大自然地板
Nature

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

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

2012 INTERIM REPORT

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Mr. Homer Sun
Mr. Teoh Chun Ming

Independent non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

EXECUTIVE COMMITTEE

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

NOMINATION COMMITTEE

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

CORPORATE GOVERNANCE COMMITTEE

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

COMPANY SECRETARY

Mr. Tsang Chun Yiu

AUTHORISED REPRESENTATIVES

Mr. Se Hok Pan
Mr. Tsang Chun Yiu

AUDITORS

KPMG

PRINCIPAL BANKERS

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

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 3401, 34/F.
West Tower, Shun Tak Centre
Nos. 168–200 Connaught Road Central
Hong Kong

HEAD OFFICE IN THE PRC

8 Longpan West Road
New District
Daliang, Shunde
Foshan City
Guangdong Province
PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 609
Grand Cayman KY1-1107
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

COMPLIANCE ADVISOR

Guangdong Securities Limited
Units 2505–06, 25/F.
Low Block of Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

WEBSITE

www.china-flooring.com.hk

STOCK CODE

2083

BUSINESS REVIEW

For the six months ended 30 June 2012 (the "period"), China Flooring Holding Company Limited (the "Company") and its subsidiaries (the "Group") continuously encountered a difficult operating environment, the turnover of the Group during the period decreased when compared to the corresponding period of last year. In addition, due to the increase in labour cost in China as well as the promotional expenses of the products, the operating costs of the Group also increased during the period. However, the management of the Group has already started to adopt costs tightening and expenditure management measures in the second quarter of 2012. Moreover, the Group also adopted effective measures to control the operating cash flow during the period, the net cash outflow from operating activities in the corresponding period last year has improved to net cash inflow from operating activities. The Group maintains a sound gearing ratio during the period, which laid a solid foundation for sustainable development and expansion in the future. The Group will continue to adjust and integrate the business according to the economic development of the market and create value for the shareholders of the Company.

1. The flooring business

The Group's flooring products are mainly laminated flooring, solid wood flooring and solid wood engineered flooring. For the six months ended 30 June 2012, the Group sold a total of 7.7 million square metres of the above major flooring products, versus 10.6 million square metres for the six months ended 30 June 2011, which represented a decrease of 27.4%.

In respect of its flooring store network, the Group had a total of 3,224 flooring stores as of 30 June 2012 versus 3,202 as of 31 December 2011. Of the total number of stores, there were 2,055 "Nature" stores (versus 2,038 as of 31 December 2011), 981 "Nature • No. 1 My Space" stores (versus 1,001 as of 31 December 2011), 166 "Nature • Aesthetics" stores (versus 163 as of 31 December 2011), and 22 other brands stores (Nil as of 31 December 2011).

2. The businesses of wooden doors and wardrobes

The business of wooden doors and wardrobes is one of the prioritised businesses of the Group. By leveraging the brand recognition of "Nature", the Group created the two brands of "Nature Desenberg" and "Nature Vanessa" to further tap into this business. In respect of its wooden doors business, the Group has established wholly owned subsidiaries in Xuzhou city of Jiangsu Province to manufacture wooden doors products in leased plants during the period, which has commenced production in the first half of the year. As of 30 June 2012, the Group had opened 169 (versus 95 as of 31 December 2011) wooden door stores. On the front of wardrobes operation, the Group has established wholly owned subsidiaries in Nanhai district of Foshan city in Guangdong Province to manufacture wardrobe products in leased plants during the period, and the plant has come on stream in July 2012.As of 30 June 2012, the Group had opened 89 (versus 45 as of 31 December 2011) wardrobe stores. Since the business of wooden doors and wardrobes are still at the initial stage, relevant fixed costs and production costs increased during the period, which led to a slight decrease in the overall gross profit margin of the Group when compared with the corresponding period of last year.

3. Forest resources business

As of 30 June 2012, the Group owned the land use rights and forestry concessions of 8,163 hectares of forest assets in Yunnan Province in China and of 46,347 hectares of forest assets in Loreto Province in Peru. These forests contain several species of trees which are used in premium solid wood flooring products. The Company is considering a potential acquisition of plantation forests in the Guangxi Zhuang Autonomous Region of the People's Republic of China. (the "Project"). The Project will comprise eucalyptus plantation across several land parcels. The consideration of the Project may consist of a lump sum payment and an annual leasing fee.

In addition, International Finance Corporation ("IFC"), a member of the World Bank group and a shareholder of the Company holding approximately 7.22% of the issued share capital of the Company as at the date of this report, proposes to offer a US$40 million financing package to the Group to support the development of forest resources business of the Group, including the Project. The financing package may consist of loan from IFC and/or convertible securities to be issued to IFC.

As at the date of this report, no letter of intent or legally binding agreement has been entered into for the Project and the financing package between the Company and IFC. For further details please refer to the announcement of the Company dated 21 August 2012.

PROSPECT

We expect that in the second half of 2012, the market environment in China will remain challenging, while the consumer market will continue to be weak for some time. The Group will continue to adopt measures in order to control the operational cost and the cash flows. Moreover, the Group will continue to invest in product development, brand reinforcement and forest resources business, and will continue to strengthen its marketing models and service models. The ability to combat market risks can be beefed up through the quality products and services and the above stated measures.

FINANCIAL REVIEW

Revenue

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

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

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

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

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

	Six months ended 30 June		
	2012	2011	
	RMB'000	RMB'000	Growth rate
Revenue			
Manufacturing and sale of wood products	**374,595**	491,431	(23.8%)
Trademark and distribution network usage fees	**71,608**	97,917	(26.9%)
Trading of timber and wood products	**60,130**	108,697	(44.7%)
Total	**506,333**	698,045	(27.5%)

For the six months ended 30 June 2012, the Group recorded revenue of approximately RMB506,333,000 representing a decrease of 27.5% as compared with approximately RMB698,045,000 recorded in the corresponding period of 2011.

During the period, the revenue from manufacturing and sale of wood products decreased by 23.8% and the revenue from trademark and distribution network usage fees decreased by 26.9%. They were mainly attributable to the decrease in consumer demand for our branded flooring products resulted from weakened market sentiment and the continued depression in property development market in the PRC. Trading of timber and wood products significant decreased by 44.7% mainly due to the reduction in sales volumes of timber trading and continued decrease in demand on flooring products in the U.S.

Cost of Sales

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

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

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

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

	Six months ended 30 June		
	2012	2011	
	RMB'000	RMB'000	Growth rate
Cost of Sales			
Manufacturing and sale of wood products	**292,046**	366,631	(20.3%)
Trademark and distribution network usage fees	**2,705**	2,023	33.7%
Trading of timber and wood products	**49,563**	94,074	(47.3%)
Total	**344,314**	462,728	(25.6%)

Gross Profit and Gross Profit Margin

Gross profit is calculated by revenue less cost of sales.

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

	Six months ended 30 June		
	2012	2011	
	RMB'000	RMB'000	Growth rate
Gross Profit			
Manufacturing and sale of wood products	**82,549**	124,800	(33.9%)
Trademark and distribution network usage fees	**68,903**	95,894	(28.1%)
Trading of timber and wood products	**10,567**	14,623	(27.7%)
Total	**162,019**	235,317	(31.1%)

	Six months ended 30 June	
	2012	2011
	%	%
Gross Profit Margin		
Manufacture and sale of wood products	**22.0**	25.4
Trademark and distribution network usage fees	**96.2**	97.9
Trading of timber and wood products	**17.6**	13.5
Total	**32.0**	33.7

For the six months ended 30 June 2012, the overall gross profit decreased by approximately 31.1% to approximately RMB162,019,000 from approximately RMB235,317,000 and the gross profit margin also decreased to 32.0% from 33.7% in the corresponding period of 2011. The decrease in overall gross profit and gross profit margin was primarily reflecting the decrease in sales volumes and gross profit margin of the manufacture and sale of wood products which has the highest shares of overall turnover.

During the period, manufacturing and sale of wood products contributed a gross profit of approximately RMB82,549,000 represented an decrease of approximately 33.9% from approximately RMB124,800,000 in the corresponding period of 2011. The decrease was mainly due to the decrease in sales volumes of wood products.

Moreover, the decrease in gross profit margin for the manufacturing and sale of wood products to 22.0% from 25.4% was mainly due to the relatively lower margin on other wood products resulted from the expansion of product portfolio.

During the period, trademark and distribution network usage fees contributed a gross profit of approximately RMB68,903,000, representing a decrease of approximately 28.1% from approximately RMB95,894,000 in the corresponding period of 2011, which was mainly due to the decrease in sales volumes of the wood products.

During the period, trading of timber and wood products contributed a gross profit of approximately RMB10,567,000 represented a decrease of approximately 27.7% from approximately RMB14,623,000. The decrease was mainly due to the reduction in sales volumes of timber trading during the period.

Net change in fair value of biological assets

Net change in fair value of biological assets is recorded in connection with our forest assets acquired in prior periods. Net change in fair value of biological assets of approximately RMB4,581,000 in current period is represented by the increase in fair value of our forest assets based on the market valuation conducted by a forestry consultant, Pöyry (Beijing) Consulting Co. Ltd.

Other Income and Gains

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

Distribution Costs

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

During the period, distribution costs were approximately RMB84,978,000, representing an increase of approximately 31.0% from approximately RMB64,851,000 in the corresponding period of 2011. The increase in distribution costs was primarily due to the increase in advertising costs for the promotion of our branded wood products as well as the increase in the numbers of selling staff resulted from the expansion of our product portfolio.

Administrative Expenses

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

During the period, administrative expenses were approximately RMB74,468,000, representing an increase of approximately by 27.2% from approximately RMB58,538,000 in the corresponding period of 2011. The increase was primarily attributable to the addition impairment loss recognised for receivables as well as the increase in staff cost and rental resulted from expansion of product portfolio.

Other Operating Expenses

Other operating expenses mainly consist of impairment loss for the investments in unlisted equity securities, change in fair value of forward foreign exchange transactions, loss on disposal of items of property, plant and equipment, scrap material and donations.

Net Finance Income/(Costs)

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

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

	Six months ended 30 June		
	2012	2011	
	RMB'000	RMB'000	Growth rate
Finance income/(costs)			
Finance income	**4,965**	9,200	(46.0%)
Finance costs	**(3,117)**	(4,366)	(28.6%)
Net finance income/(costs)	**1,848**	4,834	(61.8%)

Finance income decreased significantly by 46.0% to approximately RMB4,965,000 as compared to approximately RMB9,200,000 in the corresponding period of 2011, primarily due to the significant decrease in net foreign exchange gain to RMB2,786,000 from RMB7,346,000.

Finance costs decreased by 28.6% to approximately RMB3,117,000 as compared to approximately RMB4,366,000 in the corresponding period of 2011, primarily due to the decrease in our loan and borrowings in current period.

Income Tax

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

	Six months ended 30 June		
	2012	2011	
	RMB'000	RMB'000	Growth rate
Current tax	**10,278**	19,130	(46.3%)
Deferred tax	**(1,672)**	3,516	(147.6%)
Total	**8,606**	22,646	(62.0%)

Income tax charged for the Group was approximately RMB8,606,000 for the six months ended 30 June 2012, representing a decrease of 62.0% from approximately RMB22,646,000 in the corresponding period of 2011, which was the net effect of the decrease of the current income tax of approximately RMB8,852,000 and the decrease of deferred income tax of approximately RMB5,188,000. The decrease was primarily due to the significant drop in profit before taxation in current period.

Profit for the Period

Resulting from the factors mentioned above, our profit for the six months ended 30 June 2012 decreased to approximately RMB1,029,000 from approximately RMB95,240,000 in the corresponding period of 2011.

CASH FLOW AND LIQUIDITY

Cash Flows

The table below sets out the cash flow data from our condensed consolidated cash flow statement.

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Net cash generated from/(used in) operating activities	**91,319**	(10,497)
Net cash used in investing activities	**(77,500)**	(25,683)
Net cash (used in)/generated from financing activities	**(178,010)**	757,279
Net (decrease)/increase in cash and cash equivalents	**(164,191)**	721,099
Cash and cash equivalents as at 1 January	**865,638**	297,652
Effect of foreign exchange rate changes	**2,307**	(4,970)
Cash and cash equivalents as at 30 June	**703,754**	1,013,781

Liquidity

Net current assets and working capital sufficiency

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

	30 June 2012 RMB'000	31 December 2011 RMB'000
Current assets		
Inventories	331,676	266,438
Trade and bills receivables	900,437	964,106
Deposits, prepayments and other receivables	99,165	110,031
Pledged deposits	12,822	13,273
Cash and cash equivalents	703,754	865,638
Total current assets	2,047,854	2,219,486
Current liabilities		
Trade and bills payables	168,320	154,186
Deposits received, accruals and other payables	140,303	114,078
Loans and borrowings	110,016	200,991
Income tax payables	7,890	11,619
Total current liabilities	426,529	480,874
Net current assets	1,621,325	1,738,612

As at 30 June 2012, net current assets totaled approximately RMB1,621,325,000, representing 6.7% decrease from approximately RMB1,738,612,000 as at 31 December 2011. The current ratios as at 30 June 2012 and 31 December 2011 were 4.80 and 4.62, respectively.

CAPITAL MANAGEMENT

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

	30 June 2012 RMB'000	31 December 2011 RMB'000
Total debts (includes bills payable and loans and borrowings)	153,277	276,161
Less: Cash and cash equivalent	(703,754)	(865,638)
Pledged deposits	(12,822)	(13,273)
Net assets	(563,299)	(602,750)
Total equity	2,470,809	2,512,432
Gearing ratio	(0.23)	(0.24)

Our gearing ratios, which are derived by dividing adjusted net debt/(assets) by total equity, were negative 0.23 and negative 0.24 as at 30 June 2012 and 31 December 2011, respectively. Adjusted net assets is defined as total debt which includes bills payable, interest-bearing loans and borrowings and less cash and cash equivalents and pledged deposits.

INDEBTEDNESS

Loans and Borrowings

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

	30 June 2012 RMB'000	31 December 2011 RMB'000
Current liabilities		
Short-term bank loans		
Secured	76,005	143,004
Unsecured	34,011	57,987
	110,016	200,991
Non-current		
Long-term bank loans		
Secured	24,565	35,492
Unsecured	8,886	21,970
	33,451	57,462
	143,467	258,453

The total loans and borrowings as at 30 June 2012 decreased by 44.5% to approximately RMB143,467,000 from approximately RMB258,453,000 as at 31 December 2011, the decrease was primarily due to the settlement of loans and improvement of liquidity.

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.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

Capital commitments outstanding as at 30 June 2012 not provided for in the interim report are as follows:

	30 June 2012 RMB'000	31 December 2011 RMB'000
Contracted for	3,378	1,294
Authorised but not contracted	—	3,670

(b) Operating lease commitments

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

	30 June 2012 RMB'000	31 December 2011 RMB'000
Within 1 year	8,800	6,681
After 1 year but within 3 years	11,227	7,882
After 3 year but within 5 years	9,649	3,968
After 5 years	14,999	9,722
Total	44,675	28,253

PLEDGE OF ASSETS

At the end of the reporting period, loans and borrowings were secured by the following assets:

	30 June 2012 RMB'000	31 December 2011 RMB'000
Property, plant and equipment	**86,190**	91,937
Lease prepayment	**21,638**	21,895
Bills receivables	**59,556**	126,622
Total	**167,384**	240,454

PLEDGED DEPOSITS

As at 30 June 2012, deposits of approximately RMB12,822,000 (31 December 2011: RMB13,273,000) were placed with banks as securities for the issuance of letter of credit for construction projects and purchases of raw materials.

FOREIGN CURRENCY RISK

The Group's principal activities are carried out in the PRC. RMB is not freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

The Group is exposed to currency risk primarily arising from 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 United States Dollars ("US$"), Hong Kong Dollars ("HK$"), Macau Pataca ("MOP"), Peruvian Nuevo Sol ("PEN"), Euro ("EUR") and Japanese yen ("JPY"). As at 30 June 2012, the cash and cash equivalents held by the Group were primarily in terms of RMB, HK$ and US$, representing 94.8%, 2.23% and 2.76% (31 December 2011: 78.7%, 15.7% and 5.4%) of total amounts, respectively. The rest of the amounts were held in terms of MOP, PEN and EUR. On the other hand, as at 30 June 2012, our bank loans were primarily in terms of RMB, HK$ and US$, representing 41.5%, 24.6% and 30.4% (31 December 2011: 50.1%, 30.9% and 19.0%) of total amount, respectively. The rest of the amounts were held in terms of EUR and JPY.

The Group may enter into forward foreign exchange contracts to hedge against the exchange rate fluctuation when the exposure is significant. For details regarding the forward foreign exchange transactions of the Group during the Period, please refer to Note 4(b) to the consolidated interim report.

EMPLOYEES

As at 30 June 2012, the Group had 2,436 employees (at 31 December 2011: 2,158). Relevant staff cost for the six months ended 30 June 2012 was approximately RMB81,075,000 (including share option expenses of approximately RMB7,596,000) while our staff cost was approximately RMB51,878,000 (including share option expenses of approximately RMB2,526,000) for the corresponding period of 2011. The Group will regularly review remuneration and benefits of its employees accordingly to the relevant market practice and individual performance of the employees. In addition to basic salary, employees are entitled to other benefits including social insurance contribution, employee provident fund schemes and share option schemes.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

The Group did not have any material acquisition or disposal of subsidiaries or associated companies during the period ended 30 June 2012.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

In May 2011, the Company's shares were listed on the main board of the Stock Exchange. A total of 388,265,000 shares were issued at HK$2.95 per share for a total of approximately HK$1,145 million. The net proceeds raised from the abovementioned global offering of the Company, which are approximately RMB873.5 million, are and will be used in accordance with the purposes disclosed in the prospectus of the Company dated 16 May 2011.

During the period from the listing of the Company's shares on the Stock Exchange to 30 June 2012, approximately RMB258 million raised from the global offering of the Company was used for the purposes and approximately in the amounts set out below:

- Approximately RMB60 million was used for strategic merger and acquisition;
- Approximately RMB50 million was used for the development of existing brands;
- Approximately RMB34 million was used for working capital and general corporate purpose;
- Approximately RMB24 million was used for strengthen the distribution network;
- Approximately RMB63 million was used for the expansion of existing production facilities; and
- Approximately RMB27 million was used for the expansion of product portfolio.

As at 30 June 2012, approximately RMB615.5 million raised from the global offering remains unused.

EVENTS AFTER REPORTING PERIOD

In July 2012, the Company repurchased its own ordinary shares on The Stock Exchange of Hong Kong Limited as follows:

	Number of shares repurchased	Highest price paid per share HK$	Lowest price paid per share HK$	Aggregate price paid HK$'000
July 2012	9,354,000	1.50	1.18	13,463

The repurchased shares were cancelled and the issued share capital of the Company was reduced by the nominal value of these shares on 31 July 2012.

FUTURE PLANS FOR MATERIAL INVESTMENTS

There was no specific plan for material investments and acquisition of material capital assets as at 30 June 2012. However, the Group will continue to seek new business development opportunities.

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

As at 30 June 2012, the interests and short positions of the Directors or the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of the Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") were as follows:

	Number of shares held			
Name of Director	**Personal Interest**	**Corporate Interest**	**Total**	**Percentage of shareholding**
Mr. Se Hok Pan (also the President)	10,816,000 1,500,000 *(Note 1)* 12,316,000	719,321,730 *(Note 2)*	731,637,730	48.61%
Ms. Un Son I	1,500,000 *(Note 1)*	719,321,730 *(Note 2)*	720,821,730	47.89%
Mr. She Jian Bin	1,500,000 *(Note 1)*	Nil	1,500,000	0.10%
Mr. Chow Chi Keung, Savio	1,500,000 *(Note 1)*	Nil	1,500,000	0.10%
Professor Li Kwok Cheung, Arthur	1,000,000 *(Note 1)*	Nil	1,000,000	0.07%
Mr. Zhang Sen Lin	1,000,000 *(Note 1)*	Nil	1,000,000	0.07%
Mr. Chan Siu Wing, Raymond	1,000,000 *(Note 1)*	Nil	1,000,000	0.07%
Mr. Ho King Fung, Eric	1,000,000 *(Note 1)*	Nil	1,000,000	0.07%

Notes:

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

2. *Amongst these 719,321,730 shares, 718,921,730 shares are owned by Freewings Development Co., Ltd. and 400,000 shares are owned by Loyal Winner Limited. Freewings Development Co., Ltd. is a private company owned by Team One Investments Limited as to 44.92% and Trader World Limited as to 39.81%. Team One Investments Limited and Trader World Limited are wholly-owned by Mr. Se Hok Pan and Ms. Un Son I, respectively. Loyal Winner Limited is a private company beneficially owned as to 50% by Mr. Se Hok Pan and 50% by Ms. Un Son I. Ms. Un Son I is the spouse of Mr. Se Hok Pan.*

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2012, the following persons (other than the Directors or the chief executive of the Company) has interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholders	Capacity and nature of interest	Number of shares held	Percentage of shares in issue
Freewings Development Co., Ltd.	Beneficial owner	718,921,730 *(Note 1)*	47.77%
Team One Investments Limited	Interest in controlled corporations	718,921,730 *(Note 1)*	47.77%
Trader World Limited	Interest in controlled corporations	718,921,730 *(Note 1)*	47.77%
MS Flooring Holdings Co., Ltd.	Beneficial owner	269,999,990 *(Note 2)*	17.94%
Morgan Stanley Private Equity Asia III Holdings (Cayman) Ltd.	Interest in controlled corporations	269,999,990 *(Note 2)*	17.94%
Morgan Stanley Private Equity Asia III, Inc.	Interest in controlled corporations	269,999,990 *(Note 2)*	17.94%
Morgan Stanley Private Equity Asia III, L.L.C.	Interest in controlled corporations	269,999,990 *(Note 2)*	17.94%
Morgan Stanley Private Equity Asia III, L.P.	Interest in controlled corporations	269,999,990 *(Note 2)*	17.94%
International Finance Corporation	Beneficial owner	108,000,000	7.18%

Notes:

1. *Freewings Development Co., Ltd. is a private company owned by Team One Investments Limited as to 44.92% and Trader World Limited as to 39.81%. Team One Investments Limited and Trader World Limited are wholly-owned by Mr. Se Hok Pan and Ms. Un Son I, respectively.*

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

3. *All interests stated are long positions.*

Save as disclosed above, the Directors are not aware that there is any party who, as at 30 June 2012, had interests or short positions in the shares and underlying shares of the Company, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

RIGHTS TO ACQUIRE COMPANY'S SECURITIES

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

SHARE OPTION SCHEMES

Pre-IPO Share Option Scheme

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

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

For the options granted on 17 December 2008

Vesting period	**Maximum cumulative percentage of options vested**
30 December 2008	10%
30 December 2009	20%
30 December of the year of the date of listing i.e. 26 May 2011 (the "Listing Date")	50%
30 December of the year 12 months from the Listing Date	70%
30 December of the year 24 months from the Listing Date	100%

For the options granted on 1 July 2010

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

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

Further details of the principal terms of the Pre-IPO Share Option Scheme are set out in the prospectus of the Company dated 16 May 2011. Details of the share options movements during the six months ended 30 June 2012 under the Pre-IPO Share Option Scheme are as follows:

Category of participants	Date of grant	Exercise period	Exercise price per share	No. of shares involved in the options outstanding at the beginning of the period	Exercised during the period	Lapsed during the period	No. of shares involved in the options outstanding at period end
Director of the Company							
Teoh Chun Ming *(Note)*	17/12/2008	17/12/2008–16/12/2018	HK$2.35	1,677,900	—	—	1,677,900
	1/7/2010	1/7/2010–30/6/2020	HK$3.38	1,500,000	—	—	1,500,000
Director of our subsidiaries							
Liang Zhihua	17/12/2008	17/12/2008–16/12/2018	HK$2.35	576,780	—	—	576,780
	1/7/2010	1/7/2010–30/6/2020	HK$3.38	7,000,000	—	—	7,000,000
Former Director of the Company							
Nam Cheung Ming	17/12/2008	17/12/2008–16/12/2018	HK$2.35	1,887,640	—	—	1,887,640
Employees							
Employees	17/12/2008	17/12/2008–16/12/2018	HK$2.35	16,042,020	—	4,073,640	11,968,380
	1/7/2010	1/7/2010–30/6/2020	HK$3.38	3,500,000	—	—	3,500,000
Total				32,184,340	—	4,073,640	28,110,700

Note: *Mr. Teoh Chun Ming was appointed a non-executive director of the Company with effect from 1 July 2012. Mr. Teoh is also the investor relations officer of the Company.*

No option under the Pre-IPO Share Option Scheme has been granted or cancelled during the six months ended 30 June 2012. No further option has been or will be granted under the Pre-IPO Share Option Scheme after the listing of the Company.

Share Option Scheme

The Company has also adopted a share option scheme on 3 May 2011 (the "Share Option Scheme"). The rules of the Share Option Scheme were subsequently amended pursuant to a resolution of the Board on 28 November 2011. The purpose of the Share Option Scheme is to incentivize and reward the eligible persons for their contribution to the Group and to align their interests with that of the Company so as to encourage them to work towards enhancing the value of the Company. Eligible persons under the Share Option Scheme include, among others, employees, directors, customers, business or joint venture partners, advisors, consultant, contractor, suppliers, agents or service providers of the Group and their respective full-time employees.

Further details of the principal terms of the Share Option Scheme are set out in the prospectus of the Company dated 16 May 2011.

On 4 January 2012, options involving 68,000,000 shares were granted under the Share Option Scheme. The options granted to each of the grantees under the Share Option Scheme shall be vested and become exercisable upon the third anniversary of the date of grant. Vested options shall be exercisable until the expiry of a ten-year period from the date of grant. Grantees of such options are entitled to exercise the options at an exercise price of HK$1.45 per share. The closing price per share in the trading day immediately before 4 January 2012 is HK$1.37.

Details of the share options movements during the six months ended 30 June 2012 under the Share Option Scheme are as follows:

Category of participants	No. of shares involved in the options outstanding at the beginning of the period	Exercised during the period	Lapsed during the period	No. of shares involved in the options outstanding at period end
Directors				
Se Hok Pan	—	—	—	1,500,000
Un Son I	—	—	—	1,500,000
She Jian Bin	—	—	—	1,500,000
Chow Chi Keung, Savio	—	—	—	1,500,000
Teoh Chun Ming *(Note)*	—	—	—	1,500,000
Li Kwok Cheung, Arthur	—	—	—	1,000,000
Zhang Sen Lin	—	—	—	1,000,000
Chan Siu Wing, Raymond	—	—	—	1,000,000
Ho King Fung, Eric	—	—	—	1,000,000
Employees				
Employees	—	—	—	56,500,000
Total	—	—	—	68,000,000

Note: Mr. Teoh Chun Ming was appointed a non-executive director of the Company with effect from 1 July 2012. Mr. Teoh is also the investor relations officer of the Company.

Save as disclosed above, no option has been granted under the Share Option Scheme during the six months ended 30 June 2012. No option has been cancelled or lapsed during the six months ended 30 June 2012.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Save as disclosed below, the Company has applied the principles and complied with the code provisions in the Code on Corporate Governance Practices (expired on 31 March 2012) during the period from 1 January 2012 to 31 March 2012 and the Corporate Governance Code (effective from 1 April 2012) during the period from 1 April 2012 to 30 June 2012 contained in Appendix 14 to the Listing Rules (the "Code").

Code provision A.2.1 requires that the roles of chairman and chief executive should be separated and should not be performed by the same individual. Currently, the roles of Chairman and President of the Company are performed by Mr. Se Hok Pan. Mr. Se Hok Pan is a co-founder of the Group and was appointed director of the Company on 27 July 2007. Mr. Se is responsible for formulating overall strategic planning, business development and management of the Company and is instrumental to the Group's growth and business expansion since its establishment in 2004. The Company believes that the combination of the roles of Chairman and President can promote the efficient formulation and implementation of the Company's strategies which will enable the Group to seize business development opportunities efficiently. The Company believes that through the supervision of the Board and its independent non-executive directors, sufficient safeguards are in place to ensure balance of powers within the Board so that the interests of the shareholders are adequately and fairly represented.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its code of conduct regarding Directors' securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code throughout the six months ended 30 June 2012.

AUDIT COMMITTEE

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

Independent non-executive Directors

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

The primary responsibilities of the Audit Committee are to assist the Board in providing an independent view of the effectiveness of the Company's financial reporting process, internal control and risk management system, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board. The Audit Committee has reviewed and discussed the interim report for the six months ended 30 June 2012.

REMUNERATION COMMITTEE

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

Independent Non-executive Directors

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

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

NOMINATION COMMITTEE

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

Executive Director

Mr. Se Hok Pan *(Chairman)*

Independent Non-executive Directors

Mr. Chan Siu Wing, Raymond
Mr. Ho King Fung, Eric

The principal responsibilities of the Nomination Committee include, among other things, reviewing the structure, size and composition of the Board, identifying individuals suitably qualified to become Board members and assessing the independence of independent non-executive directors.

CORPORATE GOVERNANCE COMMITTEE

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

Executive Director

Mr. Se Hok Pan *(Chairman)*

Independent Non-executive Director

Mr. Ho King Fung, Eric

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

PURCHASES, SALE AND REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2012, the Company repurchased 3,195,000 shares on the Exchange at an aggregate consideration of HK$3,677,294 pursuant to the share repurchase mandate approved by the shareholders of the Company at the annual general meeting held on 24 May 2012. Details of the repurchases are summarised as follows:

Date of repurchase	Price per share Highest HK$	Price per share Lowest HK$	Number of ordinary shares of HK$0.01 each	Total consideration HK$
5 June 2012	1.15	1.08	1,657,000	1,838,607.20
6 June 2012	1.21	1.18	1,388,000	1,660,186.80
7 June 2012	1.19	1.19	150,000	178,500.00

The repurchased shares were subsequently cancelled and accordingly, the issued share capital of the Company was reduced by the nominal value thereof. The premium paid on repurchase was charged against the share premium of the Company. The repurchases were effected by the Board with a view to benefiting the shareholders as a whole by enhancing the net value of the Company and its assets and earnings per share.

Except as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months period ended 30 June 2012.

INTERIM DIVIDEND

The Board does not recommend any payment of interim dividend for the six months ended 30 June 2012.

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

Professor Arthur Li Kwok-Cheung, an independent non-executive director of the Company, was appointed a Member of the Executive Council of Hong Kong Special Administrative Region and an independent non-executive director of The Wharf (Holdings) Limited (Stock Code: 4) on 1 July 2012.

Mr. Ho King Fung, Eric, an independent non-executive director of the Company, resigned as a non-executive director of United Energy Group Limited (Stock Code: 467) with effect from 25 April 2012.

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

Consolidated Income Statement

For the six months ended 30 June 2012 — unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2012	2011
	Note	**RMB'000**	RMB'000
Turnover	*3*	**506,333**	698,045
Cost of sales		**(344,314)**	(462,728)
Gross profit		**162,019**	235,317
Other net income	*4(a)*	**10,603**	712
Net change in fair value of biological assets	*9*	**4,581**	2,107
Distribution costs		**(84,978)**	(64,851)
Administrative expenses		**(74,468)**	(58,538)
Other operating expenses	*4(b)*	**(9,970)**	(1,695)
Profit from operations		**7,787**	113,052
Finance income		**4,965**	9,200
Finance costs		**(3,117)**	(4,366)
Net finance income	*5(a)*	**1,848**	4,834
Profit before taxation	*5*	**9,635**	117,886
Income tax	*6(a)*	**(8,606)**	(22,646)
Profit for the period		**1,029**	95,240
Attributable to:			
Equity shareholders of the Company		**3,523**	95,240
Non-controlling interests		**(2,494)**	—
Profit for the period		**1,029**	95,240
Earnings per share (RMB):			
Basic	*7*	**0.002**	0.082
Diluted	*7*	**0.002**	0.079

The notes on pages 34 to 59 form part of this interim financial report.

Consolidated Statements of Comprehensive Income

For the six months ended 30 June 2012 — unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Profit for the period	**1,029**	95,240
Other comprehensive income/(loss) for the period		
Exchange differences on translation of financial statements of entities not using RMB as functional currency	**5,593**	(9,076)
Total comprehensive income for the period	**6,622**	86,164
Attributable to:		
Equity shareholders of the Company	**9,116**	86,164
Non-controlling interests	**(2,494)**	—
Total comprehensive income for the period	**6,622**	86,164

The notes on pages 34 to 59 form part of this interim financial report.

Consolidated Statement of Financial Position

At 30 June 2012 — unaudited
(Expressed in Renminbi)

	Note	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Non-current assets			
Property, plant and equipment	*8*	**409,930**	385,026
Intangible assets		**17,014**	6,672
Lease prepayments		**71,841**	66,161
Biological assets	*9*	**372,760**	372,962
Investments in unlisted equity securities	*10*	**14,453**	19,450
Deposits, prepayments and other receivables		**38,526**	24,257
Deferred tax assets	*6(c)*	**16,100**	11,019
		940,624	885,547
Current assets			
Inventories	*11*	**331,676**	266,438
Trade and bills receivables	*12*	**900,437**	964,106
Deposits, prepayments and other receivables		**99,165**	110,031
Pledged deposits	*13*	**12,822**	13,273
Cash and cash equivalents	*14*	**703,754**	865,638
		2,047,854	2,219,486
Current liabilities			
Trade and bills payables	*15*	**168,320**	154,186
Deposits received, accruals and other payables		**140,303**	114,078
Loans and borrowings	*16*	**110,016**	200,991
Income tax payables	*6(b)*	**7,890**	11,619
		426,529	480,874
Net current assets		**1,621,325**	1,738,612
Total assets less current liabilities		**2,561,949**	2,624,159
Non-current liabilities			
Loans and borrowings	*16*	**33,451**	57,462
Deferred tax liabilities	*6(c)*	**57,689**	54,265
Total non-current liabilities		**91,140**	111,727
NET ASSETS		**2,470,809**	2,512,432
CAPITAL AND RESERVES			
Share capital	*18*	**9,828**	9,848
Reserves		**2,459,739**	2,498,848
Total equity attributable to equity shareholders of the Company		**2,469,567**	2,508,696
Non-controlling interests		**1,242**	3,736
TOTAL EQUITY		**2,470,809**	2,512,432

The notes on pages 34 to 59 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012 — unaudited
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company								
	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Foreign currency translation reserve RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2011	775	501,919	129,153	15,461	17,234	677,725	1,342,267	—	1,342,267
Changes in equity for the six months ended 30 June 2011									
Profit for the period	—	—	—	—	—	95,240	95,240	—	95,240
Other comprehensive loss	—	—	—	(9,076)	—	—	(9,076)	—	(9,076)
Total comprehensive income	—	—	—	(9,076)	—	95,240	86,164	—	86,164
Capitalisation issue	6,552	(6,552)	—	—	—	—	—	—	—
Issuance of shares by share offer *(note 18(b))*	2,521	893,439	—	—	—	—	895,960	—	895,960
Equity settled share-based payment transactions *(note 17)*	—	—	—	—	2,526	—	2,526	—	2,526
As at 30 June 2011 and 1 July 2011	9,848	1,388,806	129,153	6,385	19,760	772,965	2,326,917	—	2,326,917
Changes in equity for the six months ended 31 December 2011									
Profit/(loss) for the period	—	—	—	—	—	210,777	210,777	(264)	210,513
Other comprehensive loss	—	—	—	(31,560)	—	—	(31,560)	—	(31,560)
Total comprehensive income	—	—	—	(31,560)	—	210,777	179,217	(264)	178,953
Contribution from a non-controlling interests holder of a subsidiary	—	—	—	—	—	—	—	4,000	4,000
Transfer to statutory surplus reserve	—	—	19,534	—	—	(19,534)	—	—	—
Equity settled share-based payment transactions	—	—	—	—	2,562	—	2,562	—	2,562
As at 31 December 2011	9,848	1,388,806	148,687	(25,175)	22,322	964,208	2,508,696	3,736	2,512,432

The notes on pages 34 to 59 form part of this interim financial report.

Consolidated Statement of Changes in Equity (continued)

For the six months ended 30 June 2012 — unaudited
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company								
	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Foreign currency translation reserve RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2012	9,848	1,388,806	148,687	(25,175)	22,322	964,208	2,508,696	3,736	2,512,432
Changes in equity for the six months ended 30 June 2012									
Profit/(loss) for the period	—	—	—	—	—	3,523	3,523	(2,494)	1,029
Other comprehensive income	—	—	—	5,593	—	—	5,593	—	5,593
Total comprehensive income	—	—	—	5,593	—	3,523	9,116	(2,494)	6,622
Dividend approved in respect of the previous year *(note 19)*	—	—	—	—	—	(52,824)	(52,824)	—	(52,824)
Purchase of own shares *(note 18(c))*									
— par value paid	(20)	—	—	—	—	—	(20)	—	(20)
— premium paid	—	(2,997)	—	—	—	—	(2,997)	—	(2,997)
Equity settled share-based payment transactions *(note 17)*	—	—	—	—	7,596	—	7,596	—	7,596
Share option lapsed during the period	—	—	—	—	(1,432)	1,432	—	—	—
As at 30 June 2012	9,828	1,385,809	148,687	(19,582)	28,486	916,339	2,469,567	1,242	2,470,809

The notes on pages 34 to 59 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2012 — unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June 2012 RMB'000	2011 RMB'000
Cash generated from operations		**105,326**	12,817
Income tax paid		**(14,007)**	(23,314)
Net cash generated from/(used in) operating activities		**91,319**	(10,497)
Net cash used in investing activities		**(77,500)**	(25,683)
Net cash (used in)/generated from financing activities		**(178,010)**	757,279
Net (decrease)/increase in cash and cash equivalents		**(164,191)**	721,099
Cash and cash equivalents as at 1 January	*14*	**865,638**	297,652
Effect of foreign exchange rate changes		**2,307**	(4,970)
Cash and cash equivalents as at 30 June	*14*	**703,754**	1,013,781

The notes on pages 34 to 59 form part of this interim financial report.

1 BASIS OF PREPARATION

(a) The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, *Interim financial reporting*, adopted by the International Accounting Standards Board ("IASB"). It was authorised for issue on 30 August 2012.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the annual consolidated financial statements of the Company for the year ended 31 December 2011, except as disclosed in note 1(b) and for the accounting policy changes that are expected to be reflected in the 2012 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 31 December 2011. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRS").

The interim financial report is unaudited but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, "*Review of interim financial information performed by the independent auditor of the entity*", issued by the Hong Kong Institute of Certified Public Accountants. KPMG's independent review report to the board of directors is included on page 60.

The financial information relating to the financial year ended 31 December 2011 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2011 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 30 March 2012.

(b) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period, the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

2 CHANGES IN ACCOUNTING POLICIES

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

- Amendments to IFRS 7, *Financial instruments: Disclosures — Transfers of financial assets*

The amendments to IFRS 7 require certain disclosures to be included in the annual financial statements in respect of all transferred financial assets that are not derecognised and for any continuing involvement in a transferred asset existing at the reporting date, irrespective of when the related transfer transaction occurred. However, an entity need not provide the disclosures for the comparative period in the first year of adoption. The Group did not have any significant transfers of financial assets in previous periods or the current period which require disclosure in the current accounting period under the amendments.

Other developments that are first effective for the current accounting period of the Group and the Company have not yet had a material impact on the Group's interim financial report and these changes will first be adopted as at and when the Group enters a relevant transaction.

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

3 TURNOVER AND SEGMENT REPORTING

(a) Turnover

The principal activities of the Group are manufacturing and sale of wood products, trademark and distribution network usage fees and trading of timber and wood products.

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

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Manufacturing and sale of wood products	**374,595**	491,431
Trademark and distribution network usage fees	**71,608**	97,917
Trading of timber and wood products	**60,130**	108,697
	506,333	698,045

There is a seasonal factor in the sales of the Group's products. In general, sales in the second half of the year will be better than the first half.

3 TURNOVER AND SEGMENT REPORTING (continued)

(b) Segment results, assets and liabilities

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

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

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

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

	Manufacturing and sale of wood products		Trademark and distribution network usage fees		Trading of timber and wood products		Total	
	Six months ended 30 June							
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Revenue from external customers	374,595	491,431	71,608	97,917	60,130	108,697	506,333	698,045
Inter-segment revenue	189	198	—	—	12,769	—	12,958	198
Reportable segment revenue	374,784	491,629	71,608	97,917	72,899	108,697	519,291	698,243
Reportable segment profit/(loss)	9,132	66,192	18,361	57,472	(3,482)	12,124	24,011	135,788
Depreciation and amortisation for the period	(15,608)	(13,854)	—	—	(970)	(1,319)	(16,578)	(15,173)
Net impairment losses recognised for trade receivables during the period	(12,883)	(2,550)	—	—	—	(1,389)	(12,883)	(3,939)

3 TURNOVER AND SEGMENT REPORTING (continued)

(c) Reconciliations of reportable segment revenues and profits

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Revenue		
Reportable segment revenue	**519,291**	698,243
Elimination of inter-segment revenue	**(12,958)**	(198)
Consolidated revenue	**506,333**	698,045
Profit		
Reportable segment profit	**24,011**	135,788
Elimination of inter-segment profits	**(1,014)**	(15)
Reportable segment profit derived from external customers	**22,997**	135,773
Other net income	**10,603**	712
Net change in fair value of biological assets	**4,581**	2,107
Other operating expenses	**(9,970)**	(1,695)
Depreciation and amortisation	**(5,068)**	(2,035)
Net finance income	**1,848**	4,834
Unallocated head office and corporate expenses	**(15,356)**	(21,810)
Consolidated profit before taxation	**9,635**	117,886

(d) 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 (together the "PRC Region").

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.

3 TURNOVER AND SEGMENT REPORTING (continued)

(d) Geographic information (continued)

	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Specified non-current assets		
The PRC Region	**736,164**	723,520
Peru	**135,337**	107,252
USA	**44**	49
	871,545	830,821

4 OTHER NET INCOME/OTHER OPERATING EXPENSES

(a) Other net income

	Six months ended 30 June 2012 RMB'000	2011 RMB'000
Government grants	**9,931**	240
Net gain on forward exchange transactions *(note)*	**200**	—
Others	**472**	472
	10,603	712

(b) Other operating expenses

	Six months ended 30 June 2012 RMB'000	2011 RMB'000
Change in fair value of forward foreign exchange transactions *(note)*	**1,748**	—
Net loss on disposal of property, plant and equipment	**596**	275
Impairment loss for investment in unlisted equity securities *(note 10)*	**4,997**	—
Donations	**58**	1,300
Others	**2,571**	120
	9,970	1,695

4 OTHER NET INCOME/OTHER OPERATING EXPENSES (continued)

(b) Other operating expenses (continued)

Note: *The Group entered into a forward exchange contract with aggregate notional contract amount of USD24,000,000 during the six months ended 30 June 2012 (2011: Nil). The forward exchange contract consists of 24 foreign exchange transactions and the outstanding forward exchange transactions as at 30 June 2012 expire within 2 years. The change in fair value of the forward exchange transactions was recognised in profit or loss.*

The Group does not adopt hedge accounting since the management considers that the adoption of hedge accounting would require an assessment of the effectiveness of the hedge on an ongoing basis, and, therefore, involve an expense and delay out of proportion to the value to the shareholders of the Company.

5 PROFIT BEFORE TAXATION

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

(a) Finance income and finance costs

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Interest income on bank deposits	**(2,179)**	(1,854)
Net foreign exchange gain	**(2,786)**	(7,346)
Finance income	**(4,965)**	(9,200)
Interest expense on bank loans	**3,117**	4,366
Finance costs	**3,117**	4,366
Net finance income recognised in profit or loss	**(1,848)**	(4,834)

5 PROFIT BEFORE TAXATION (CONTINUED)

(b) Other items

	Note	Six months ended 30 June 2012 RMB'000	2011 RMB'000
Cost of inventories	*11*	**341,609**	460,705
Net impairment loss recognised for receivables	*12(b)*	**12,883**	3,939
Impairment loss for investment in unlisted equity securities		**4,997**	—
Depreciation		**20,218**	16,171
Amortisation		**1,428**	1,037
Operating lease charges		**9,067**	3,296

6 INCOME TAX

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

	Six months ended 30 June 2012 RMB'000	2011 RMB'000
Current tax		
Provision for PRC income tax	**10,276**	18,722
Provision for income tax from subsidiaries in other jurisdictions	**2**	408
	10,278	19,130
Deferred tax		
Origination and reversal of temporary differences	**(1,672)**	3,516
	8,606	22,646

6 INCOME TAX (continued)

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

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Profit before taxation	**9,653**	117,886
Notional tax on profit before taxation, calculated at the rates applicable to the jurisdictions concerned *(i)*	**2,409**	29,472
Tax effect of non-deductible expenses	**3,413**	5,210
Tax effect of non-taxable income	**(611)**	(2,986)
Deferred tax recognised at different tax rates	**—**	(356)
Tax effect of un-recognised tax losses	**4,582**	(192)
Tax effect of un-recognised temporary differences	**466**	(134)
Effect of tax concessions *(ii)*	**(5,679)**	(13,450)
Under-provision in prior year	**1,195**	—
Tax effect of withholding tax on distributable profits *(iii)*	**2,831**	5,082
Income tax expense	**8,606**	22,646

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

No provision for United States profits tax was made since the Group had no assessable profits subject to United States Profits Tax for the six months ended 30 June 2012 and 2011.

No provision for Hong Kong Profits Tax for the six months ended 30 June 2012 and 2011 as the Group had no assessable profits subject to Hong Kong Profits Tax.

The Group's subsidiaries incorporated in Macau were subject to income tax at progressive rates from 9% to 12% for profits higher than Macau Pataca 200,000 on an annual basis for the six months ended 30 June 2012 and 2011.

The Group's subsidiaries incorporated in Peru were subject to income tax rates of 5% for the six months ended 30 June 2012 and 2011.

The PRC's statutory income tax rate is 25% for the six months ended 30 June 2012 and 2011.

(ii) Prior to 1 January 2008, some of the Group's PRC entities, being manufacturing foreign invested enterprises, were each entitled to a tax holiday of two-year full exemption followed by three-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").

6 INCOME TAX (continued)

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

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC (the "CIT Law"), which became effective on 1 January 2008. The CIT Law and its relevant regulations grandfathered 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:

- Yingyi-Nature (Kunshan) Wood Industry Co., Ltd. is subject to income tax at 12.5% from 2010 to 2012; and

- Guangdong Yingran Wood Industry Co., Ltd. was subject to income tax at 12.5% from 2009 to 2011

(iii) 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% for profits earned since 1 January 2008, unless reduced by tax treaties or arrangements. 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 is eligible 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%.

(c) Income tax in the consolidated statement of financial position represents:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
PRC income tax payable	**6,962**	10,696
Income tax payable from other subsidiaries in other jurisdictions	**928**	923
	7,890	11,619

6 INCOME TAX (continued)

(d) Deferred tax recognised:

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

	Write-downs of inventories RMB'000	Impairment of receivables RMB'000	Unused tax losses RMB'000	Unrealised profit in inventories RMB'000	Impairment of investments in unlisted equity securities RMB'000	Capitalised borrowing cost RMB'000	Withholding tax on undistributed profits of subsidiaries RMB'000	Change in fair value of biological assets RMB'000	Total RMB'000
As at 1 January 2011	(2,586)	(757)	(1,532)	(1,864)	—	630	33,931	3,739	31,561
(Credited)/charged to profit or loss	(209)	(1,490)	(2,402)	(179)	—	(10)	16,147	9	11,866
Credited to foreign currency translation reserve	—	—	—	—	—	—	—	(181)	(181)
As at 31 December 2011	(2,795)	(2,247)	(3,934)	(2,043)	—	620	50,078	3,567	43,246
As at 1 January 2012	**(2,795)**	**(2,247)**	**(3,934)**	**(2,043)**	**—**	**620**	**50,078**	**3,567**	**43,246**
(Credited)/charged to profit or loss	**(109)**	**(3,524)**	**(442)**	**243**	**(1,249)**	**(12)**	**2,848**	**573**	**(1,672)**
Charged to foreign currency translation reserve	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**15**	**15**
As at 30 June 2012	**(2,904)**	**(5,771)**	**(4,376)**	**(1,800)**	**(1,249)**	**608**	**52,926**	**4,155**	**41,589**

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Deferred tax assets recognised on the consolidated statement of financial position	**(16,100)**	(11,019)
Deferred tax liabilities recognised on the consolidated statement of financial position	**57,689**	54,265
	41,589	43,246

6 INCOME TAX (continued)

(e) Amounts of deductible temporary differences and unused tax losses for which no deferred tax asset is recognised

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Deductible temporary differences	**3,759**	616
Unused tax losses	**57,918**	38,560
	61,677	39,176

No deferred tax assets have been recognised in respect of these items because it is not probable that future taxable profits will be available against which the Group can utilise the related benefits. As at 30 June 2012, unused tax losses of RMB914,000, RMB4,059,000, RMB6,940,000, RMB16,849,000 and RMB23,756,000 (31 December 2011: RMB1,343,000, RMB9,526,000, RMB8,206,000 and RMB17,118,000), if unused, will expire by 2013, 2014, 2015, 2016 and 2017 (31 December 2011: 2013, 2014, 2015 and 2016), respectively. Further, unused tax losses of RMB5,400,000 (31 December 2011: RMB2,367,000) do not expire under current tax legislation.

7 EARNINGS PER SHARE

(a) Basic earnings per share

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

(i) Profit attributable to ordinary equity shareholders of the Company of RMB3,523,000 (2011: RMB95,240,000).

(ii) Weighted average number of ordinary shares

	Six months ended 30 June	
	2012 '000	2011 '000
Issued ordinary shares at 1 January	**1,508,265**	70,000
Effect of conversion of preference shares to ordinary shares *(note18(b))*	**—**	9,746
Effect of capitalisation issue *(note18(b))*	**—**	1,008,000
Effect of repurchase and cancellation of own shares *(note 18(b))*	**(195)**	—
Effect of issuance of shares by share offer	**—**	77,224
Weighted average number of ordinary shares at 30 June	**1,508,070**	1,164,970

7 EARNINGS PER SHARE (continued)

(b) Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 30 June 2012 is based on the profit attributable to ordinary equity shareholders after adjusting for the effects of all dilutive potential shares under the Company's share option plan.

The calculation of diluted earnings per share for the six months ended 30 June 2011 is based on the profit attributable to ordinary equity shareholders after adjusting for the effects of all dilutive potential shares under the Company's share option plan and convertible preference shares.

The calculation of diluted earnings per share is based on the following data:

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

	Six months ended 30 June	
	2012	2011
	'000	'000
Weighted average number of ordinary shares as at 30 June	**1,508,070**	1,164,970
Effect of deemed conversion of contingently issuable shares	**—**	32,254
Effect of deemed issue of shares under the Company's share option plan for nil consideration *(note 17)*	**46**	1,828
Weighted average number of ordinary shares (diluted) as at 30 June	**1,508,116**	1,199,052

8 PROPERTY, PLANT AND EQUIPMENT

	Buildings & plant RMB'000	Leasehold improvement RMB'000	Machinery & equipment RMB'000	Motor vehicles RMB'000	Office equipment & furniture RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
As at 31 December 2011 and 1 January 2012	160,014	—	257,649	23,385	9,513	16,993	467,554
Additions	8,060	7,454	14,671	2,799	1,542	13,254	47,780
Transfer from construction in progress	3,928	3,385	5,034	—	—	(12,347)	—
Exchange adjustments	1	—	98	268	5	—	372
Disposals	—	—	(3,498)	(179)	(164)	—	(3,841)
As at 30 June 2012	172,003	10,839	273,954	26,273	10,896	17,900	511,865
Accumulated depreciation:							
As at 31 December 2011 and 1 January 2012	(12,940)	—	(57,411)	(7,932)	(4,245)	—	(82,528)
Charge for the period	(3,213)	(2,314)	(11,508)	(2,263)	(920)	—	(20,218)
Exchange adjustments	—	—	4	(76)	—	—	(72)
Disposals	—	—	832	23	28	—	883
As at 30 June 2012	(16,153)	(2,314)	(68,083)	(10,248)	(5,137)	—	(101,935)
Carrying amounts:							
As at 30 June 2012	155,850	8,525	205,871	16,025	5,759	17,900	409,930
As at 31 December 2011	147,074	—	200,238	15,453	5,268	16,993	385,026

As at 30 June 2012 and 31 December 2011, certain property, plant and equipments were pledged as securities for loans and borrowings (note 16).

9 BIOLOGICAL ASSETS

	Standing timber RMB'000
As at 31 December 2011 and 1 January 2012	372,962
Change in fair value less estimated costs to sell	4,581
Harvested timber transferred to inventories	(5,127)
Effect of movements in exchange rate	344
As at 30 June 2012	372,760

As at 30 June 2012 and 31 December 2011, the Group's biological assets represented the concession rights in Peru to harvest standing timber in 46,347 hectares of natural forest in Peru for 40 years up to 2045, the concession rights to harvest standing timber in 4,445 hectares of natural forest in Yunnan Ninglang for a period through the year 2060 or 2078 and the concession rights to harvest standing timber in 3,718 hectares of natural forest in Yunnan Yingjiang for a period through the year 2041 or 2042.

The fair values of the standing timber as at 30 June 2012 and 31 December 2011 were valued by an independent valuation firm engaged by the Group, Pöyry (Beijing) Consulting Company Limited, Shanghai Branch ("Pöyry"). Pöyry 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 rates adopted for the Peru, Yunnan Ninglang and Yunnan Yingjiang forest were 12.0%, 11.5% and 11.5%, respectively.

10 INVESTMENTS IN UNLISTED EQUITY SECURITIES

	As at 30 June 2012 **RMB'000**	As at 31 December 2011 RMB'000
As at 1 January	**19,450**	19,450
Impairment loss recognised during the period/year *(note)*	**(4,997)**	—
As at 30 June/31 December	**14,453**	19,450

(Expressed in Renminbi)

10 INVESTMENTS IN UNLISTED EQUITY SECURITIES (continued)

At 30 June 2012, the Group had direct equity interest in the following unlisted PRC incorporated entities:

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

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

Note: During the six months ended 30 June 2012, impairment loss on investments in unlisted equity securities was recognised as evidences were available from internal reporting that indicated that the economic performances of these investees are, or will be, worse than expected. The impairment loss for investments in unlisted equity securities was measured as the difference between the carrying amount of the investment cost and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset.

11 INVENTORIES

	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Raw materials	**99,870**	83,610
Work in progress	**42,671**	27,251
Finished goods	**169,917**	142,353
Spare parts and consumables	**19,218**	13,224
	331,676	266,438

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

	Six months ended 30 June 2012 RMB'000	2011 RMB'000
Carrying amount of inventories sold	**340,803**	453,417
Write-downs of inventories	**806**	7,288
	341,609	460,705

12 TRADE AND BILLS RECEIVABLES

	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Trade debtors	**846,453**	798,915
Bills receivable *(note)*	**78,445**	176,769
Less: allowance for doubtful debts *(note 12(b))*	**(24,461)**	(11,578)
	900,437	964,106

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

Note: As at 30 June 2012, RMB59,556,000 bills receivables (31 December 2011: RMB126,622,000) have been pledged to banks as security in connection with certain banking facilities (note 16).

12 TRADE AND BILLS RECEIVABLES (continued)

(a) Ageing analysis

The ageing analysis of trade and bills receivables (net of allowance for doubtful debts) as of the end of the reporting period is as follows:

	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Current	424,811	774,642
Less than 3 months past due	125,991	89,272
More than 3 months but less than 12 months past due	334,049	90,472
More than 12 months past due	15,586	9,720
Amount past due	475,626	189,464
	900,437	964,106

Credit terms granted by the Group to customers generally range from 30 to 180 days.

(b) Impairment loss of trade debtors and bills receivable

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

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

	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
As at 1 January	11,578	5,615
Impairment loss recognised during the period/year	19,038	8,458
Reversal of impairment loss recognised during the period/year	(6,155)	(2,495)
As at 30 June/31 December	24,461	11,578

12 TRADE AND BILLS RECEIVABLES (continued)

(b) Impairment loss of trade debtors and bills receivable (continued)

As at 30 June 2012, the Group's trade receivables of RMB26,396,000 (31 December 2011: RMB12,594,000) were individually determined to be impaired. The individually impaired receivables related to customers that have indicated that they are not expecting to be able to pay their outstanding balances, mainly due to economic circumstances and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of RMB24,461,000 as at 30 June 2012 were recognised (31 December 2011: RMB11,578,000).

13 PLEDGED DEPOSITS

As at 30 June 2012, deposits of RMB12,822,000 (31 December 2011: RMB13,273,000) had been placed with banks as securities for the issuance of letter of credit for construction projects and purchase of raw materials.

14 CASH AND CASH EQUIVALENTS

	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Cash in hand	**159**	143
Cash at banks	**703,595**	865,495
Cash and cash equivalents	**703,754**	865,638

15 TRADE AND BILLS PAYABLES

	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Trade payables	158,510	136,478
Bills payable	9,810	17,708
	168,320	154,186

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

The ageing analysis of trade and bills payables as of the end of the reporting period is as follows:

	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Due within 1 month or on demand	97,154	90,992
Due after 1 month but within 3 months	52,935	50,623
Due after 3 months but within 6 months	5,947	9,676
Due after 6 months but within 12 months	12,284	2,895
	168,320	154,186

16 LOANS AND BORROWINGS

	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Current:		
— secured *(note (i))*	76,005	143,004
— unsecured *(note (ii))*	34,011	57,987
	110,016	200,991
Non-current:		
— secured *(note (i))*	24,565	35,492
— unsecured *(note (ii))*	8,886	21,970
	33,451	57,462
	143,467	258,453

Notes:

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

	At 30 June 2012 RMB'000	*At 31 December 2011 RMB'000*
Property, plant and equipment (note 8)	*86,190*	*91,937*
Lease prepayments	*21,638*	*21,895*
Bills receivable (note 12)	*59,556*	*126,622*
	167,384	*240,454*

The secured loan facilities, totalling RMB100,570,000 as at 30 June 2012 (31 December 2011: RMB178,496,000), were fully utilised as at 30 June 2012 (and 31 December 2011).

(ii) *As at 31 December 2011, bank loans of RMB662,000 was subject to the fulfillment of covenants relating to certain of the Group's statement of financial position ratios. These bank loans were released during the six months ended 30 June 2012.*

Unused unsecured loan facilities as at 30 June 2012 amounted to RMB288,525,000 (31 December 2011: RMB452,310,000).

(iii) *All of the non-current bank loans are carried at amortised cost. None of the non-current bank loans is expected to be settled within one year.*

17 SHARE-BASED PAYMENTS

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

	Note	Six months ended 30 June 2012 RMB'000	2011 RMB'000
Share-based payment transactions			
— Pre-IPO share option scheme	*(a)*	**2,327**	2,526
— Post-IPO share option scheme	*(b)*	**5,269**	—
		7,596	2,526

(a) Pre-IPO share option scheme

The Company adopted a share option scheme on 16 December 2008 (the "Pre-IPO Share Option Scheme"). On 17 December 2008, share options were granted under the Pre-IPO Share Option Scheme whereby the directors of the Company were authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up share options at a consideration of Hong Kong Dollar (HKD) 1 (equivalent to RMB0.882 as at the date of grant). Each option entitles the option holders to subscribe one ordinary share of the Company (the "2008 Option").

Pursuant to the written resolution of the shareholders of the Company passed on 30 June 2010, share options were granted under the Pre-IPO Share Option Scheme on 1 July 2010, whereby the directors of the Company were authorised, at their discretion, to invite employees of the Group, to take up share options at a consideration of HKD1 (equivalent to RMB0.8714 at the date of grant). Each option entitles the option holders to subscribe one ordinary share of the Company (the "2010 Options").

The Pre-IPO Share Option Scheme was automatically terminated upon the Company's listing date on 26 May 2011. No further options shall be granted but in all other respects the provisions of the Pre-IPO Share Option Scheme shall remain in force. The 2008 Options and 2010 Options granted and accepted prior to the termination but not yet exercised shall continue to be valid and exercisable in accordance with the Pre-IPO Share Option Scheme.

(b) Post-IPO share option scheme

Pursuant to the written resolution of the shareholders of the Company passed on 3 May 2011, the Company conditionally adopted a new share option scheme (the "Post-IPO Share Option Scheme"), which shall be valid and effective for a period of ten years commencing on the Company's listing date on 26 May 2011.

Pursuant to the board minutes of the Company passed on 4 January 2012, 68,000,000 share options were granted under the Post-IPO Share Option Scheme on 4 January 2012, whereby the directors of the Company were authorised, at their discretion, to invite employees of the Group, to take up share options at a consideration of HKD1 (equivalent to RMB0.8111 at the date of grant). Each option entitles the option holders to subscribe to one ordinary share of the Company at an exercise price of HKD1.45.

17 SHARE-BASED PAYMENTS (continued)

(b) Post-IPO share option scheme (continued)

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

Date granted	Vesting period	Exercise period	Options granted Directors '000	Options granted Employees '000	Total '000
4 January 2012	4 January 2012 to 4 January 2015	5 January 2015 to 4 January 2022	10,000	58,000	68,000

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

18 SHARE CAPITAL

(a) Authorised:

	As at 30 June 2012 and 31 December 2012 Number of shares	As at 30 June 2012 and 31 December 2012 Nominal value of shares US$'000
Ordinary shares of USD0.001 each	4,000,000,000	4,000

18 SHARE CAPITAL (continued)

(b) Issued and fully paid:

	Ordinary shares		
	Number of shares	**Nominal value of fully paid shares** US$'000	**Nominal value of fully paid shares** RMB'000
As at 1 January 2011	70,000,000	70	490
Conversion of convertible preference shares to ordinary shares	41,999,999	42	285
Capitalisation issue	1,007,999,991	1,008	6,552
Shares issued by share offer	388,265,000	388	2,521
As at 31 December 2011 and 1 January 2012	1,508,264,990	1,508	9,848
Repurchase and cancellation of own shares	(3,195,000)	(3)	(20)
As at 30 June 2012	1,505,069,990	1,505	9,828

(c) Purchase of own shares:

During the interim period, the Company repurchased its own ordinary shares on The Stock Exchange of Hong Kong Limited as follows:

	Number of shares repurchased	**Highest price paid per share** HK$	**Lowest price paid per share** HK$	**Aggregate price paid** HK$'000
June 2012	3,195,000	1.21	1.08	3,702

The repurchased shares were cancelled and the issued share capital of the Company was reduced by the nominal value of these shares. An amount equivalent to par value of the shares cancelled of HK$25,000 (equivalent to RMB20,000) was deducted from share capital. The premium paid on the repurchase of the shares of HK$3,677,000 (equivalent to RMB2,997,000) was charged to share premium.

19 DIVIDENDS

(i) No dividend has been proposed by the Company attributable to the six months ended 30 June 2012 and 2011.

(ii) Dividends payables to equity shareholders of the Company attributable to the previous financial year, approved and paid during the interim period:

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Dividend for the previous year, approved and paid during the interim period	**52,824**	—

20 COMMITMENTS

(a) Capital commitments

Capital commitments outstanding as at 30 June 2012 not provided for in the interim financial report are as follows:

	As at 30 June 2012	As at 31 December 2011
	RMB'000	RMB'000
Contracted for	**3,378**	1,294
Authorised but not contracted	**—**	3,670

(b) Operating lease commitments

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

	As at 30 June 2012	As at 31 December 2011
	RMB'000	RMB'000
Within 1 year	**8,800**	6,681
After 1 year but within 3 years	**11,227**	7,882
After 3 year but within 5 years	**9,649**	3,968
After 5 years	**14,999**	9,722
	44,675	28,253

21 MATERIAL RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2012, the directors are of the view that the following were related parties of the Group:

Name of Related Party	Relationship
Mr Se Hok Pan and Ms Un Son I	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
M & M Real Estate Investment Company Limited	A company wholly-owned by controlling shareholders

(i) Sales of wood flooring products to related parties

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
She Zhuo Teng	**—**	63

(ii) Operating lease charges paid to related parties

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
M & M Real Estate Investment Company Limited	**136**	141

22 SUBSEQUENT EVENT

In July 2012, the Company repurchased its own ordinary shares on The Stock Exchange of Hong Kong Limited as follows:

	Number of shares repurchased	**Highest price paid per share** HK$	**Lowest price paid per share** HK$	**Aggregate price paid** HK$'000
July 2012	9,354,000	1.50	1.18	13,463

The repurchased shares were cancelled and the issued share capital of the Company was reduced by the nominal value of these shares on 31 July 2012.

Review report to the board of directors of China Flooring Holding Company Limited
(Incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 28 to 59, which comprises the consolidated statement of financial position of China Flooring Holding Company Limited and its subsidiaries (together "the Group") as of 30 June 2012 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, "*Interim financial reporting*", adopted by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "*Review of interim financial information performed by the independent auditor of the entity*", issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2012 is not prepared, in all material respects, in accordance with International Accounting Standard 34, "*Interim financial reporting*".

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

30 August 2012