of incorporation/establishment to December 31, 2010) as if the Reorganization was completed at the beginning of the Relevant Period. The consolidated balance sheets of the Group as at December 31, 2008, 2009 and 2010 as set out in Section B below have been prepared to present the state of affairs of the Group as at the respective dates as if the Reorganization was completed at the beginning of Relevant Period.

All material intra-group transactions and balances have been eliminated on consolidation.

As at the end of each reporting period and the date of this report, 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	Authorized capital/ paid-up capital	Attributable equity interest		Principal activities
			Direct	Indirect	
China Wood Flooring Holding Company Limited ("Wood Flooring") 中國木地板控股有限公司	the British Virgin Islands August 9, 2007	USD50,000/ USD2	100%	—	Investment holding
M.A. International Investments and Holdings Company Limited ("M.A. International") M.A.國際投資控股有限公司	Macau November 6, 2003 (deregistered on November 28, 2008)	MOP100,000/ MOP100,000	—	— **	Investment holding and trading of wood flooring

Name of company	Place and date of incorporation/ establishment	Authorized capital/ paid-up capital	Attributable equity interest Direct	Indirect	Principal activities
Great Nature Investments and Holdings Company Limited ("Great Nature") 大自然投資控股有限公司	Macau February 4, 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 October 20, 2006	MOP50,000/ MOP50,000	—	100%	Investment holding and trading of wood cores and wood flooring
Grace Glory Limited ("Grace Glory") 悅亮有限公司	Hong Kong September 30, 2005	HKD10,000/ HKD2	—	100%	Investment holding and trading of wood flooring
Good Harvest Worldwide Limited 豐收環球 有限公司	Hong Kong October 24, 2007	HKD10,000/ HKD1	—	100%	Dormant
Asia Legend Industrial Limited 景駿實業 有限公司	Hong Kong December 7, 2007	HKD10,000/ HKD1	—	100%	Investment holding
Asia Hero Enterprises Limited ("Asia Hero") 成傑企業 有限公司	Hong Kong December 19, 2007 (disposed of on December 10, 2010 (note 10))	HKD10,000/ HKD2	—	—**	Investment holding
Prime World International Investment Limited 栢滙國際投資有限公司	Hong Kong January 22, 2008	HKD10,000/ HKD1	—	100%	Investment holding
Fortune Team International Limited 富添國際 有限公司	Hong Kong February 11, 2008	HKD10,000/ HKD1	—	100%	Investment holding
Nature Flooring Holding Company Limited (formerly Cheerco Industrial Limited) 大自然地板控股有限公司 (原 "展豪產業有限公司")	Hong Kong February 11, 2008	HKD10,000/ HKD2	—	100%	Investment holding and trading of wood flooring
Cheerway Industrial Limited 捷偉實業 有限公司	Hong Kong February 11, 2008	HKD10,000/ HKD100	—	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 February 25, 2008	HKD10,000/ HKD100	—	100%	Investment holding and trading of wood flooring

Name of company	Place and date of incorporation/ establishment	Authorized capital/ paid-up capital	Attributable equity interest Direct	Indirect	Principal activities
China Flooring Trading Company Limited (formerly China Flooring Holding Company Limited) 中國地板貿易有限公司 (原"中國地板控股有限公司")	Hong Kong September 5, 2008	HKD10,000/ HKD1	—	100%	Investment holding
Sun Pine Investment Limited ("Sun Pine") 柏耀投資有限公司	Hong Kong March 10, 2009	HKD10,000/ HKD1	—	100%	Investment holding and trading of wood flooring
Nature Casa Holding Company Limited ("Nature Casa") 大自然家居控股有限公司	Hong Kong November 19, 2010	HKD10,000/ HKD1	—	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 October 13, 2004	USD6,150,000/ USD6,150,000	—	100%	Wood flooring manufacturing
Nature (Yichun) Wood Industry Co., Ltd. ("Yichun Nature") 伊春大自然木業有限公司*	the PRC April 6, 2006 (deregistered on July 9, 2009)	USD1,700,000/ USD1,700,000	—	— **	Plywood manufacturing
Yingyi-Nature (Kunshan) Wood Industry Co., Ltd. ("Kunshan Nature") 昆山盈意大自然木業有限公司*	the PRC December 29, 2006	USD9,600,000/ USD9,600,000	—	100%	Wood flooring manufacturing
Guangdong Yingran Wood Industry Co., Ltd. ("Guangdong Yingran") 廣東盈然木業有限公司*	the PRC January 16, 2007	USD9,000,000/ USD9,000,000	—	100%	Wood flooring manufacturing
Yingtai (Hailin) Wood Industry Co., Ltd. ("Hailin Yingtai") 海林盈泰木業有限公司*	the PRC May 16, 2007 (disposed of on December 10, 2010 (note 10))	USD7,500,000/ USD7,500,000	—	— **	Wood flooring manufacturing

Name of company	Place and date of incorporation/ establishment	Authorized capital/ paid-up capital	Attributable equity interest Direct	Indirect	Principal activities
Nature (Zhangjiagang) Wood Industry Co., Ltd. ("Zhangjiagang Nature") 大自然(張家港)木業有限公司*	the PRC March 3, 2008	USD10,000,000/ USD10,000,000	—	100%	Wood flooring manufacturing
Jiangxi Nature Wood Based Panels Co., Ltd. ("Jiangxi Nature") 江西大自然人造板有限公司*	the PRC April 22, 2008	USD10,000,000/ USD10,000,000	—	100%	Artificial board manufacturing
Jiangxi Yingran Wood Industry Co., Ltd. ("Jiangxi Yingran") 江西盈然地板有限公司*	the PRC July 15, 2008	USD10,000,000/ USD10,000,000	—	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 June 30, 2009	USD5,000,000/ USD3,450,000	—	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 December 18, 2009	RMB50,000,000/ RMB50,000,000	—	100%	Trading of wood flooring
Nature Flooring Industries, Inc. ("Nature Flooring")	the United States of America (the "USA") May 7, 2007	USD10,000/ USD10,000	—	100%	Trading of wood flooring
Nature Wood (Peru) S.A.C. ("Nature Wood")	Peru March 17, 2008	PEN500,000/ PEN500,000	—	100%	Trading of wood flooring
Nature America S.A.C. ("Nature America")	Peru March 13, 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 had 100% indirect interests in these subsidiaries from January 1, 2008 to their respective dates of deregistration/disposal.

B FINANCIAL INFORMATION

1. Consolidated income statements

	Section C Note	Years ended December 31, 2008 RMB'000	2009 RMB'000	2010 RMB'000
Turnover	2 & 9(b)	885,409	990,462	1,623,908
Cost of sales		(545,815)	(631,835)	(1,116,205)
Gross profit		339,594	358,627	507,703
Other net income	3(a)	400	749	7,976
Net change in fair value of biological assets	15	—	81,869	106,798
Distribution costs		(59,352)	(55,674)	(95,798)
Administrative expenses		(76,428)	(50,134)	(81,066)
Other operating expenses	3(b)	(809)	(2,644)	(2,727)
Profit from operations		203,405	332,793	442,886
Finance income		4,069	4,096	2,823
Finance costs		(50,970)	(74,866)	(42,017)
Net finance costs	4(a)	(46,901)	(70,770)	(39,194)
Profit before taxation	4	156,504	262,023	403,692
Income tax	5(a)	(10,540)	(38,197)	(63,555)
Profit attributable to equity shareholders of the Company for the year		145,964	223,826	340,137
Earnings per share (RMB):				
Basic	8(a)	2.32	3.20	3.78
Diluted	8(b)	2.17	2.73	3.31

The accompanying notes form part of the Financial Information.

2. Consolidated statements of comprehensive income

	Years ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Profit for the year	145,964	223,826	340,137
Other comprehensive income/(loss) for the year			
Exchange differences on translation of financial statements of entities not using RMB as functional currency	11,349	(1,928)	(1,721)
Total comprehensive income attributable to equity shareholders of the Company for the year	157,313	221,898	338,416

The accompanying notes form part of the Financial Information.

3. Consolidated balance sheets

	Section C Note	As at December 31, 2008 RMB'000	2009 RMB'000	2010 RMB'000
Non-current assets				
Property, plant and equipment	12	210,204	371,369	354,960
Intangible assets	13	—	165	622
Lease prepayments	14	58,144	61,754	67,672
Biological assets	15	—	100,848	246,211
Investments in equity securities	11	—	—	15,200
Other receivables	17	46,380	14,028	3,237
Deferred tax assets	24(c)	—	8,535	6,739
		314,728	556,699	694,641
Current assets				
Inventories	16	218,855	339,013	279,636
Trade and other receivables	17	377,263	465,737	564,298
Pledged deposits	18	17,543	22,389	43,462
Cash and cash equivalents	19	104,133	200,075	297,652
		717,794	1,027,214	1,185,048
Current liabilities				
Trade and other payables	20	150,329	285,216	193,387
Loans and borrowings	21	15,000	597,176	183,458
Obligations under finance leases	22	2,096	—	—
Income tax payables	24(a)	5,571	6,275	18,796
		172,996	888,667	395,641
Net current assets		544,798	138,547	789,407
Total assets less current liabilities		859,526	695,246	1,484,048
Non-current liabilities				
Loans and borrowings	21	490,645	68,311	103,481
Deferred tax liabilities	24(c)	—	29,818	38,300
Total non-current liabilities		490,645	98,129	141,781
NET ASSETS		368,881	597,117	1,342,267
CAPITAL AND RESERVES				
Share capital	25	490	490	775
Reserves	26	368,391	596,627	1,341,492
TOTAL EQUITY		368,881	597,117	1,342,267

The accompanying notes form part of the Financial Information.

4. Company balance sheets

	Section C Note	As at December 31, 2008 RMB'000	2009 RMB'000	2010 RMB'000
Non-current assets				
Investment in subsidiaries	10	346,711	336,964	300,815
		346,711	336,964	300,815
Current assets				
Other receivables	17	537,843	540,752	641,782
Cash and cash equivalents	19	4,475	3	164
		542,318	540,755	641,946
Current liabilities				
Other payables and accruals	20	3,466	5,575	84,480
Loans and borrowings	21(a)	—	571,670	—
		3,466	577,245	84,480
Net current assets/(liabilities)		538,852	(36,490)	557,466
Non-current liabilities				
Loans and borrowings	21(a)	490,645	—	—
Total non-current liabilities		490,645	—	—
NET ASSETS		394,918	300,474	858,281
CAPITAL AND RESERVES				
Share capital	25	490	490	775
Reserves	26	394,428	299,984	857,506
TOTAL EQUITY		394,918	300,474	858,281

The accompanying notes form part of the Financial Information.

5. Consolidated statements of changes in equity

	Share capital	Share premium	Statutory surplus reserve	Foreign currency translation reserve	Other reserves	Retained earnings	Total equity
	RMB'000 (Note 25)	RMB'000 (Note 26(d))	RMB'000 (Note 26(a))	RMB'000 (Note 26(b))	RMB'000 (Note 26(c))	RMB'000	RMB'000
Balance at January 1, 2008	449	—	11,743	7,761	596	85,208	105,757
Changes in equity for 2008							
Profit for the year	—	—	—	—	—	145,964	145,964
Other comprehensive income	—	—	—	11,349	—	—	11,349
Total comprehensive income	—	—	—	11,349	—	145,964	157,313
Arising from Reorganization (note 26(c)(iv))	(99)	—	—	—	99	—	—
Capitalization issue (note 25(b))	140	73,190	—	—	—	—	73,330
Equity component of convertible notes	—	—	—	—	30,271	—	30,271
Transfer to statutory surplus reserve	—	—	42,130	—	—	(42,130)	—
Equity settled share-based payment transactions (note 23)	—	—	—	—	2,210	—	2,210
Balance at December 31, 2008 and January 1, 2009	490	73,190	53,873	19,110	33,176	189,042	368,881
Changes in equity for 2009							
Profit for the year	—	—	—	—	—	223,826	223,826
Other comprehensive loss	—	—	—	(1,928)	—	—	(1,928)
Total comprehensive income	—	—	—	(1,928)	—	223,826	221,898
Transfer to statutory surplus reserve	—	—	34,880	—	—	(34,880)	—
Equity settled share-based payment transactions (note 23)	—	—	—	—	6,338	—	6,338
Balance at December 31, 2009 and January 1, 2010	490	73,190	88,753	17,182	39,514	377,988	597,117
Changes in equity for 2010							
Profit for the year	—	—	—	—	—	340,137	340,137
Other comprehensive loss	—	—	—	(1,721)	—	—	(1,721)
Total comprehensive income	—	—	—	(1,721)	—	340,137	338,416
Conversion of convertible notes to preference shares (note 21(a))	285	629,348	—	—	(30,271)	—	599,362
Transfer to statutory surplus reserve	—	—	40,400	—	—	(40,400)	—
Dividends approved in respect of the previous years (note 26(g))	—	(200,619)	—	—	—	—	(200,619)
Equity settled share-based payment transactions (note 23)	—	—	—	—	7,991	—	7,991
Balance at December 31, 2010	775	501,919	129,153	15,461	17,234	677,725	1,342,267

The accompanying notes form part of the Financial Information.

6. Consolidated cash flow statements

	Section C Note	Years ended December 31, 2008	2009	2010
		RMB'000	RMB'000	RMB'000
Operating activities				
Profit for the year		145,964	223,826	340,137
Adjustments for:				
—Net change in fair value of biological assets	15	—	(81,869)	(106,798)
—Net finance costs		46,901	70,770	39,194
—Income tax expenses	5(a)	10,540	38,197	63,555
—Equity settled share-based payment transactions	23	2,210	6,338	7,991
—Depreciation of property, plant and equipment		8,540	16,605	30,102
—Amortization of lease prepayments in respect of land use rights		739	1,391	1,453
—Net loss on disposal of property, plant and equipment		312	555	949
—Amortization of intangible assets		—	54	95
—Net loss on disposal of subsidiaries	3(b) & 10	—	—	232
		215,206	275,867	376,910
Change in inventories		(154,676)	(120,158)	57,209
Change in trade and other receivables		(256,120)	(87,926)	(96,668)
Change in trade and other payables		54,889	125,535	(54,049)
Increase in pledged deposits		(17,543)	(4,846)	(21,073)
Cash (used in)/generated from operations		(158,244)	188,472	262,329
PRC income tax paid		(4,495)	(12,542)	(33,995)
Non-PRC income tax paid		(474)	(3,668)	(993)
PRC dividend withholding tax paid		—	—	(7,395)
Net cash (used in)/generated from operating activities		(163,213)	172,262	219,946
Investing activities				
Interest received		2,036	1,935	2,823
Disposal of subsidiaries, net of cash disposed of	10	—	—	21,558
Proceeds from disposal of property, plant and equipment		5,547	5,765	1,323
Payment for acquisition of property, plant and equipment		(169,902)	(130,195)	(60,572)
Payment for acquisition of biological assets		—	(18,991)	(41,530)
Payment for investment in equity securities	11	—	—	(15,200)
Prepayment for investment in equity securities	17	—	—	(4,250)
Payment for acquisition of intangible assets		—	(219)	(552)
Lease prepayments for land use rights		(48,033)	(5,001)	(7,371)
Repayment from related parties	29(b)(ii)	11,500	—	—
Net cash used in investing activities		(198,852)	(146,706)	(103,771)
Financing activities				
Proceeds from issue of ordinary shares	25(b)(i)	350	—	—
Proceeds from issue of convertible notes	21(a)	488,854	—	—
Payment for transaction costs	21(a)	(5,601)	—	—
Proceeds from new bank loans		44,260	110,896	460,304
Repayment of bank loans		(49,460)	(32,079)	(266,706)
Proceeds from new loans from shareholders	29(b)(i)	10,258	—	—
Repayment of loans from shareholders	29(b)(ii)	(93,745)	(2,166)	—
Dividends paid	26(g)	—	—	(200,619)
Interest paid		(2,815)	(5,607)	(9,990)
Payment of finance lease liabilities		(54)	—	—
Net cash generated from/(used in) financing activities		392,047	71,044	(17,011)
Net increase in cash and cash equivalents		29,982	96,600	99,164
Cash and cash equivalents at January 1,		75,001	104,133	200,075
Effect of foreign exchange rate changes		(850)	(658)	(1,587)
Cash and cash equivalents at December 31,	19	104,133	200,075	297,652
Significant non-cash transactions				
Disposal of equipment to settle finance lease liabilities	22	—	2,096	—
Capitalization of loans from shareholders as fully paid ordinary shares	29(b)	73,330	—	—
Conversion of convertible notes to preference shares	21(a)	—	—	599,362

The accompanying notes form part of the Financial Information

C NOTES TO CONSOLIDATED FINANCIAL INFORMATION

1 Significant accounting policies

(a) Statement of compliance

The Financial Information set out in this report has been prepared in accordance with IFRSs, which collective term includes International Accounting Standards and related interpretations, promulgated by the IASB. Further details of the significant accounting policies adopted are set out in the remainder of this Section C.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing the Financial Information, the Group has adopted all these new and revised IFRSs to the Relevant Period, except for any new accounting standards or interpretations that are not yet effective for the accounting period ended December 31, 2010. The revised new accounting standards and interpretations issued but not yet effective for the accounting period beginning January 1, 2010 are set out in note 32.

The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules.

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

(b) Basis of preparation and presentation

The Financial Information comprises the Company and its subsidiaries and has been prepared using the merger basis of accounting as if the Group had always been in existence, as further explained in Section A.

Details of the companies comprising the Group that are subject to statutory audit during the Relevant Period and the names of the respective auditors are set out below:

Name of company	Financial period	Statutory auditors
YS Nature	Years ended December 31, 2008, 2009 and 2010	Wong Wai Pan, Register Auditor 黃慧斌核數師辦事處
Grace Glory	Years ended December 31, 2008, 2009 and 2010	Lo and Kwong C.P.A Company Limited ("Lo and Kwong C.P.A") 盧廣會計師事務所有限公司
Good Harvest Worldwide Limited	Years ended December 31, 2008, 2009 and 2010	Lo and Kwong C.P.A
Asia Legend Industrial Limited	Years ended December 31, 2008, 2009 and 2010	Lo and Kwong C.P.A
Asia Hero Enterprises Limited	Years ended December 31, 2008 and 2009**	Lo and Kwong C.P.A

Name of company	Financial period	Statutory auditors
Prime World International Investment Limited	Period from January 22, 2008 (date of incorporation) to December 31, 2008 Years ended December 31, 2009 and 2010	Lo and Kwong C.P.A
Fortune Team International Limited	Period from February 11, 2008 (date of incorporation) to December 31, 2008 Years ended December 31, 2009 and 2010	Lo and Kwong C.P.A
Nature Flooring Holding Company Limited	Period from February 11, 2008 (date of incorporation) to December 31, 2008 Years ended December 31, 2009 and 2010	Lo and Kwong C.P.A
Cheerway Industrial Limited	Period from February 11, 2008 (date of incorporation) to December 31, 2008 Years ended December 31, 2009 and 2010	Lo and Kwong C.P.A
Ever Sharp Industrial Limited	Period from February 25, 2008 (date of incorporation) to December 31, 2008 Years ended December 31, 2009 and 2010	Lo and Kwong C.P.A
China Flooring Trading Company Limited	Period from September 5, 2008 (date of incorporation) to December 31, 2008 Years ended December 31, 2009 and 2010	Lo and Kwong C.P.A
Sun Pine	Period from March 10, 2009 (date of incorporation) to December 31, 2009 Year ended December 31, 2010	Lo and Kwong C.P.A
Zhongshan Nature	Years ended December 31, 2008, 2009 and 2010	Foshan Shunde Guang De Certified Public Accountants ("Guang De C.P.A") 佛山市順德區廣德會計師事務所*
Yichun Nature	Year ended December 31, 2008 and period from January 1, 2009 to July 9, 2009 (date of deregistration)	Qitaihe Bei Ke Certified Public Accountants 七台河貝克會計師事務所*
Kunshan Nature	Years ended December 31, 2008, 2009 and 2010	Suzhou Hua Ming Certified Public Accountants 蘇州華明聯合會計師事務所*

Name of company	Financial period	Statutory auditors
Guangdong Yingran	Years ended December 31, 2008, 2009 and 2010	Guang De C.P.A
Hailin Yingtai	Years ended December 31, 2008 and 2009**	Hailin Hao Guang Certified Public Accountants 海林昊光會計師事務所*
Zhangjiagang Nature	Period from March 3, 2008 (date of incorporation) to December 31, 2008 Years ended December 31, 2009 and 2010	Zhangjiagang Chang Xing Certified Public Accountants 張家港長興會計師事務所*
Jiangxi Nature	Period from April 22, 2008 (date of incorporation) to December 31, 2008 Years ended December 31, 2009 and 2010	Shangrao An Xin Yong Chen C.P.A Company Limited ("An Xin Yong Chen C.P.A") 上饒市安信永辰會計師事務所*
Jiangxi Yingran	Period from July 15, 2008 (date of incorporation) to December 31, 2008 Years ended December 31, 2009 and 2010	An Xin Yong Chen C.P.A
Jiangxi Forest	Period from June 30, 2009 (date of incorporation) to December 31, 2009 and Year ended December 31, 2010	An Xin Yong Chen C.P.A
Nature China	Period from December 18, 2009 (date of incorporation) to December 31, 2009 Year ended December 31, 2010	Shenzhen Yong Cheng Xin Zhong Certified Public Accountants 深圳永誠信眾會計師事務所* Guang De C.P.A

* The official names of these companies are in Chinese. The English translation of these companies' names is for reference only.

** These two companies were disposed of on December 10, 2010 (note 10).

The statutory financial statements of these companies were prepared in accordance with HKFRSs, MFRSs or the relevant accounting rules and regulations applicable to entities in the PRC.

(c) Basis of measurement

The Financial Information has been 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 ("USD"). The Financial Information is 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 Information 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 judgments 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 recognized 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.

Judgments made by management in the application of IFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in note 31.

(e) Basis of consolidation

(i) 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. The financial statements of subsidiaries and controlled entities are included in the Financial Information from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

In the Company's balance sheets, an investment in a subsidiary is stated at cost less impairment losses (note 1(o)).

(ii) Acquisition from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the entities are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established. The assets and liabilities acquired are recognized at the carrying amounts at the date of the completion of the Reorganization. The components of equity of the acquired entities are added to the same components within Group equity except that any share capital of the acquired entities is recognized as part of share premium. Any cash paid for the acquisition is recognized directly in equity.

(iii) Transactions eliminated on consolidation

All income, expenses and unrealized gains and losses resulting from intra-group transactions and intra-group balances are eliminated in preparing the Financial Information.

(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 amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized 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 translated 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 recognized 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 recognized 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 recognized in other comprehensive income, and are presented in the translation reserve in equity.

(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 recognized in the balance sheet at cost less impairment losses (note 1(o)).

(h) Financial instruments

(i) Non-derivative financial instruments

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

The Group derecognizes 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 recognized as a separate asset or liability.

The Group derecognizes 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 balance sheet 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 realize 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 recognized 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 summarized below:

(i) Trade and other receivables

Trade and other receivables are initially recognized at fair value and thereafter stated at amortized cost less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(ii) Cash and cash equivalents

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

(iii) Loans and borrowings

Loans and borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between the amount initially recognized and redemption value being recognized 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 recognized at fair value. Trade and other payables are subsequently stated at amortized 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 recognized 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 recognized 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 amortized 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.

(iii) Share capital

Ordinary shares

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

Preference share capital

Preference share capital is classified as equity. Dividends thereon are recognized 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(o)).

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 labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located, and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized 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 recognized net within other income/other expenses in profit or loss.

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is recognized 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 years 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(o)).

Cost comprises direct costs of construction during the construction period. Capitalization 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 amortization and accumulated impairment losses (note 1(o)).

(ii) Subsequent expenditure

Subsequent expenditure is capitalized 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 recognized in profit or loss as incurred.

(iii) Amortization

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

Amortization is recognized 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

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

(k) Biological assets

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

The fair value of biological assets is determined by independent professional valuers.

(l) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased assets is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the assets held under operating leases are not recognized in the Group's consolidated balance sheets.

(m) Lease prepayments

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

(n) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted average cost principle, and includes expenditure incurred in acquiring the inventories and 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 realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

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)).

(o) 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 judgment 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 amortized 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 recognized 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 recognized in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote, 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 recognized in profit or loss.

(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 utilized 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 loss is recognized in profit or loss. Impairment losses recognized 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 recognized 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 amortization, if no impairment loss had been recognized.

(p) Employee benefit

(i) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(ii) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(iii) Share-based payment transactions

The fair value of share options granted to employees is recognized 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.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognized 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 recognized 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 recognized 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).

(q) Provisions and contingent liabilities

A provision is recognized 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 recognized 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.

(r) 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, net of returns, trade discounts and volume rebates. Revenue is recognized 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 recognized as a reduction of revenue as the sales are recognized.

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.

(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.

(s) Government grants

An unconditional government grant is recognized in profit or loss when the grant becomes receivable. Other government grants are recognized 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 recognized in profit or loss on a systematic basis in the same periods in which the expenses are recognized. Grants that compensate the Group for the cost of an asset are recognized in profit or loss on a systematic basis over the useful life of the asset.

(t) Lease payments

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

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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.

(u) Finance income and finance costs

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

Finance costs comprise interest expense on bank loans, convertible notes and finance leases. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized 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 capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalization 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. Capitalization 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.

(v) Income tax

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is recognized 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 recognized for unused tax losses. Deferred tax is not recognized 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.

In addition, deferred tax is not recognized for 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 realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilized. 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 realized.

(w) Related parties

For the purposes of the Financial Information, 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 individual;

(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.

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the Financial Information, 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 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. The amount of each significant category of revenue recognized in turnover during the Relevant Period is as follows:

	Years ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Manufacturing and sale of flooring products	599,710	726,717	1,088,766
Trademark and distribution network usage fees	153,374	160,183	202,066
Trading of timber and flooring products	132,325	103,562	333,076
	885,409	990,462	1,623,908

The Group's customer base is diversified and includes only one customer with whom transactions exceeded 10% of the Group's aggregate revenue for the year ended December 31, 2008. Revenue from this customer amounted to approximately RMB121,502,000 for the year ended December 31, 2008. The Group did not have any customer with whom transactions exceeded 10% of the Group's aggregate revenue for the years ended December 31, 2009 and 2010. Details of concentrations of credit risk arising from these customers are set out in note 27(a).

Further details regarding the Group's principal activities are disclosed in note 9.

3 Other net income/other operating expenses

(a) Other net income

	Years ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Government grants	250	153	6,860
Others	150	596	1,116
	400	749	7,976

(b) Other operating expenses

	Years ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Loss on disposal of subsidiaries (note 10)	—	—	232
Net loss on disposal of property, plant and equipment	312	555	949
Donations	345	1,526	1,152
Others	152	563	394
	809	2,644	2,727

4 Profit before taxation

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

(a) Finance income and finance costs

	Years ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Interest income on bank deposits	(2,036)	(1,935)	(2,823)
Net foreign exchange gain	(2,033)	(2,161)	—
Finance income	(4,069)	(4,096)	(2,823)
Interest expense on bank loans	2,669	5,607	9,990
Interest expense on convertible notes (note 21(a))	48,155	81,526	30,875
Interest on finance leases	146	—	—
Net foreign exchange loss	—	—	1,152
Total interest expenses	50,970	87,133	42,017
Less: interest expense capitalized into property, plant and equipment*	—	(12,267)	—
Finance costs	50,970	74,866	42,017
Net finance costs recognized in profit or loss	46,901	70,770	39,194

* The borrowing costs have been capitalized at a rate of 15.42% for the year ended December 31, 2009.

(b) Staff costs

	Years ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Salaries, wages and other benefits	55,716	62,512	86,163
Contributions to defined contribution retirement plan	2,483	2,981	4,167
Equity settled share-based payment expenses (note 23)	2,210	6,338	7,991
Termination benefits	84	—	—
	60,493	71,831	98,321

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.

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

	Note	Years ended December 31,		
		2008	2009	2010
		RMB'000	RMB'000	RMB'000
Cost of inventories*	16	542,251	629,855	1,113,479
Net impairment losses recognized/(reversed) for receivables	17(b)	17,830	(8,521)	(3,003)
Depreciation				
—other assets		8,229	16,605	30,102
—assets held under finance leases		311	—	—
Amortization				
—lease prepayments		739	1,391	1,453
—intangible assets		—	54	95
Net loss on disposal of property, plant and equipment		312	555	949
Operating lease charges		3,238	3,562	4,074
Auditors remuneration		3,822	2,288	4,603

* For the years ended December 31, 2008, 2009 and 2010, cost of inventories includes RMB29,016,000, RMB44,983,000 and RMB73,566,000 respectively 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 4(b) for each of these types of expenses.

5 Income tax in the consolidated income statement

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

	Years ended December 31,		
	2008	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**
Current tax			
Provision for PRC income tax (note 24(a))	7,386	15,554	45,595
Provision for Hong Kong Profits Tax (note 24(a))	—	—	294
Provision for income tax from subsidiaries in other jurisdictions (note 24(a))	3,154	1,360	1,620
Provision for PRC dividend withholding tax (note 24(a))	—	—	7,395
	10,540	16,914	54,904
Deferred tax			
Origination and reversal of temporary differences (note 24(b))	—	21,283	8,651
	10,540	38,197	63,555

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

	Years ended December 31,		
	2008	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**
Profit before taxation	156,504	262,023	403,692
Notional tax on profit before taxation, calculated at the rates applicable to the jurisdictions concerned (i)	50,281	71,410	111,052
Tax effect of non-deductible expenses	222	246	1,769
Tax effect of non-taxable income (ii)	—	(820)	(27,930)
Deferred tax recognized at different tax rates	—	(536)	(4,284)
Tax effect of un-recognized tax loss	3,747	2,408	2,402
Tax effect of provision for/(reversal of) un-recognized temporary difference	4,983	1,350	(1,172)
Recognition of previously unrecognized temporary differences and tax losses	—	(4,873)	—
Deferred tax for withholding tax on distributable profits (iv)	—	21,122	20,204
Effect of tax concessions (iii)	(48,693)	(52,110)	(38,486)
Income tax expense	10,540	38,197	63,555

(i) Pursuant to the rules and regulations of the Cayman Islands and the 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 during the Relevant Period.

No provision for Hong Kong Profits Tax for the years ended December 31, 2008 and 2009 as the Group had no assessable profits subject to Hong Kong Profits Tax. During the year ended December 31, 2010, Cheerway generated assessable profits under Hong Kong Profits Tax and the provision for Hong Kong Profits Tax was calculated at 16.5%.

The Group's subsidiaries incorporated in Macau were subject to income tax at progressive tax rates from 9% to 12% for profits higher than MOP200,000 on an annual basis during the Relevant Period.

The Group's subsidiaries incorporated in Peru were subject to income tax rates of 5% or 10% for different provinces in Peru during the Relevant Period.

Effective from January 1, 2008, the PRC's statutory income tax rate is 25%.

(ii) For the year ended December 31, 2010, the tax effect of non-taxable income of RMB27,527,000 mainly consists of gains from change in fair value of biological assets (note 15) 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 January 1, 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 March 16, 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 January 1, 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 was tax exempted for 2008 and 2009 and is subject to income tax at 12.5% from 2010 to 2012; and
- Guangdong Yingran was tax exempted for 2008 and 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 January 1, 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%.

6 Directors' remuneration

Details of directors' remuneration are set below:

Year ended December 31, 2008

	Directors' fees	Salaries, allowances and other benefits in kind	Discretionary bonuses	Retirement scheme contributions	Subtotal	Equity settled share-based payment expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors							
Mr. Se Hok Pan	2,380	238	—	—	2,618	—	2,618
Ms. Un Son I	—	161	1,546	—	1,707	—	1,707
Mr. Chow Chi Keung	—	79	1,250	—	1,329	—	1,329
Mr. She Jian Bin	—	157	399	4	560	—	560
Mr. Nam Cheung Ming (resigned on February 23, 2009)	—	63	982	—	1,045	164	1,209
Non-executive directors							
Mr. Homer Sun	—	—	—	—	—	—	—
Mr. Eddy Huang	—	—	—	—	—	—	—
Independent non-executive directors							
Mr. Li Kwok Cheung	—	—	—	—	—	—	—
Mr. Zhang Sen Lin	—	—	—	—	—	—	—
Mr. Chan Siu Wing	—	—	—	—	—	—	—
Mr. Ho King Fung	—	—	—	—	—	—	—
	2,380	698	4,177	4	7,259	164	7,423

Year ended December 31, 2009

	Directors' fees	Salaries, allowances and other benefits in kind	Discretionary bonuses	Retirement scheme contributions	Subtotal	Equity settled share-based payment expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors							
Mr. Se Hok Pan	2,254	307	—	—	2,561	—	2,561
Ms. Un Son I	—	240	1,497	—	1,737	—	1,737
Mr. Chow Chi Keung	—	195	1,211	—	1,406	—	1,406
Mr. She Jian Bin	—	196	352	7	555	—	555
Non-executive directors							
Mr. Homer Sun	—	—	—	—	—	—	—
Mr. Eddy Huang	—	—	—	—	—	—	—
Independent non-executive directors							
Mr. Li Kwok Cheung	—	—	—	—	—	—	—
Mr. Zhang Sen Lin	—	—	—	—	—	—	—
Mr. Chan Siu Wing	—	—	—	—	—	—	—
Mr. Ho King Fung	—	—	—	—	—	—	—
	2,254	938	3,060	7	6,259	—	6,259

Year ended December 31, 2010

	Directors' fees	Salaries, allowances and other benefits in kind	Discretionary bonuses	Retirement scheme contributions	Subtotal	Equity settled share-based payment expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors							
Mr. Se Hok Pan	2,298	245	—	—	2,543	—	2,543
Ms. Un Son I	—	228	1,526	—	1,754	—	1,754
Mr. Chow Chi Keung	—	285	1,234	—	1,519	—	1,519
Mr. She Jian Bin	—	154	359	7	520	—	520
Non-executive directors							
Mr. Homer Sun	—	—	—	—	—	—	—
Mr. Eddy Huang	—	—	—	—	—	—	—
Independent non-executive directors							
Mr. Li Kwok Cheung	—	—	—	—	—	—	—
Mr. Zhang Sen Lin	—	—	—	—	—	—	—
Mr. Chan Siu Wing	—	—	—	—	—	—	—
Mr. Ho King Fung	—	—	—	—	—	—	—
	2,298	912	3,119	7	6,336	—	6,336

During the Relevant Period, no amount was paid or payable by the Group to the directors or any of the five highest paid individuals set out in note 7 below as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Period.

7 Individual with highest emoluments

During the years ended December 31, 2008, 2009 and 2010, five, three and three of the five highest paid individuals were also the directors of the Company respectively.

The remuneration of the remaining individuals is as follows:

	Years ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Salaries and other emoluments	—	240	800
Discretionary bonuses	—	1,948	1,364
Equity settled share-based payment expenses	—	569	843
	—	2,757	3,007

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

	Years ended December 31,		
	2008	2009	2010
	Number of individuals	Number of individuals	Number of individuals
HKD			
1,000,001 — 2,000,000	—	2	2

8 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 during the Relevant Period, calculated as follows:

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

	Years ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Profit attributable to equity shareholders of the Company	145,964	223,826	340,137
Dividends on preference shares	—	—	(75,232)
Profit attributable to ordinary equity shareholders of the Company	145,964	223,826	264,905

(ii) *Weighted average number of ordinary shares*

	Years ended December 31,		
	2008	2009	2010
	'000	'000	'000
Issued ordinary shares at January 1,	50	70,000	70,000
Effect of subdivision of ordinary shares issued (note 25(b)(i))	49,950	—	—
Effect of capitalization issue (note 25(b)(i))	13,041	—	—
Weighted average number of ordinary shares at December 31,	63,041	70,000	70,000

(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. The share options are anti-dilutive as the exercise prices of the options exceed the fair values of ordinary shares during the Relevant Period. The calculation of diluted earnings per share is based on the following data:

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

	Years ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Profit attributable to ordinary equity shareholders of the Company	145,964	223,826	264,905
Dividends on preference shares	—	—	75,232
Effective interest on the liability component of convertible notes (note 21(a))	48,155	81,526	30,875
Profit attributable to equity shareholders of the Company (diluted)	194,119	305,352	371,012

(ii) *Weighted average number of ordinary shares (diluted)*

	Years ended December 31,		
	2008	2009	2010
	'000	'000	'000
Weighted average number of ordinary shares at December 31,	63,041	70,000	70,000
Effect of deemed conversion of contingently issuable shares	26,499	42,000	42,000
Weighted average number of ordinary shares (diluted) at December 31,	89,540	112,000	112,000

9 Segment reporting

The Group manages its business by different lines of business 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

(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 amortization 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 Financial Information.

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 for the Relevant Period are set out below.

	Manufacturing and sale of flooring products			Trademark and distribution network usage fees			Trading of timber and flooring products			Total		
	Years ended December 31,			Years ended December 31,			Years ended December 31,			Years ended December 31,		
	2008	2009	2010	2008	2009	2010	2008	2009	2010	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers (note 2)	599,710	726,717	1,088,766	153,374	160,183	202,066	132,325	103,562	333,076	885,409	990,462	1,623,908
Inter-segment revenue	22,543	5,024	3,185	—	—	—	22,014	—	15,022	44,557	5,024	18,207
Reportable segment revenue	622,253	731,741	1,091,951	153,374	160,183	202,066	154,339	103,562	348,098	929,966	995,486	1,642,115
Reportable segment profit	98,237	115,794	191,130	91,165	133,867	137,787	25,153	9,812	15,181	214,555	259,473	344,098
Depreciation and amortization for the year	(6,928)	(14,613)	(26,791)	—	—	—	—	—	(1,237)	(6,928)	(14,613)	(28,028)
Net impairment of trade receivables (charged)/reversed	(674)	(7,748)	2,915	(17,076)	17,076	—	(80)	(807)	88	(17,830)	8,521	3,003

(b) Reconciliations of reportable segment revenues and profits

	Years ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Revenue			
Reportable segment revenue	929,966	995,486	1,642,115
Elimination of inter-segment revenue	(44,557)	(5,024)	(18,207)
Consolidated revenue	885,409	990,462	1,623,908

	Years ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Profit			
Reportable segment profit	214,555	259,473	344,098
Elimination of inter-segment profits	(709)	—	(91)
Reportable segment profit derived from external customers	213,846	259,473	344,007
Other net (loss)/income	(409)	(1,895)	5,249
Net change in fair value of biological assets	—	81,869	106,798
Depreciation and amortization	(2,351)	(3,437)	(3,622)
Net finance costs	(46,901)	(70,770)	(39,194)
Unallocated head office and corporate expenses	(7,681)	(3,217)	(9,546)
Consolidated profit before taxation	156,504	262,023	403,692

(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.

	As at December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Specified non-current assets			
The PRC	268,312	433,225	563,406
Peru	36	100,911	105,988
USA	—	—	71
	268,348	534,136	669,465

10 Investments in subsidiaries

Investments in subsidiaries are stated at cost and details of the subsidiaries as at December 31, 2008, 2009 and 2010 are set out in Section A.

Disposal of subsidiaries

On December 9, 2010, Wood Flooring entered into an equity disposal agreement with Jumbo Hawk Immigration Consultancy Limited (the "Buyer"), an independent third party, to dispose of its entire equity interests in Asia Hero to the Buyer for a consideration of HKD48,000,000 (equivalent to RMB41,189,000 at the date of agreement). Asia Hero held the entire equity interests in Hailin Yingtai. The principal activity of Hailin Yingtai was manufacturing and sales of wood flooring. The transaction was completed on December 10, 2010.

	Net book value as of the disposal date
	RMB'000
Cash and cash equivalents	19,631
Trade and other receivables	378
Inventories	2,168
Property, plant and equipment	26,283
Deferred tax assets	1,627
Trade and other payables	(8,666)
Net identifiable assets	41,421
Consideration received, satisfied in cash	(41,189)
Loss on disposal (note 3(b))	232
Consideration received	41,189
Cash disposed of	(19,631)
Net cash inflow	21,558

11 Investments in equity securities

	As at December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Equity securities	—	—	15,200

During the year ended December 31, 2010, the Group invested in the following unlisted PRC incorporated entities:

Name of company	Place and date of establishment	Authorized 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 July 14, 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 July 15, 2010	RMB40,000,000/ RMB40,000,000	19%	Manufacturing and trading of wood flooring

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

12 Property, plant and equipment

	Buildings & plant	Machinery & equipment	Motor vehicles	Office equipment & furniture	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:						
At January 1, 2008	—	29,555	3,455	4,310	41,982	79,302
Additions	19,291	46,800	2,206	2,350	77,461	148,108
Transfer from construction in progress	49,870	23,386	—	—	(73,256)	—
Disposals	—	(6,231)	(669)	(6)	—	(6,906)
At December 31, 2008	69,161	93,510	4,992	6,654	46,187	220,504
At January 1, 2009	69,161	93,510	4,992	6,654	46,187	220,504
Additions	243	17,798	1,323	2,262	164,561	186,187
Transfer from construction in progress	65,266	115,747	785	162	(181,960)	—
Disposals	—	(7,178)	(150)	(2,180)	—	(9,508)
At December 31, 2009	134,670	219,877	6,950	6,898	28,788	397,183
At January 1, 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	(23,113)	(5,685)	(568)	(602)	—	(29,968)
Disposals	(88)	(2,338)	(418)	(879)	—	(3,723)
At December 31, 2010	144,283	228,092	19,660	6,134	7,572	405,741

	Buildings & plant	Machinery & equipment	Motor vehicles	Office equipment & furniture	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Accumulated depreciation:						
At January 1, 2008	—	(1,760)	(326)	(721)	—	(2,807)
Charge for the year	(1,770)	(4,659)	(740)	(1,371)	—	(8,540)
Disposals	—	866	179	2	—	1,047
At December 31, 2008	(1,770)	(5,553)	(887)	(2,090)	—	(10,300)
At January 1, 2009	(1,770)	(5,553)	(887)	(2,090)	—	(10,300)
Charge for the year	(2,222)	(12,465)	(1,038)	(880)	—	(16,605)
Exchange adjustments	—	—	—	(1)	—	(1)
Disposals	—	1,008	40	44	—	1,092
At December 31, 2009	(3,992)	(17,010)	(1,885)	(2,927)	—	(25,814)
At January 1, 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	1,757	1,354	312	262	—	3,685
Disposals	1	325	273	852	—	1,451
At December 31, 2010	(7,428)	(36,567)	(3,810)	(2,976)	—	(50,781)
Carrying amounts:						
At December 31, 2008	67,391	87,957	4,105	4,564	46,187	210,204
At December 31, 2009	130,678	202,867	5,065	3,971	28,788	371,369
At December 31, 2010	136,855	191,525	15,850	3,158	7,572	354,960

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 RMB35,000, RMB53,000 and RMB11,309,000 as at December 31, 2008, 2009 and 2010 respectively are located in Peru.

As at December 31, 2008, 2009 and 2010, property, plant and equipment with net carrying amount of RMB108,208,000, RMB117,295,000 and RMB102,918,000 respectively were pledged for loans and borrowings (note 21(b)).

As at December 31, 2008, the Group leases certain production plant and machinery under finance leases expiring within one year, the net book value of plant and machinery held under finance leases of the Group was RMB2,117,000. In 2009, such finance lease agreement was terminated and the relevant production line was returned to the lessor to settle the balance of finance lease payable (note 22).

13 Intangible assets

	Computer Software
	RMB'000
Cost:	
At December 31, 2008 and January 1, 2009	—
Additions	219
At December 31, 2009	219
At January 1, 2010	219
Additions	552
At December 31, 2010	771
Accumulated amortization:	
At December 31, 2008 and January 1, 2009	—
Charge for the year	54
At December 31, 2009	54
At January 1, 2010	54
Charge for the year	95
At December 31, 2010	149
Carrying amount:	
At December 31, 2008	—
At December 31, 2009	165
At December 31, 2010	622

Amortization of intangible assets is included in the administrative expenses.

14 Lease prepayments

	Land use rights
	RMB'000
Cost:	
At January 1, 2008	10,914
Additions	48,033
At December 31, 2008	58,947
At January 1, 2009	58,947
Additions	5,001
At December 31, 2009	63,948
At January 1, 2010	63,948
Additions	7,371
At December 31, 2010	71,319

	Land use rights
	RMB'000
Accumulated amortization:	
At January 1, 2008	64
Amortization for the year	739
At December 31, 2008	803
At January 1, 2009	803
Amortization for the year	1,391
At December 31, 2009	2,194
At January 1, 2010	2,194
Amortization for the year	1,453
At December 31, 2010	3,647
Carrying amounts:	
At December 31, 2008	58,144
At December 31, 2009	61,754
At December 31, 2010	67,672

Lease prepayments represent the Group's land use rights on leasehold land located in the PRC. At December 31, 2010, the remaining period of the land use rights ranges from 46 to 50 years.

As at December 31, 2008, 2009 and 2010, lease prepayments with carrying amount of RMB58,144,000, RMB12,563,000 and RMB22,314,000 respectively were pledged for loans and borrowings (note 21(b)).

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

15 Biological assets

	Standing timber
	RMB'000
Balance at January 1, 2008, December 31, 2008 and January 1, 2009	—
Increase due to acquisitions	18,991
Change in fair value less estimated cost to sell	81,869
Effect of movements in exchange rate	(12)
Balance at December 31, 2009	100,848
Balance at January 1, 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 December 31, 2010	246,211

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 USD2,781,000 (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, the Group has the rights to harvest timber in the forest.

During the years ended December 31, 2009 and 2010, the Group did not harvest or sell any round logs.

The fair value of the standing timber as at December 31, 2009 and 2010 was valued by an independent valuation firm engaged by the Group, Pöyry (Beijing) Consulting Co., Ltd., 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 Yunnan forest is 12.0% and 11.5% respectively.

The discount rate used in the valuation of the standing timber at balance sheet date was determined by reference to discount rates of companies that carry out similar business activities, weighted average cost of capital analysis of various countries 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.

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.

16 Inventories

	As at December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Raw materials	93,072	141,572	72,246
Work in progress	38,802	56,533	45,129
Finished goods	80,871	134,091	148,688
Spare parts and consumables	6,110	6,817	13,573
	218,855	339,013	279,636

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

	Years ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Carrying amount of inventories sold	542,251	605,242	1,121,229
Write-downs/(reversal of write-downs) of inventories	—	24,613	(7,750)
	542,251	629,855	1,113,479

As a result of sales of previously written-down inventories, a reversal of write-down of inventories was recognized in the year ended December 31, 2010.

17 Trade and other receivables

The Group

	As at December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Trade debtors	322,776	377,978	430,941
Bills receivable (note (i))	60	3,000	72,470
Less: allowance for doubtful debts (note 17(b))	(17,830)	(9,309)	(5,615)
	305,006	371,669	497,796
Deposits	1,591	8,013	1,081
Prepayments for purchase of raw materials	54,291	36,976	16,171
Prepayments for purchase of equipment	46,380	14,028	3,237
Prepayments for investment in equity securities (note (ii))	—	—	4,250
Value added tax recoverable	11,692	39,938	24,466
Other prepayments and receivables	4,683	9,141	20,534
	423,643	479,765	567,535

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

	As at December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Non-current	46,380	14,028	3,237
Current	377,263	465,737	564,298
	423,643	479,765	567,535

The Company

	As at December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Amounts due from subsidiaries	535,514	540,752	641,089
Other prepayments and receivables	2,329	—	693
	537,843	540,752	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 recognized as expense within one year.

Note:

(i) As at December 31, 2010, certain bills receivables amounting to RMB18,500,000 have been pledged to banks as security in connection with certain banking facilities (note 21(b)(i)). No bills receivable was pledged to banks as at December 31, 2008 and 2009.

(ii) As at December 31, 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 January 11, 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:

	As at December 31,		
	2008	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**
Current	202,349	300,080	422,593
Less than 3 months past due	52,020	28,384	67,161
More than 3 months but less than 12 months past due	50,637	43,205	8,042
Amounts past due	102,657	71,589	75,203
	305,006	371,669	497,796

Receivables that were past due mainly related to receivables in connection with the business activities of trademark and distribution network usage. Customers from trademark and distribution network usage fees 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. The amounts past due were mainly resulted from this type of customers. Further details on the Group's credit policy are set out in note 27(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(o)(i)).

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

	As at December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Balance at January 1,	—	17,830	9,309
Impairment loss recognized	17,830	9,187	3,212
Reversal of impairment loss recognized	—	(17,708)	(6,215)
Uncollectible amounts written off	—	—	(691)
Balance at December 31,	17,830	9,309	5,615

At December 31, 2008, 2009 and 2010, the Group's trade receivables of RMB129,297,000, RMB12,020,000 and RMB6,079,000 respectively 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 RMB17,830,000, RMB9,309,000 and RMB5,615,000 as at December 31, 2008, 2009 and 2010 were recognized respectively. The Group does not hold any collateral over these balances.

(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:

	As at December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Neither past due nor impaired	157,197	297,509	422,428
Less than 3 months past due	36,342	28,244	66,977
More than 3 months but less than 12 months past due	—	43,205	7,927
	36,342	71,449	74,904
	193,539	368,958	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.

18 Pledged deposits

As at December 31, 2008, 2009 and 2010, deposits of RMB17,543,000, RMB22,389,000 and RMB43,462,000 respectively were placed with banks as securities for the issuance of letter of credit for construction projects and purchase of raw materials.

19 Cash and cash equivalents

The Group

	As at December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Cash in hand	265	190	152
Deposits with banks and other financial institutions	103,868	183,801	297,500
Cash in transit	—	16,084	—
Cash and cash equivalents	104,133	200,075	297,652

Note: As at December 31, 2009, USD2,360,000 (equivalent to RMB16,084,000) of cash was being remitted to a subsidiary in the PRC through a financial institution. The cash was received by the subsidiary on January 4, 2010. Therefore, the cash being remitted was included in cash in transit as at December 31, 2009.

The Company

	As at December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Cash at bank and in hand	4,475	3	164

20 Trade and other payables

The Group

	As at December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Trade creditors	81,381	114,744	61,346
Bills payable	3,000	89,890	20,957
	84,381	204,634	82,303
Payables for purchase of property, plant and equipment	25,340	36,713	7,599
Advanced payments and deposits received from customers	10,385	11,794	38,474
Accrued staff costs	13,728	16,200	17,078
Value added tax, business tax and consumption tax payable	3,186	5,352	12,457
Advertising and promotion payable to dealers	524	—	—
Accrued professional fees	3,000	2,888	8,910
Others payables and accruals	7,764	5,487	26,566
Payables due to related parties (note 29(c))	2,021	—	—
Deferred income (note 20(i))	—	2,148	—
	150,329	285,216	193,387

The Company

	As at December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Others payables and accruals	3,466	5,575	84,480

(i) Deferred income consists of a deferred government grant. The grant from local government was conditional and the conditions would be fulfilled upon the completion of a research project. The grant was recognized as "other revenue" in 2010 as the conditions are fulfilled.

(ii) Included in trade and other payables are trade creditors and bills payable with the following ageing analysis as of the balance sheet date:

	As at December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Due within 1 month or on demand	47,722	88,061	60,666
Due after 1 month but within 3 months	24,118	94,815	14,293
Due after 3 months but within 6 months	8,292	20,270	4,279
Due after 6 months but within 12 months	4,249	1,488	3,065
	84,381	204,634	82,303

21 Loans and borrowings

The Group

	As at December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Convertible notes (note 21(a))	490,645	571,670	—
Bank loans (note 21(b))	15,000	93,817	286,939
	505,645	665,487	286,939

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

	As at December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Current	15,000	597,176	183,458
Non-current	490,645	68,311	103,481
	505,645	665,487	286,939

All of the non-current loans and borrowings are carried at amortized 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 January 1, 2008	—
Proceeds from issue of convertible notes	488,854
Transaction costs	(5,601)
Net proceeds	483,253
Amount classified as equity	(30,271)
Accreted interest	48,155
Exchange difference	(10,492)
Carrying amount of liability at December 31, 2008	490,645
Carrying amount of liability at January 1, 2009	490,645
Accreted interest	81,526
Exchange difference	(501)
Carrying amount of liability at December 31, 2009	571,670
Carrying amount of liability at January 1, 2010	571,670
Accreted interest	30,875
Exchange difference	(3,183)
Conversion of convertible notes to voting preference shares	(599,362)
Carrying amount of liability at December 31, 2010	—

The amount of the convertible notes classified as equity of RMB30,271,000 is net of attributable transaction costs of RMB350,000.

Pursuant to convertible note purchase agreements (the "Agreement"), the Company issued convertible notes (the "Notes") in the amount of USD70 million to new investors (the "Holders") in May 2008. Under the terms of the Agreement, the entire outstanding amount of convertible note is mandatory converted into voting preference shares if the Company's audited profit after tax for the years ended December 31, 2008 and 2009 is equal to or higher than RMB510,000,000 in aggregate. The initial conversion price is USD1.6667 per each voting preference share, subject to adjustment for, amongst other things, dividend distribution, subdivision, combination, share split, recapitalization or reclassification of voting preference shares.

The Notes will mature upon occurrence of any of the following events:

(a) if the Company's audited profit after tax for the years ended December 31, 2008 and 2009 is less than RMB510,000,000 in aggregate;

(b) if the Company's audited financial statements for the years ended December 31, 2007 and 2008 have not been delivered to the Holders by June 30, 2009;

(c) if the adjusted profit after tax (defined to be the audited profit after tax and after adjusting the interest expenses of the Notes) for the year ended December 31, 2008 is less than RMB180,000,000; or

(d) any other events of default as specified in the convertible note purchase agreement.

At any time within 30 days after the maturity of the Notes, the Holders may at their sole discretion elect to require the Company to redeem in whole or in part these Notes at a price that yields a total internal rate of return to the Holders of 12.5% on the amount of the Notes to be redeemed (the "Redemption Right") or at any time after the maturity of the Notes at the Holders' option to convert the then outstanding amount of the Notes into the voting preference shares.

The Company's audited profit after tax for the years ended December 31, 2008 and 2009 was determined to be less than RMB510,000,000 in aggregate and thus the Notes became redeemable and convertible at the option of the Holders. Except for this, no other event occurred that would result in the maturity of the Notes.

On June 30, 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.

(b) Bank loans

The Group

	As at December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Current:			
—secured (note (i))	—	25,506	55,719
—unsecured (note (ii))	15,000	—	127,739
	15,000	25,506	183,458
Non-current:			
—secured (note (i))	—	68,311	52,852
— unsecured (note (ii))	—	—	50,629
	—	68,311	103,481
	15,000	93,817	286,939

Notes:

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

	As at December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Property, plant and equipment (note 12)	108,208	117,295	102,918
Lease prepayments (note 14)	58,144	12,563	22,314
Bills receivable (note 17)	—	—	18,500
	166,352	129,858	143,732

The above-mentioned secured loan facilities, totalling RMB205 million, RMB210 million and RMB109 million as at December 31, 2008, 2009 and 2010 respectively, were utilized to the extent of RMB Nil, RMB94 million and RMB109 million at December 31, 2008, 2009 and 2010 respectively. Unutilized secured loan facilities as at December 31, 2008, 2009 and 2010 amounted to RMB205 million, RMB116 million and RMB Nil respectively.

(ii) At December 31, 2008, bank loan amounted to RMB15,000,000 was guaranteed by a former related party, Guangdong Yingbin Nature Wood Co., Ltd. (note 29), Mr Se Hok Pan and Ms Un Son I.

At December 31, 2010, bank loans amounted to RMB178,368,000 were guaranteed by the Company, YS Nature, Mr Se Hok Pan and Ms Un Son I.

At December 31, 2010, a bank loan of RMB26,910,000 is subject to the fulfillment of covenants relating to certain of the Group's balance sheet 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 27(b). At December 31, 2010, none of the covenants relating to drawn down facilities had been breached.

Unutilized unsecured loan facilities as at December 31, 2008, 2009 and 2010 amounted to RMB Nil, RMB Nil and RMB390 million respectively.

22 Obligations under finance leases

At December 31, 2008, the Group had obligations under finance leases repayable as follows:

	Future minimum lease payment	Interest	Present value of minimum lease payments
	RMB'000	RMB'000	RMB'000
Within 1 year	2,600	(504)	2,096

The Group entered into a lease agreement for a production line with a lease term of nine years starting from May 1, 2006 to April 30, 2015 and accounted for it as a finance lease.

In 2008, the Group considered that this production line was not suitable for the Group's long-term development strategy and intended to terminate the lease agreement. So, the present value of future minimum lease payments has been classified as current liabilities.

In 2009, the finance lease agreement was terminated and the relevant production line was returned to the lessor to settle the balance of finance lease payable.

23 Share-based payments

		Years ended December 31,		
		2008	2009	2010
	Note	RMB'000	RMB'000	RMB'000
Share-based payment transactions				
—2008 Share option plan	(a)	2,210	6,338	2,894
—2010 Share option plan	(b)	—	—	5,097
		2,210	6,338	7,991

(a) The 2008 share option plan

The Company adopted a share option scheme on December 16, 2008 whereby the directors of the Company are authorized, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up share options at HKD1 (equivalent to RMB0.882 at the date of grant) consideration. Each option entitles the option holders to subscribe one ordinary share of the Company.

The vesting period of the share options is as follows:

(1) 10% of share options to be vested on December 31, 2008 ("Tranche 1");

(2) 10% of share options to be vested on December 31, 2009 ("Tranche 2");

(3) 20% of share options to be vested on December 31, 2010 ("Tranche 3");

(4) 30% of share options to be vested on December 31, 2011 ("Tranche 4"); and

(5) 30% of share options to be vested on December 31, 2012 ("Tranche 5").

According to the option agreement, the abovementioned share options are exercisable 18 months after the Initial Public Offering ("IPO") date up to December 16, 2018, i.e. the expiration date of the share option scheme. Employee leaving the Group before the IPO forfeits the option.

A total of 2,512,301 options were granted on December 17, 2008, including 188,764 options granted to key management and 2,323,537 options granted to senior employees. During the Relevant Period, 356,952 options were forfeited upon resignation of the employees.

No option was exercisable as at December 31, 2008, 2009 and 2010 and the weighted average remaining contractual life of the options outstanding as at December 31, 2008, 2009 and 2010 was 9.96 years, 8.96 years and 7.96 years respectively.

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 of share options and assumptions:

	2008
Fair value at measurement date	
—Tranche 1 to 4	RMB7.62 per option
—Tranche 5	RMB8.00 per option
Grant date fair value of the Company's share	RMB15.97 per share
Exercise price	HKD23.45, equivalent to RMB20.68 per share at the date of grant
Expected volatility	59.10%
Nature of the share options	Call
Risk-free interest rate (based on Hong Kong Exchange Fund Notes)	1.348%
Early exercise behavior	Share price rises to 150% of the exercise price

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

Staff costs arising from share options granted recognized in the statement of comprehensive income during the years ended December 31, 2008, 2009 and 2010 amounted to RMB2,210,000, RMB6,338,000 and RMB2,894,000 respectively.

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

(b) The 2010 share option plan

The Company adopted a share option scheme on July 1, 2010 whereby the directors of the Company are authorized, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up share options at HKD1 (equivalent to RMB0.8714 at the date of grant) consideration. Each option entitles the option holders to subscribe one ordinary share of the Company.

The vesting period of the share options is as follows:

(1) 20% of share options to be vested on December 31, 2010 ("Tranche 1");

(2) 20% of share options to be vested on December 31, 2011 ("Tranche 2");

(3) 30% of share options to be vested on December 31, 2012 ("Tranche 3"); and

(4) 30% of share options to be vested on December 31, 2013 ("Tranche 4");

According to the option agreement, the abovementioned share options are exercisable 18 months after the IPO date up to June 30, 2020, i.e. the expiration date of the share option scheme. Employee leaving the Group before the IPO forfeits the option.

A total of 1,200,000 options were granted on July 1, 2010, including 850,000 options granted to key management and 350,000 options granted to senior employees. During the Relevant Period, no option was forfeited upon resignation of the employees.

No option was exercisable as at December 31, 2010 and the weighted average remaining contractual life of the options outstanding as at December 31, 2010 was 9.50 years.

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 BMI, based on Binomial Option Pricing Model. The contractual life of the share option is used as an input into this model.

Fair value of share options and assumptions:

	2010
Fair value at measurement date	
—Tranche 1 to 3	RMB11.63 per option
—Tranche 4	RMB12.81 per option
Grant date fair value of the Company's share	RMB25.10 per share
Exercise price	HKD33.84, equivalent to RMB29.49 per share at the date of grant
Expected volatility	63.53%
Nature of the share options	Call
Risk-free interest rate (based on Hong Kong Exchange Fund Notes)	2.29%
Early exercise behavior	Share price rises to 150% of the exercise price

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

Staff costs arising from share options granted recognized in the statement of comprehensive income during the year ended December 31, 2010 amounted to RMB5,097,000.

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

24 Income tax in the consolidated balance sheets

(a) Current taxation in the consolidated balance sheets represents:

	As at December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
At January 1,	—	5,571	6,275
Provision for PRC income tax (note 5(a))	7,386	15,554	45,595
Provision for Hong Kong Profits Tax (note 5(a))	—	—	294
Provision for income tax from subsidiaries in other jurisdictions (note 5(a))	3,154	1,360	1,620
Provision for PRC dividend withholding tax (note 5(a))	—	—	7,395
PRC income tax paid	(4,495)	(12,542)	(33,995)
Income tax paid by subsidiaries in other jurisdictions	(474)	(3,668)	(993)
PRC dividend withholding tax paid	—	—	(7,395)
At December 31,	5,571	6,275	18,796

(b) Deferred tax assets and liabilities recognized:

The components of deferred tax (assets)/liabilities recognized in the consolidated balance sheets and the movements during the Relevant Period are as follows:

	Write-downs of inventories	Impairment of receivables	Unused tax losses	Unrealized profit in inventories	Capitalized borrowing cost	Withholding tax on undistributed profits of subsidiaries	Change in fair value of biological assets	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at January 1, 2008 and December 31, 2008 . . .	—	—	—	—	—	—	—	—
Balance as at January 1, 2009	—	—	—	—	—	—	—	—
(Credited)/charged to profit or loss	(3,034)	(1,493)	(3,421)	(587)	716	21,122	7,980	21,283
Balance as at December 31, 2009 . . .	(3,034)	(1,493)	(3,421)	(587)	716	21,122	7,980	21,283
Balance as at January 1, 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 10)	—	—	1,627	—	—	—	—	1,627
Balance as at December 31, 2010 . . .	(2,586)	(757)	(1,532)	(1,864)	630	33,931	3,739	31,561

Deferred tax assets in respect of write-downs of inventories, impairment of receivables, unrealized profit in inventories and unused tax losses in aggregate of RMB2,309,000 and RMB2,987,000 have been recognized by Nature Flooring as at December 31, 2009 and 2010 respectively. In view of the trend of improving operating results of Nature Flooring, the directors of the Company are of the opinion that future taxable profits will be available against which the Group can utilize the related benefits.

(c) Reconciliation to the consolidated balance sheets

	As at December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Deferred tax assets recognized on the consolidated balance sheets	—	(8,535)	(6,739)
Deferred tax liabilities recognized on the consolidated balance sheets	—	29,818	38,300
	—	21,283	31,561

(d) Deferred tax assets not recognized

	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Deductible temporary difference	21,011	5,400	713
Unused tax losses	22,290	11,026	19,737
	43,301	16,426	20,450

No deferred tax assets have been recognized in respect of these items because it is not probable that future taxable profits will be available against which the Group can utilize the related benefits. As at December 31, 2010, unused tax losses of RMB1,343,000, RMB9,526,000 and RMB8,206,000, if unused, will expire by 2013, 2014 and 2015, respectively. Further, unused tax losses of RMB662,000 do not expire under current tax legislation.

(e) Deferred tax liabilities not recognized

At December 31, 2008, undistributed profits of the Group's subsidiaries incorporated in the PRC and Peru amounted to RMB164,159,000 and RMB14,048,000, respectively, for which no deferred income tax liabilities were recognized by the Group for the withholding income tax that would be payable upon the distribution of such unremitted earnings as management did not expect to pay out dividends arising from these subsidiaries in the foreseeable future. During the year ended December 31, 2009 and as a part of the continuing evaluation of the Group's dividend policy, management considered that it was no longer probable that the unremitted earnings will not be distributed in the foreseeable future, considering the economic recovery and the funding of the Group's business expansions. As such, deferred withholding income tax in the amount of RMB21,122,000 and RMB12,809,000 was provided and charged to profit or loss for the years ended December 31, 2009 and 2010, respectively. As at December 31, 2009 and 2010, deferred tax liabilities amounted to RMB8,784,000 and RMB3,226,000, respectively, were related to undistributed profits generated prior to 2009.

At December 31, 2008, the amounts of undistributed profits derived by the entities incorporated in the PRC and Peru are set out as follows:

	As at December 31, 2008
	RMB'000
PRC	
—undistributed profits prior to January 1, 2008	77,940
—undistributed profits since January 1, 2008	164,159
	242,099
Peru	14,048
	256,147

25 Share capital

The share capital in the consolidated balance sheet as at January 1, 2008 represented the aggregate amount of paid-in capital of the companies comprising the Group as at January 1, 2008. Pursuant to the Reorganization on May 8, 2008, the Company become the holding company of the Companies now comprising the Group. The authorized and issued share capital of the Company during the Relevant Period are as follows:

(a) Authorized share capital of the Company

The Company was incorporated on July 27, 2007 with an authorized share capital of USD50,000 divided into 50,000 ordinary shares of USD1 each. On May 7, 2008, the authorized share capital of the Company was subdivided into 50,000,000 ordinary shares of USD0.001 each. On May 8, 2008, the authorized share capital of the Company was increased to USD200,000 by the creation of a further 108,000,000 ordinary shares of USD0.001 each, the creation of 41,999,999 convertible preference shares of USD0.001 each and the creation of 1 special share of USD0.001 each. On May 21, 2008, the authorized share capital of the Company was increased to USD406,000 by the creation of a further 124,000,000 ordinary shares of USD0.001 each and the creation of 82,000,000 convertible preference shares of USD0.001 each.

(i) Ordinary shares

	Number of shares	Nominal value of shares
		USD'000
At January 1, 2008	50,000	50
Subdivision of each authorized ordinary share into 1,000 ordinary shares of USD0.001 each on May 7, 2008	49,950,000	—
Creation on May 8, 2008 of USD0.001 each	108,000,000	108
Creation on May 21, 2008 of USD0.001 each	124,000,000	124
At December 31, 2008, 2009 and 2010	282,000,000	282

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 the meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(ii) Convertible preference shares of USD0.001 each

	Voting preference shares	Non-voting preference shares	Total	Nominal value of shares
				USD'000
Creation on May 8, 2008	41,999,999	—	41,999,999	42
Creation on May 21, 2008	42,000,000	40,000,000	82,000,000	82
At December 31, 2008, 2009 and 2010	83,999,999	40,000,000	123,999,999	124

The voting 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 IPO of the Company. The conversion ratio is 1:1, subject to adjustment for stock splits, stock dividends, combinations or other recapitalizations 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.

(b) Issued share capital of the Company

Pursuant to the Reorganization completed on May 8, 2008, the Company became the holding company of the companies now comprising the Group, details of which are set out in Section A above. The Financial Information has been prepared as if the Reorganization was completed at the beginning of the Relevant Period.

The Company was incorporated with 50,000 nil-paid ordinary shares at USD1 per share and the proceeds were paid by the shareholders in 2008. On May 8, 2008, the Company capitalized HKD81,709,000 (equivalent to RMB73,330,000) of its loans due to the Controlling Shareholders and issued 20,000,000 ordinary shares of USD0.001 each to the Controlling Shareholders at a price of HKD4.0850 (equivalent to RMB4.5518) per share. The excess of the shareholders loan over the nominal value of the ordinary shares of RMB73,190,000 was credited to share premium account.

(i) Ordinary shares

	Number of ordinary shares	Nominal value of fully paid ordinary shares	Nominal value of fully paid ordinary shares
		USD'000	RMB'000
At July 27, 2007 (date of incorporation) issue of ordinary shares of USD1 each	50,000	50	350
Subdivision of each issued share into 1,000 shares of USD0.001 each on May 7, 2008	49,950,000	—	—
Capitalization issued on May 7, 2008	20,000,000	20	140
At December 31, 2008, 2009 and 2010	70,000,000	70	490

(ii) Convertible preference shares

	Number of shares	Nominal value of shares	Nominal value of shares
		USD'000	RMB'000
At January 1, 2008, December 31, 2008 and 2009	—	—	—
Conversion of convertible note to preference shares (note 21(a))	41,999,999	42	285
At December 31, 2010	41,999,999	42	285

(iii) Special share

	Number of shares	Nominal value of shares	Nominal value of shares
		USD	RMB
Special share of USD0.001 each issued on May 8, 2008	1	0.001	0.007
At December 31, 2008, 2009 and 2010	1	0.001	0.007

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 authorized 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.

On May 8, 2008, one special share with a par value of USD0.001 was issued by the Company and fully paid by MS Flooring Holding Co., Ltd.

26 Reserves

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

	Share capital	Share premium	Foreign currency translation reserve	Other reserves	(Accumulated losses)/ Retained earnings	Total equity
	RMB'000 (Note 25)	RMB'000 (Note 26(d))	RMB'000 (Note 26(b))	RMB'000 (Note 26(c))	RMB'000	RMB'000
Balance at January 1, 2008	350	—	—	—	—	350
Changes in equity for 2008						
Loss for the year	—	—	—	—	(56,455)	(56,455)
Other comprehensive loss	—	—	(9,940)	—	—	(9,940)
Total comprehensive loss	—	—	(9,940)	—	(56,455)	(66,395)
Arising from Reorganization (note 26(c)(iv))	—	—	—	355,230	—	355,230
Disposal of M.A. International (note 26(c)(iv))	—	—	—	(78)	—	(78)
Capitalization issue (note 25(b))	140	73,190	—	—	—	73,330
Equity component of convertible notes	—	—	—	30,271	—	30,271
Equity settled share-based payment transactions	—	—	—	2,210	—	2,210
Balance at December 31, 2008 and January 1, 2009	490	73,190	(9,940)	387,633	(56,455)	394,918
Changes in equity for 2009						
Loss for the year	—	—	—	—	(91,030)	(91,030)
Other comprehensive loss	—	—	(92)	—	—	(92)
Total comprehensive loss	—	—	(92)	—	(91,030)	(91,122)
Disposal of Yichun Nature (note 26(c)(iv))	—	—	—	(9,660)	—	(9,660)
Equity settled share-based payment transactions (note 23)	—	—	—	6,338	—	6,338
Balance at December 31, 2009 and January 1, 2010	490	73,190	(10,032)	384,311	(147,485)	300,474

	Share capital	Share premium	Foreign currency translation reserve	Other reserves	(Accumulated losses)/ Retained earnings	Total equity
	RMB'000 (Note 25)	RMB'000 (Note 26(d))	RMB'000 (Note 26(b))	RMB'000 (Note 26(c))	RMB'000	RMB'000
Changes in equity for 2010						
Profit for the period	—	—	—	—	195,400	195,400
Other comprehensive loss	—	—	(16,833)	—	—	(16,833)
Total comprehensive income	—	—	(16,833)	—	195,400	178,567
Conversion of convertible notes to preference shares (note 21(a))	285	629,348	—	(30,271)	—	599,362
Disposal of subsidiaries (note 26(c)(iv))	—	—	—	(27,494)	—	(27,494)
Dividends approved in respect of the previous years (note 26(g))	—	(200,619)	—	—	—	(200,619)
Equity settled share-based payment transactions (note 23)	—	—	—	7,991	—	7,991
Balance at December 31, 2010	775	501,919	(26,865)	334,537	47,915	858,281

(a) Statutory surplus reserve

		As at December 31,		
		2008	2009	2010
		RMB'000	RMB'000	RMB'000
Recorded by:				
PRC subsidiaries	(i)	53,851	78,241	118,641
Macau subsidiaries	(ii)	22	22	22
Peru subsidiaries	(iii)	—	10,490	10,490
		53,873	88,753	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 capitalization 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 capitalization issue.

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

(b) Foreign currency translation reserve

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

(c) Other reserves

Other reserves comprise the following:

The Group

		As at December 31,		
		2008	2009	2010
		RMB'000	RMB'000	RMB'000
Equity component of convertible notes	(i)	30,271	30,271	—
Equity settled share-based payment transactions	(ii)	2,210	8,548	16,539
Capital contributions	(iii)	596	596	596
Arising from Reorganization	(iv)	99	99	99
		33,176	39,514	17,234

The Company

		As at December 31,		
		2008	2009	2010
		RMB'000	RMB'000	RMB'000
Equity component of convertible notes	(i)	30,271	30,271	—
Equity settled share-based payment transactions	(ii)	2,210	8,548	16,539
Arising from Reorganization	(iv)	355,152	345,492	317,998
		387,633	384,311	334,537

(i) This represents the equity component of unexercised convertible notes recognized in accordance with the accounting policy adopted for convertible notes in note 1(h)(ii).

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

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

(iv) Pursuant to the reorganization, the Company became the holding company of the Group on May 8, 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 reorganization was transferred to other reserves.

In the Group's consolidated balance sheets, 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 reorganization of the Group on May 8, 2008 was recognized in other reserves.

(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.

Pursuant to board meetings held on June 24, 2010 and December 9, 2010, dividends of RMB100,939,000 and RMB99,680,000 (note 26(g)) were declared and paid out from share premium account respectively.

(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, interest-bearing loans and borrowings, and obligations under finance leases), 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.

	As at December 31,		
	2008	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**
Current liabilities:			
Bills payable	3,000	89,890	20,957
Loans and borrowings	15,000	597,176	183,458
Obligations under finance leases	2,096	—	—
	20,096	687,066	204,415
Non-current liabilities:			
Loans and borrowings	490,645	68,311	103,481
Total debt	510,741	755,377	307,896
Less: Cash and cash equivalents	(104,133)	(200,075)	(297,652)
Pledged deposits	(17,543)	(22,389)	(43,462)
Adjusted net debt/(asset)	389,065	532,913	(33,218)
Total equity	368,881	597,117	1,342,267
Adjusted net debt-to-capital ratio	1.05	0.89	(0.02)

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

(f) Distributability of reserves

The aggregate amount of reserves available for distribution to equity shareholders of the Company, at December 31, 2008, 2009 and 2010 were RMB371,887,000, RMB271,197,000 and RMB867,832,000 respectively.

(g) Dividends

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

	Years ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Dividend in respect of the previous years, approved and paid during the year . .	—	—	125,387

(ii) Dividends on preference shares issued by the Company

	Years ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Dividend in respect of the previous years, approved and paid during the year . .	—	—	75,232

(iii) No dividend has been proposed by the Company after December 31, 2010.

27 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:

	As at December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Due from			
—largest customer	104,002	40,089	53,362
—five largest customers	167,283	149,236	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 17.

(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 utilized at the balance sheet dates are disclosed in note 21(b).

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 balance sheet 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 December 31, 2008	Carrying amount	Contractual cash flows	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 year but less than 5 years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Loans and borrowings	505,645	619,272	16,053	603,219	—
Obligations under finance leases	2,096	2,600	2,600	—	—
Trade and other payables	150,329	150,329	150,329	—	—
	658,070	772,201	168,982	603,219	—

At December 31, 2009	Carrying amount	Contractual cash flows	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 year but less than 5 years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Loans and borrowings	665,487	699,946	629,133	21,244	49,569
Trade and other payables	285,216	285,216	285,216	—	—
	950,703	985,162	914,349	21,244	49,569

At December 31, 2010	Carrying amount	Contractual cash flows	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 year but less than 5 years
	RMB'000	RMB'000	RMB'000	RMB'000	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

The Company

At December 31, 2008	Carrying amount	Contractual cash flows	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 year but less than 5 years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Loans and borrowings	490,645	603,219	—	603,219	—
Other payables and accruals	3,466	3,466	3,466	—	—
	494,111	606,685	3,466	603,219	—

At December 31, 2009	Carrying amount	Contractual cash flows	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 year but less than 5 years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Loans and borrowings	571,670	602,654	602,654	—	—
Other payables and accruals	5,575	5,575	5,575	—	—
	577,245	608,229	608,229	—	—

At December 31, 2010	Carrying amount	Contractual cash flows	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 year but less than 5 years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Other payables and accruals	84,480	84,480	84,480	—	—

(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 balance sheet dates:

	December 31, 2008		December 31, 2009		December 31, 2010	
	Effective interest rate	Carrying amount	Effective interest rate	Carrying amount	Effective interest rate	Carrying amount
	%	RMB'000	%	RMB'000	%	RMB'000
Variable rate instruments						
Deposit with banks and other financial institutions	0.36%	103,868	0.36%	183,801	0.36%	297,500
Pledged deposits	0.36%	17,543	0.36%	22,389	0.36%	43,462
Bank loans	7.02%	(15,000)	3.25% + LIBOR	(88,817)	2.59% (+0.59%) +HIBOR/3.25%+ LIBOR	(228,439)
		106,411		117,373		112,523
Fixed rate instruments						
Bank loans	—	—	5.103%	(5,000)	5.103%	(58,500)
Convertible notes	16.03% ~ 16.86%*	(490,645)	16.03% ~ 16.86%*	(571,670)	—	—
Obligations under finance lease	6.39%	(2,096)	—	—	—	—
		(492,741)		(576,670)		(58,500)
Fixed rate borrowings as a percentage of total borrowings		97%		87%		20%

* The liability component of the Notes was stated at amortized cost with any difference between the amount initially recognized and redemption value being recognized in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(ii) Sensitivity analysis

At December 31, 2008, 2009 and 2010, it is estimated that a general increase/(decrease) of 100 basis points in interest rates, with all other variables held constant, would have increased/(decreased) the Group's profit after tax and retained profits as follows:

	As at December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
100 basis points increase	3,840	4,591	(107)

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 balance sheet 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 balance sheet date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the balance sheet date, the impact on the Group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualized 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 recognized 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 USD, Hong Kong Dollars ("HKD"), 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 balance sheet date to currency risk arising from recognized 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 yearend date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

The Group

	Exposure to foreign currencies													
	December 31, 2008				December 31, 2009				December 31, 2010					
	HKD RMB'000	USD RMB'000	PEN RMB'000	MOP RMB'000	HKD RMB'000	USD RMB'000	PEN RMB'000	MOP RMB'000	HKD RMB'000	USD RMB'000	PEN RMB'000	MOP RMB'000	EUR RMB'000	JPY RMB'000
Cash and cash equivalents	—	19,841	909	—	—	20,491	522	3,105	106	11,875	2,832	99	784	—
Trade and other receivables	—	75,550	12,706	—	—	6,794	12,056	2,831	693	45,491	10,240	488	—	—
Trade and other payables	(4)	(33,346)	(5,981)	—	—	(1,946)	(440)	(118)	(5,000)	(3,782)	(248)	(197)	—	—
Loans and borrowings	—	—	—	—	—	(88,767)	—	—	—	(147,865)	—	—	(889)	(296)
Gross exposure arising from recognized assets and liabilities	(4)	62,045	7,634	—	—	(63,428)	12,138	5,818	(4,201)	(94,281)	12,824	390	(105)	(296)

The Company

	Exposure to foreign currencies													
	December 31, 2008				December 31, 2009				December 31, 2010					
	HKD RMB'000	USD RMB'000	PEN RMB'000	MOP RMB'000	HKD RMB'000	USD RMB'000	PEN RMB'000	MOP RMB'000	HKD RMB'000	USD RMB'000	PEN RMB'000	MOP RMB'000	EUR RMB'000	JPY RMB'000
Cash and cash equivalents	—	—	—	—	—	—	—	—	106	—	—	—	—	—
Other receivables	537,843	—	—	—	540,752	—	—	—	641,782	—	—	—	—	—
Other payables	(3,466)	—	—	—	(5,575)	—	—	—	(84,480)	—	—	—	—	—
Gross exposure arising from recognized assets and liabilities	534,377	—	—	—	535,177	—	—	—	557,408	—	—	—	—	—

(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 balance sheet date had changed at that date, assuming all other variables, in particular interest rates, remain constant.

The Group

	December 31, 2008			December 31, 2009			December 31, 2010		
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits	Effect on other components of equity	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits	Effect on other components of equity	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits	Effect on other components of equity
		RMB'000	RMB'000		RMB'000	RMB'000		RMB'000	RMB'000
HKD . .	0.15%	—	—	3.35%	—	—	0.50%	21	21
HKD . .	(0.15)%	—	—	(3.35%)	—	—	(0.50%)	(21)	(21)
USD . . .	0.10%	62	55	3.00%	(1,902)	295	0.45%	(424)	(117)
USD . . .	(0.10)%	(62)	(55)	(3.00%)	1,902	(295)	(0.45%)	424	117
PEN . . .	8.00%	610	610	0.40%	49	49	0.70%	90	90
PEN . . .	(8.00)%	(610)	(610)	(0.40%)	(49)	(49)	(0.70%)	(90)	(90)
MOP . .	0.10%	—	—	3.40%	198	198	0.60%	2	2
MOP . .	(0.10)%	—	—	(3.40%)	(198)	(198)	(0.60%)	(2)	(2)
EUR . . .	—	—	—	—	—	—	2.75%	(3)	(3)
EUR . . .	—	—	—	—	—	—	(2.75%)	3	3
JPY . . .	—	—	—	—	—	—	2.05%	6	6
JPY . . .	—	—	—	—	—	—	(2.05%)	(6)	(6)

The Company

	December 31, 2008			December 31, 2009			December 31, 2010		
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits	Effect on other components of equity	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits	Effect on other components of equity	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits	Effect on other components of equity
		RMB'000	RMB'000		RMB'000	RMB'000		RMB'000	RMB'000
HKD . .	0.15%	788	788	3.35%	17,930	17,930	0.50%	2,817	2,817
HKD . .	(0.15)%	(788)	(788)	(3.35%)	(17,930)	(17,930)	(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 minimizes 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 unfavorable 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 current financial assets and liabilities are not materially difference from their fair values as at December 31, 2008, 2009 and 2010.

(h) Estimation of fair value

The following summarizes the major methods and assumptions used in estimating the fair values of financial instruments.

(i) Trade and other receivables

Trade receivables are initially recognized at fair value and thereafter stated at amortized 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 balance sheet date.

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 balance sheet date.

(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 weighted average historic volatility adjusted for changes expected due to public available information), weighted average expected life of the instruments (based on historical experience and general option holder behavior), 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 3.00% to 16.86%, 3.00% to 16.86% and 2.59% to 16.86% as at December 31, 2008, 2009 and 2010.

28 Commitments and contingent liabilities

(a) Capital commitments

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

	As at December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Contracted for	78,007	12,834	1,250
Authorized but not contracted	—	112,166	32,048

(b) Operating lease commitments

The Group leases properties and production equipment 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 balance sheet dates, the future minimum lease payments under operating leases are as follows:

	As at December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Within 1 year	3,328	2,971	4,631
After 1 year but within 3 years	3,943	3,067	7,437
After 3 years but within 5 years	2,987	2,850	5,024
After 5 years	8,367	6,966	10,379
	18,625	15,854	27,471

The Group leases a number of machineries and 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.

29 Material related party transactions

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

During the Relevant Period, 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	Controlling Shareholders
Guangdong Yingbin Nature Wood Co., Ltd. (廣東盈彬大自然木業有限公司*) ("Guangdong Yingbin")	A company owned by the close family member of the Controlling Shareholders**
Mudanjiang Nature Wood Co., Ltd. (牡丹江大自然木業有限公司*) ("Mudanjiang Nature")	A company owned by the close family member of the Controlling Shareholders***
She Jian Bin (佘建彬)	Executive director of the Company
She Zhuo Teng (佘卓騰)	Close family member of She Jian Bin

* The official names of these companies are in Chinese. The English translation of these companies' names is for reference only.

** Guangdong Yingbin was disposed of by the close family member of the Controlling Shareholders to an independent third party on March 5, 2008. Guangdong Yingbin no longer is a related party thereafter. The following disclosures of the related party transactions related to Guangdong Yingbin are for the period up to March 5, 2008.

*** Mudanjiang Nature was deregistered on October 15, 2009. The following disclosures of the related party transactions related to Mudanjiang Nature are for the period up to October 15, 2009.

(a) Recurring transactions

Sales of wood flooring products to related parties

	Years ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
She Zhuo Teng	2,165	1,146	1,882

(b) Non-recurring transactions

(i) Advance to related party

	Years ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Controlling shareholders	10,258	—	—

(ii) Repayment of advance from related parties

	Years ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Shareholders—cash repayment	93,745	2,166	—
Shareholders—capitalization issue	73,330	—	—
Guangdong Yingbin	11,500	—	—

(iii) At December 31, 2008, bank loan amounted to RMB15,000,000 was guaranteed by a former related party, Guangdong Yingbin Nature Wood Co., Ltd., Mr Se Hok Pan and Ms Un Son I.

At December 31, 2010, bank loan amounted to RMB178,368,000 was guaranteed by the Company, YS Nature, Mr Se Hok Pan and Ms Un Sun I.

(iv) Sales of wood flooring products to related parties

	Years ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Guangdong Yingbin	8,320	—	—
Mudanjiang Nature	7,237	—	—
	15,557	—	—

(v) Trademark and distribution network usage fees

	Years ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Guangdong Yingbin	5,797	—	—

(vi) Purchase of materials

	Years ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Guangdong Yingbin	4,061	—	—

The directors of the Company have confirmed that the terms of the above transactions are no less favorable to the Company than terms available to or from independent third parties.

The directors of the Company have confirmed that the above transactions, except as disclosed in note 29(a), will not be continued upon listing of the Company's shares on The Stock Exchange of Hong Kong Limited.

(c) Balances with related parties

As at the end of the balance sheet dates, the Group had the following balances with related parties:

Trade and other payables

	As at December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Controlling Shareholders	2,021	—	—

The outstanding balances with these related parties are unsecured, interest free and have no fixed repayment terms.

(d) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 6 and certain of the highest paid employees, as disclosed in note 7, is as follows:

	Years ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Short-term employee benefits	7,255	8,440	8,493
Post-employment benefits	4	7	7
Equity-settled share-based payment expenses	164	569	843
	7,423	9,016	9,343

Total compensation is included in "staff costs" (note 4(b)).

30 Subsequent events

Pursuant to the written resolution of the shareholders of the Company passed on May 3, 2011, the Company has conditionally adopted a Share Option Scheme. The principal terms of the Share Option Scheme are set out in "Share Option Scheme" of Appendix IX "Statutory and General Information — Share Option Schemes" to the Prospectus.

31 Significant accounting judgments and estimates

The preparation of the Financial Information 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 recognized 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 net profit or loss in future periods.

(iii) Net realizable value of inventories

Net realizable 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 balance sheet date.

(iv) Income taxes

Determining income tax provisions involves judgment 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 recognized for unused tax losses and deductible temporary differences. As those deferred tax assets can only be recognized to the extent that it is probable that future taxable profit will be available against which they can be utilized, management's judgment is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognized 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.

32 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 Relevant Period.

Of these developments, the following relate to matter that may be relevant to the Group's operations and the Financial Information:

	Effective for accounting periods beginning on or after
Improvements to IFRSs 2010	January 1, 2011
Revised IAS 24, Related party disclosures	January 1, 2011
Amendments to IFRIC 14, IAS 19—The limit on a defined benefit asset, minimum funding requirements and their interaction—Prepayments of a minimum funding requirement	January 1, 2011
Amendments to IFRS 7, Financial instruments: Disclosures—Transfers of financial assets	July 1, 2011
IFRS 9, Financial instruments (2009); Basis for conclusions on IFRS 9 (2009); and Amendments to other IFRSs and guidance on IFRS 9 (2009)	January 1, 2013
IFRS 9, Financial instruments (2010); Basis for conclusions on IFRS 9 (2010); and	
Implementation guidance on IFRS 9 (2010)	January 1, 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.

D SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to December 31, 2010.

Yours faithfully
KPMG
Certified Public Accountants
Hong Kong