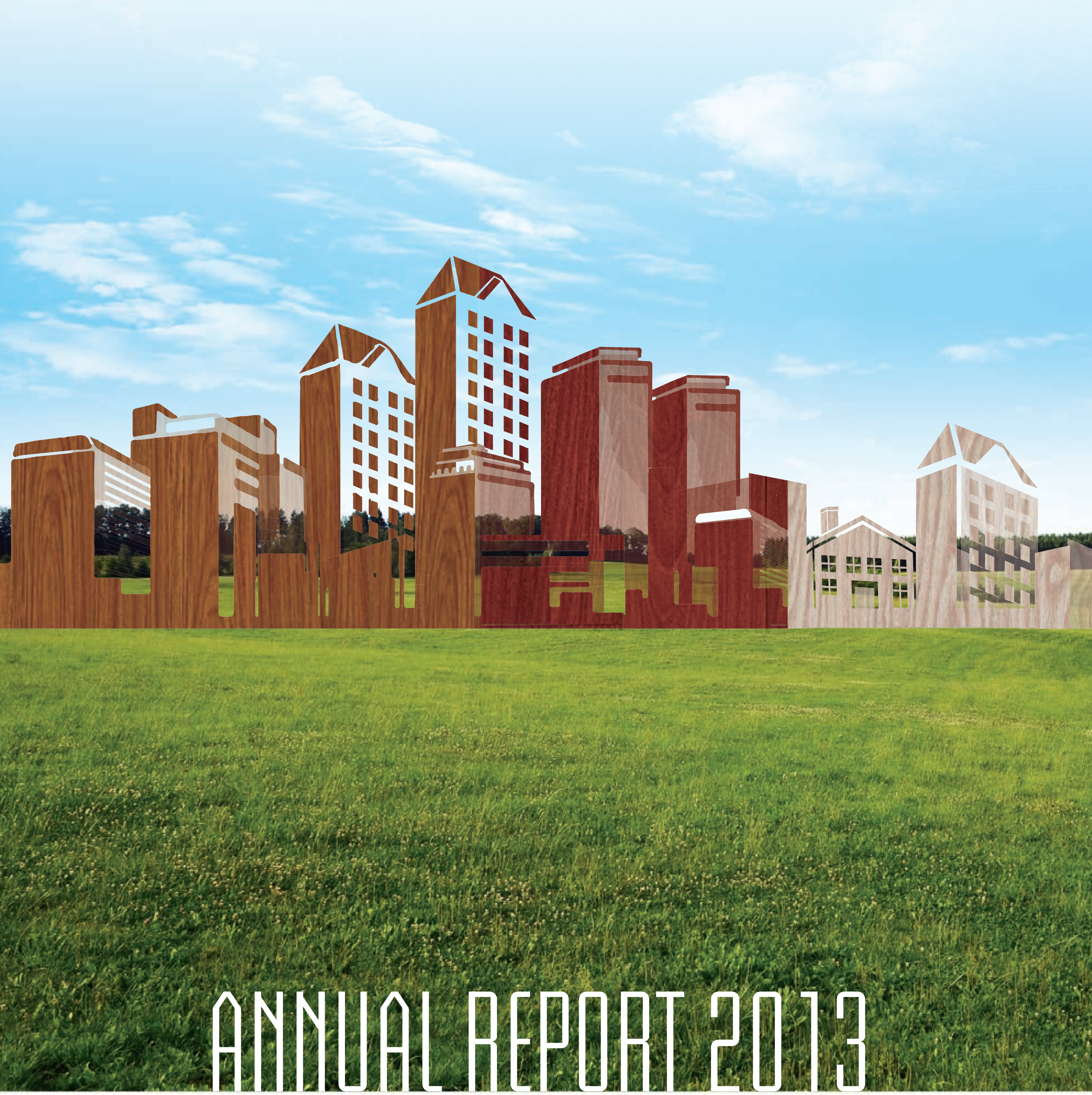
大自然地板
Nature

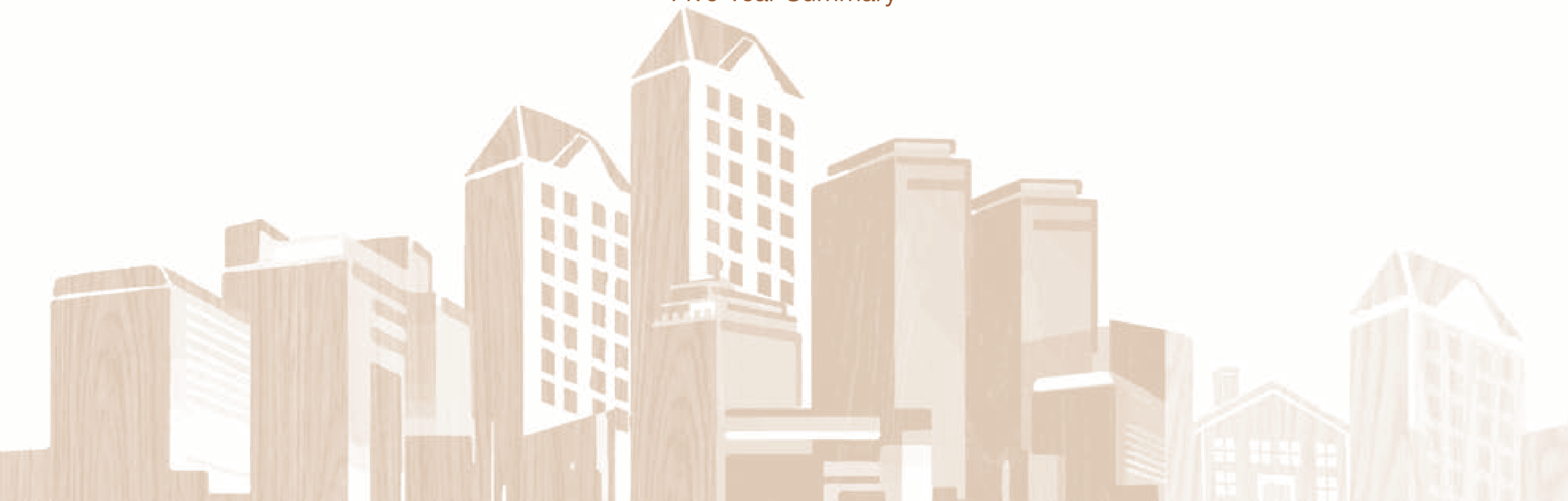


ANNUAL REPORT 2013

Nature Flooring Holding Company Limited

(Incorporated in the Cayman Islands with limited liability)
Stock code: 2083

Contents



Corporate Information

Board of Directors

Executive Directors

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

Non-executive Directors

Mr. Homer Sun
Mr. Teoh Chun Ming

Independent non-executive Directors

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

Alternate Director

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Corporate Governance Committee

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

Executive Committee

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

Company Secretary

Mr. Tsang Chun Yiu

Authorised Representatives

Mr. Se Hok Pan
Mr. Tsang Chun Yiu

Auditors

KPMG

Principal Bankers

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

Suite 2601, 26/F,
Tower 2, The Gateway, Harbour City
Tsim Sha Tsui, Kowloon
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

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

Hong Kong Branch Share Registrar and Transfer Office

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

Website

www.nature-flooring.com.hk

Stock Code

2083

Management Discussion and Analysis

Business Review

For the year ended 31 December 2013 (the "Year"), the real-estate market in the People's Republic of China (the "PRC") were relatively stable as compared with last year. Nevertheless, Nature Flooring Holding Company Limited (the "Company") and its subsidiaries (the "Group") still encountered various challenges in the Year owing to the increasing cost of human resources and production in the PRC together with the intensified industry competition. Amidst the challenges, the Group has strengthened its brand building and sales efforts and strived for international market expansion. Hence, the Group regained growth in its flooring business for the Year, with an increase of 33.2% in overall turnover when compared to the corresponding period of last year. In respect of manufacturing and sale of wood products, trademarks and distribution network usage fees, and trading of timber and wood products, the Group recorded an increase in turnover of approximately 22.8%, 33.8% and 94.3%, respectively. Moreover, a total of 22,872,000 square meters of our branded flooring products were sold during the Year (for the year ended 31 December 2012: 18,004,000 square meters), representing an increase of 27.0%.

During the Year, the Group endeavored to enlarge its market share through a range of major sales and promotion campaigns successfully conducted in certain PRC cities, including "3.15" and "Let's Go Shopping Sprees". The Group also expanded its business in the United States ("U.S.") during the Year by establishing various sales channels and thus, reporting a significant growth in its overseas business.

1. Manufacturing and sale of wood products

The Group's wood products are mainly floorings, wooden doors, wardrobes and cabinets. For the year ended 31 December 2013, the turnover for the Group's manufacturing and sale of wooden products business was RMB991,179,000 (for the year ended 31 December 2012: RMB807,060,000), representing an increase of 22.8%. Such increase is principally attributable to the continued recovery of the Group's flooring business and the increased sales in flooring products.

The business of manufacturing and sale of flooring products

In terms of the business of manufacturing and sale of flooring products, the Group's flooring products are mainly laminated floorings and solid wood engineered floorings. In respect of its flooring store network, the Group has established a sound and extensive sales network in the PRC. The Group has also entered into cooperation agreements with a number of renowned foreign brands, becoming a major PRC distributor of such brands. As at 31 December 2013, the flooring stores numbered 3,338 (31 December 2012: 3,269) in total. Of which, there were 1,917 "Nature" stores (31 December 2012: 2,044), 1,130 "Nature • No. 1 My Space" stores (31 December 2012: 1,009), 155 "Nature • Aesthetics" stores (31 December 2012: 167), and 71 foreign imported brand stores (31 December 2012: 22).

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

In 2011, the Group started household products business leveraging on its "Nature" brand and network. Since then, the Group has been gradually achieving its goal of integration of household products. The business of wooden doors, wardrobes and cabinets is one of the core businesses of the Group. By leveraging the brand recognition of "Nature", the Group has created two sub-brands, namely "Nature Wooden Doors" and "Nature Vanessa" to further tap into this business. In respect of wooden doors business, loss was recorded for the Year. The higher production costs of our wooden doors business had an adverse impact on the Group's overall gross profit margin. Notwithstanding, the Group has set up a plant in Taizhou City, Jiangsu Province, the PRC (the "Taizhou Plant") which officially opened in late February 2014 and has already commenced its trial production. It is the largest plant among the wooden doors business of the Group with advanced production equipment imported from overseas. We expect Taizhou Plant, upon its commercial production, will facilitate the reduction of production cost of wooden doors and the improvement of the relevant business. As at 31 December 2013, there were 400 (31 December 2012: 300) wooden door stores in total.

On the front of wardrobes and cabinets operation, loss was recorded for the Year, which was mainly due to the higher production cost and the unsatisfactory business performance. The Group will devote additional resources into the wardrobe and cabinets business to minimize its cost and continue to leverage the brand recognition of "Nature" to expand sales. Furthermore, the Group has entered into a strategic cooperation agreement with a renowned German kitchen cabinet brand and becomes its exclusive distributor in the PRC. Such strategic cooperation is conducive to creating synergy in the PRC market. As at 31 December 2013, there were 142 (31 December 2012: 124) wardrobe and cabinets stores in total.

2. Trademark and distribution network usage fees

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

During the Year, the turnover generated from trademark and distribution network usage fees increased by 33.8% to RMB235,016,000 from approximately RMB175,641,000 in 2012, which was principally attributable to the increased sales volumes of the wood flooring products manufactured by our authorised manufacturers.

3. Trading of timber and wood products

Our subsidiaries located in the U.S. purchase flooring products from our owned plants, authorised manufacturers and other flooring manufacturers. They then resell these products to their customers in overseas markets. During the Year, the Group has enhanced its business development in the U.S. by establishing additional sales channels, which drove a significant growth in the Group's turnover for the trading of wood flooring products in the U.S.. This year, revenue from the Group's trading business of timber and wood products was approximately RMB262,754,000 (for the year ended 31 December 2012: approximately RMB135,203,000), representing a considerable increase of 94.3%.

4. Forest Resources Business

As at 31 December 2013, the Group owned the land use rights and forestry concessions of 8,151 hectares of forest assets in Yunnan Province, the PRC and of 138,099 hectares of forest assets in Loreto Province, Peru. These forest assets contain several species of trees which are used in the production of premium solid wood flooring products. The Group ensured itself and its authorised manufacturers can enjoy steady supply of high quality woods by enhancing its control on wood resources.

On 15 January 2013, the Company entered into a loan agreement (the "Loan Agreement") with International Finance Corporation ("IFC"), a member of the World Bank group and a shareholder of the Company holding approximately 7.29% of the issued share capital of the Company as at the date of this report, whereby IFC agreed to lend and the Company agreed to borrow a term loan of up to US$30,000,000 (the "Term Loan") and a convertible loan of up to US$10,000,000 (the "Convertible Loan", together with the Term Loan, the "Loan"). The Company drew down in full the Term Loan and the Convertible Loan on 31 May 2013. The Loan was intended to be used wholly for funding the acquisition by the Group of forest plantations in the PRC for wood supply in the PRC and related working capital needs.

Since the date of first disbursement of the Loan, being 31 May 2013, the Group had not entered into any definitive agreement for the acquisition of any forest plantations in the PRC as the Company was of the view that the target forestry plantation in the PRC which the Group had identified may not meet the investment hurdle set by the Group after the business and legal due diligence process and the Group had not identified any other target forestry plantation in the PRC. As such, on 17 September 2013, the Company entered into a prepayment agreement with IFC (the "Prepayment Agreement"), pursuant to which, the Company prepaid the Term Loan of US$30,000,000 and the Convertible Loan of US$10,000,000 in full on 18 September 2013. The Group currently does not have any acquisition target in forestry resources.

Prospect

In the PRC market, our self-owned “Nature” brand has been successfully positioned among consumers to represent high product quality and product safety as well as health and environmental awareness. The Group will pursue to enhance the brand equity of “Nature”. We believe that consumer recognition of the brand will be greatly beneficial to the retention of our authorised manufacturers and exclusive distributors and in turn, providing steady income stream to the Group. With the stable growth of the PRC economy, the Group will continue to strive for maintaining sustainable business development drawing on our brand recognition, solid business foundation and distribution network and by adjusting and consolidating our businesses in line with economic trend of the market. Moreover, on the completion of the infrastructures of the Group’s wooden doors, wardrobes and cabinets business, we will focus on further development in the business of wooden doors, wardrobes and cabinets with our “Nature” brand and continuously implement our strategy of integrating household products and enhancing household brand, so as to maximize the efficiency in sales with the household brand.

In the overseas market, the gradual recovery of the global economy, in particular the economy of the U.S., creates a favorable environment for the development of the Group’s overseas business. In tandem with reinforcing the business expansion in the PRC market, the Group will continue to further broaden its coverage in international markets and seek to capture opportunities in overseas investment and development.

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 represents 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 and 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 flooring products.

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

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

	Years ended 31 December		
	2013 RMB'000	2012 RMB'000	Growth rate %
Revenue			
Manufacturing and sale of wood products	**991,179**	807,060	22.8
Trademark and distribution network usage fees	**235,016**	175,641	33.8
Trading of timber and wood products	**262,754**	135,203	94.3
Total	**1,488,949**	1,117,904	33.2

For the year ended 31 December 2013, the Group recorded a revenue of approximately RMB1,488,949,000 representing an increase of 33.2% as compared with approximately RMB1,117,904,000 recorded in 2012.

Revenue from manufacturing and sale of wood products increased by 22.8% to approximately RMB991,179,000 in 2013 from approximately RMB807,060,000 in 2012 and the revenue from trademark and distribution network usage fees increased by 33.8% to approximately RMB235,016,000 in 2013 from approximately RMB175,641,000 in 2012. They were mainly attributable to the increase in consumer demand on our branded wood products in the PRC.

Revenue from trading of timber and wood products increased by 94.3% to approximately RMB262,754,000 in 2013 from approximately RMB135,203,000 in 2012. It was mainly due to the significant increase in demand of our 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 costs. The major raw materials used in our own manufacturing activities are timber, veneers, fiberboards and plywood. Labor costs consist of salaries, wages and other benefits we paid to our production staff. Overhead costs primarily include utilities, depreciation and others.

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

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

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

	Years ended 31 December		
	2013 RMB'000	2012 RMB'000	Growth rate %
Cost of Sales			
Manufacturing and sale of wood products	766,245	636,264	20.4
Trademark and distribution network usage fees	4,787	9,079	(47.3)
Trading of timber and wood products	217,319	117,958	84.2
Total	988,351	763,301	29.5

Gross Profit and Gross Profit Margin

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

	Year ended 31 December		
	2013 RMB'000	2012 RMB'000	Growth rate %
Gross Profit			
Manufacturing and sale of wood products	224,934	170,796	31.7
Trademark and distribution network usage fees	230,229	166,562	38.2
Trading of timber and wood products	45,435	17,245	163.5
Total	500,598	354,603	41.2

	Year ended 31 December	
	2013 %	2012 %
Gross Profit Margin		
Manufacture and sale of wood products	22.7	21.2
Trademark and distribution network usage fees	98.0	94.8
Trading of timber and wood products	17.3	12.8
Total	33.6	31.7

For the year ended 31 December 2013, the overall gross profit increased by 41.2% to approximately RMB500,598,000 from approximately RMB354,603,000 and the gross profit margin also increased to 33.6% from 31.7% in 2012.

The segment on manufacturing and sale of wood products contributed a gross profit of approximately RMB224,934,000 in 2013, representing an increase of 31.7% from approximately RMB170,796,000 in 2012. The gross profit margin increased to 22.7% in 2013 from 21.2% in 2012. The increase in gross profit and gross profit margin were mainly attributable to the increase of the consumer demand on our branded flooring products in the PRC and the improvement of margin on the other wood products.

The segment on trademark and distribution network usage fees contributed a gross profit of approximately RMB230,229,000 in 2013, representing an increase of 38.2% from approximately RMB166,562,000 in 2012. The increase was mainly due to the increase in sales and production volumes from our authorised manufacturers resulted from increase in demand on our branded flooring products in the PRC.

The segment on trading of timber and wood products contributed a gross profit of approximately RMB45,435,000 in 2013, representing an increase of 163.5% from approximately RMB17,245,000 in 2012. The gross profit margin increased to 17.3% from 12.8% in 2012. The increase in gross profit was mainly due to the significant increase in demand of our flooring products in the U.S..

Net Change in Fair Value of Biological Assets

Net change in fair value of biological assets is recorded in connection of the change in fair value of our forest assets. Net change in fair value of biological assets of approximately RMB47,761,000 in current year (2012: RMB65,541,000) is represented by the increase in fair value of our forest assets based on the market valuation conducted by a global independent consulting and engineering company (the “Independent Valuer”) focusing on industries which include the forestry, pulp and paper sector, the energy, urban and mobility and water section and the water and environment sector. Its management consulting business unit is one of the most recognised management consulting organisations in the paper industry with more than 50 years of industry consulting experience and is one of the most recognised advisors to the global forestry industry cluster.

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

Other Income and Gains

Other net income consists primarily of net gain on the resumption of land and assets and government grants which are subject to the discretion of the relevant authorities. During the year, other net income increased significantly by 582.5% to approximately RMB83,246,000 from approximately RMB12,197,000 in 2012. The significant increase in other net income was primarily resulted from the recognition of net gain on the resumption of land and assets of Nature (Zhangjiagang) Wood Industry Co., Ltd., a wholly owned subsidiary of the Company, by the Jingang County Government.

Distribution Costs

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

Distribution costs for the year was approximately RMB235,099,000, representing an increase of approximately 26.2% from approximately RMB186,300,000 in 2012. The increase in distribution costs was in line with the increase in sales of our wood products and was primarily attributable to an increase in the delivery costs as well as the increase in the cost of selling staff resulted from the increase in sales of our wood products.

Administrative Expenses

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

Administrative expenses for the year was approximately RMB176,634,000, representing an increase of approximately 25.6% from approximately RMB140,671,000 in 2012. The increase was primarily attributable to the impairment loss recognised for trade receivables as well as increase staff cost and depreciation resulted from the continued expansion of product portfolio.

Other Operating Expenses

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

Net Finance (Costs)/Income

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

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

	Year ended 31 December		
	2013 RMB'000	2012 RMB'000	Growth rate %
Finance (costs)/income	**11,792**	7,182	64.2
Finance costs	**(11,845)**	(7,905)	49.8
Net finance income/(costs)	**(53)**	(723)	(92.7)

Finance income for the year increased significantly by 64.2% to approximately RMB11,792,000 as compared to approximately RMB7,182,000 in 2012, primarily attributable to the net foreign exchange gain of approximately RMB4,394,000 recognised in current year (2012: RMB991,000).

Finance costs for the year increased by 49.8% to approximately RMB11,845,000 as compared to approximately RMB7,905,000 in 2012, primarily due to the finance costs on the loan with International Finance Corporation.

Income Tax Expense/(Credit)

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

	Year ended 31 December		
	2013 RMB'000	2012 RMB'000	Growth rate %
Current	65,652	27,918	111.1
Deferred	4,783	(54,416)	108.8
Total	70,435	(26,498)	340.4

Income tax to the Group was approximately RMB70,435,000 in 2013, representing a turnaround from income tax credits of approximately RMB26,498,000 in 2012, which was the total effect of the increase of the current income tax to approximately RMB65,652,000 and the increase of deferred tax to approximately RMB4,783,000. The significant turnaround in income tax was attributable to increase in profit before taxation as well as the provision for PRC income tax of RMB6,727,000 for the net gain in the resumption of land and assets of Nature Zhangjiagang, net of accumulated tax losses, in current year and no reversal of deferred tax liabilities of in respect of the deferred withholding tax on distributable profits (2012: negative RMB50,078,000).

Profit Attributable to Equity Shareholders of the Company for the Year

Resulting from the factors mentioned above, the profit attributable to equity shareholders of the Company for the year ended 31 December 2013 increased to approximately RMB138,102,000 from approximately RMB122,711,000 in 2012.

Cash Flow and Liquidity

Cash Flow

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

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Net cash generated from operating activities	9,919	231,840
Net cash used in investing activities	(98,160)	(163,531)
Net cash used in from financing activities	(325,561)	(118,279)
Net decrease in cash and cash equivalents	(413,802)	(49,970)
Cash and cash equivalents at the beginning of period	815,706	865,638
Effect of foreign exchange rate changes, net	(2,771)	38
Cash and cash equivalents at the end of the period	399,133	815,706

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.

	As at 31 December	
	2013 RMB'000	2012 RMB'000
Current assets		
Inventories	**412,633**	380,531
Trade and bills receivables	**692,807**	671,788
Prepayment, deposit and other receivables	**176,275**	108,776
Pledged deposits	**97,878**	13,528
Cash and cash equivalents	**399,133**	815,706
Total current assets	**1,778,726**	1,990,329
Current liabilities		
Trade and bills payables	**141,785**	137,732
Deposits received, accruals and other payables	**174,333**	192,627
Loans and borrowings	**121,202**	155,589
Income tax payables	**22,196**	9,270
Total current liabilities	**459,516**	495,218
Net current assets	**1,319,210**	1,495,111

As at 31 December 2013, net current assets totaled approximately RMB1,319,210,000, representing 11.8% decreases from approximately RMB1,495,111,000 as at 31 December 2012. The current ratios as at 31 December 2013 and 2012 were 3.9 and 4.0, respectively. The decrease in net current assets principally attributable to the decrease in cash and cash equivalents resulted from the distribution of dividend of total RMB189,318,000 during the year.

Trade and Bills Receivables Analysis

As at 31 December 2013, trade and bills receivables was increased by 3.1% to approximately RMB692,807,000 from RMB671,788,000 as at 31 December 2012. The table below sets out trade and bills receivables as at the end of the dates indicated.

	As at 31 December	
	2013 RMB'000	2012 RMB'000
Trade debtors	568,747	561,939
Bills receivables	153,867	128,853
Less: allowance for doubtful debts	(29,807)	(19,004)
	692,807	671,788

Ageing analysis

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

	As at 31 December	
	2013 RMB'000	2012 RMB'000
Within 1 month	173,000	233,755
1 to 3 months	225,364	155,421
3 to 6 months	205,257	105,032
6 to 12 months	49,464	105,926
More than 12 months	39,722	71,654
Total	692,807	671,788

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

Biological Assets

(a) Reconciliation of carrying amount of the biological assets is as follows:

	Standing timber RMB'000
Balance at 1 January 2012	372,962
Increase due to acquisition of subsidiaries	45,995
Net change in fair value less estimated cost to sell	65,541
Harvested timber transferred to inventories	(5,021)
Effect of movements in exchange rate	(230)
Balance at 31 December 2012	479,247
Balance at 1 January 2013	479,247
Net change in fair value less estimated cost to sell	47,761
Harvested timber transferred to inventories	(5,163)
Effect of movements in exchange rate	(3,290)
Balance at 31 December 2013	**518,555**
Net asset at 31 December 2013	**2,513,527**
Percentage to the net assets	**20.6%**

As at 31 December 2013 and 2012, the Group's biological assets represent the following concession rights:

- harvest standing timber in 46,345 hectares of natural forest in Peru Yurimaguas for a period up to 2045;
- harvest standing timber in 91,754 hectares of natural forest in Peru Sepahua for a period up to 2042;
- harvest standing timber in 4,445 hectares of natural forest in Yunnan Ninglang for a period through the year 2060, 2077 or 2078; and
- harvest standing timber in 3,706 hectares of natural forest in Yunnan Yingjiang for a period through the year 2041 or 2042.

During the year ended 31 December 2013, 31,875 cubic meters of timbers in Peru Yurimaguas were harvested (2012: 24,095 cubic meters).

On 3 July 2013 and 25 August 2013, the Group entered into two harvesting contracts with independent third parties (the "Lessees"). Pursuant to the harvesting contracts, the Lessees have the rights to harvest the standing timber in 204 hectares and 221 hectares of natural forest in Yunnan Yingjiang, respectively, for a period up to 30 June 2014, with a total consideration of RMB2,420,000. As at 31 December 2013 the carrying amount of the relevant natural forest in Yunnan Yingjiang under the above harvesting contracts was approximately RMB10,871,000 (2012: Nil).

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

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

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

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

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

Type of rights	Descriptions	Primary permitted activities
Right to sustainable use of the forestry timber resources	Exclusive right to clear-cut the trees and to extract their stems or other useful parts, for their use, marketing and/or industrial processing	Tree exploitation
Right to own the extracted resources	Right to own the fruits and products extracted	Own and use the fruits and products extracted from trees
Right to use the land	Right to use the lands located within the area under concession	Tree plantation
Right to use other resources	Right to use and benefit from the wildlife and wild flora existing within the area under concession	Conduct ecotourism activities, utilize carbon credits generated by forests

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

The Group's rights in respect of its Yunnan forestry are subject to various regulatory restrictions. For example, the Group is not allowed to use the forestry land for purposes other than plantation. In addition, the Group is obligated to comply with regulations relating to logging activities and reforestation. For example, the Group shall apply for logging permit before conducting any logging activities. The Group has obtained logging permit for its forestry land located in Yingjiang, Yunnan. Such permit is valid through December 2014. With respect to its forestry land in Peru, the Group's entitlement of the Rights is subject to the annual operational plan, which must approved by the government before the start of the operating year covered the relevant plan. The Group has obtained approval from Peru government for its current annual operational plan.

(c) Work done and the selection of technique on valuations

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

International Accounting Standard 41 is required the biological assets to be accounted for at fair value. It allows for a variety of methods to be used in establishing fair value including transaction-based, net present value and cost-based approaches. In practice and especially in cases involving sustainably managed natural forest, the cost approached quickly fall from serious contention. Similarly the very limited number of transactions where the detail is available in the public domain, limits the applicability of the comparable sales method. This leaves the expectation approach as the method that is most commonly demonstrated on an international basis. Hence, the Independent Valuer has undertaken a Discounted Cash Flow ("DCF") valuation of the assets. A DCF involves discounting the future projected cash flows expected to be realised from the asset back to the valuation date a market discount rate as a basis for estimating the market value. As far as the Independent Valuer is aware, its valuation approach compiles with these international standards.

(d) Measurement of fair values

(i) Fair value hierarchy

The following table presents the fair value of the Group's biological assets measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

The fair value measurement for standing timber has been categorised as Level 3 fair value. The fair value of the standing timber as at the end of each reporting period and the fair value of harvested timber transferred to inventories during the year were determined by an external the Independent Valuer engaged by the Group. The valuation reports with analysis of changes in fair value measurement are prepared by the Independent Valuer at annual reporting date, and are reviewed and approved by the management.

(ii) Level 3 fair values

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

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Balance at 1 January	**479,247**	372,962
Increase due to acquisition of subsidiaries	**—**	45,995
Harvested timber transferred to inventories	**(5,163)**	(5,021)
Included in "Net change in fair value of biological assets"		
— Change in fair value (unrealised)	**47,761**	65,541
Included in other comprehensive income		
— Effect of movements in exchange rate	**(3,290)**	(230)
Balance at 31 December	**518,555**	479,247

During the years ended 31 December 2013 and 2012, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

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

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Discounted cash flow: The valuation model considers the present value of the net cash flows expected to be generated by the standing timber. The cash flow projections include specific estimates for the periods as disclosed in (a) The expected net cash flows are discounted using risk-adjusted discount rates.	Standing timber in Peru Yurimaguas: • Estimated future timber market prices per stere (USD83–USD188) (2012: USD103–USD120) • Estimated yields per hectare (16–29 cubic meters) (2012: 15–27 cubic meters) • Estimated harvest and transportation costs per stere (USD41–USD50) (2012: USD33–USD40) • Risk-adjusted discount rate (12%) (2012: 12%) Standing timber in Peru Sepahua: • Estimated future timber market prices per stere (USD104–USD188) (2012: USD118–USD136) • Estimated yields per hectare (19–42 cubic meters) (2012: 19–42 cubic meters) • Estimated harvest and transportation costs per stere (USD29–USD44) (2012: USD17–USD41.9) • Risk-adjusted discount rate (14%) (2012: 15%) Standing timber in Yunnan Ninglang: • Estimated future timber market prices per stere (RMB611–RMB1,188) (2012: RMB540–RMB1,020) • Estimated yields per hectare (90–240 cubic meters) (2012: 49–179 cubic meters) • Estimated harvest and transportation costs per stere (RMB347–RMB409) (2012: RMB349–RMB384) • Risk-adjusted discount rate (11.5%) (2012: 11.5%) Standing timber in Yunnan Yingjiang: • Estimated future timber market prices per stere (RMB400–RMB1,003) (2012: RMB580–RMB900) • Estimated yields per hectare (140–240 cubic meters) (2012: 145–260 cubic meters) • Estimated harvest and transportation costs per stere (RMB355–RMB384) (2012: RMB329–RMB332) • Risk-adjusted discount rate (11.5%) (2012: 11.5%)	The estimated fair value would increase (decrease) if: • the estimated timber prices per stere were higher (lower); • the estimated yields per hectare were higher (lower); • the estimated harvest and transportation costs were lower (higher); or • the risk-adjusted discount rates were lower (higher).

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

(i) The forests located in Peru at 31 December 2013

With different discount rate:

Changes on discount rate	(2%)	2%
	Change in value (USD millions)	
Peru Yurimaguas	2.9	(2.2)
Peru Sepahua	5.0	(3.9)

With changes in key assumptions and variables:

Adjustment to based value	(10%)	10%
	Change in value (USD millions)	
Peru Yurimaguas		
Log price	(3.5)	3.5
Direct harvesting cost including transportation cost	1.2	(1.2)
Peru Sepahua		
Log price	(6.1)	6.1
Total cost including harvesting and transportation cost	2.7	(2.7)

(ii) The forests located in Yunnan Province, the PRC at 31 December 2013

With different discount rate:

Changes on discount rate	(1%)	1%
	Change in value (RMB millions)	
Yunnan Ninglang	12	(10.6)
Yunnan Yingjiang	3.7	(3.4)

With changes in key assumptions and variables:

Adjustment to based value	(10%)	10%
	Change in value (RMB millions)	
Yunnan Ninglang		
Log price	(19.2)	19.2
Harvesting cost	4.7	(4.7)
Transportation cost	2.6	(2.6)
Yunnan Yingjiang		
Log price	(18.9)	18.9
Harvesting cost	4.8	(4.8)
Cartage cost	2.0	(2.0)

(f) Risk management strategy related to agricultural activities

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

Regulatory and environmental risks

The Group is subject to laws and regulations in Peru and Yunnan. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

Supply and demand risk

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

Climate and other risks

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

Capital Management

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

	As at 31 December	
	2013 RMB'000	2012 RMB'000
Total debts	135,302	206,638
Add: Proposed dividends	31,344	27,603
Less: Cash and cash equivalent	(399,133)	(815,706)
Pledged deposits	(97,878)	(13,528)
Adjusted net assets	(330,365)	(594,993)
Total equity	2,513,527	2,562,160
Less: Proposed dividends	(31,344)	(27,603)
Adjusted capital	2,482,183	2,534,557
Adjusted gearing ratios	(0.13)	(0.23)

Our adjusted gearing ratios, which are derived by dividing adjusted net debt/(assets) by adjusted capital attributable to owners of the Company, were negative 0.13 and negative 0.23 as at 31 December 2013 and 2012, respectively. Adjusted net debt/(assets) is defined as total debt which includes bills payable, interest bearing loans and borrowings and add proposed dividends and less cash and cash equivalents and pledged deposits.

Capital Expenditure

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

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Property, plant and equipment	225,633	115,955
Lease prepayment	10,299	4,523
Biological assets	—	45,995
Intangible assets	893	13,082
Total	236,825	179,555

Bank Loans

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

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Current:		
Secured *(note (i))*	112,454	126,926
Unsecured	8,748	28,663
	121,202	155,589
Non-current:		
Secured *(note (i))*	—	16,349
	121,202	171,938

All of the non-current loans are carried at amortised cost. As at 31 December 2013, none of the non-current loans and borrowings is expected to be settled within one year.

(i) At the end of the reporting period, secured loans and borrowings of RMB112,454,000 (31 December 2012: RMB143,275,000) were secured by the following assets of the Group:

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Pledged deposits	73,000	11,247
Property, plant and equipment	—	84,908
Lease prepayments	—	21,371
Bills receivable	13,000	110,577
	86,000	228,103

(ii) As at 31 December 2013 and 2012, no bank loan was subject to the fulfillment of covenants.

(iii) The loan facilities, amounting to RMB338,476,000 as at 31 December 2013 (31 December 2012: RMB398,692,000), were utilised to the extent of RMB107,202,000 (2012: RMB171,938,000) as at 31 December 2013.

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

	2013		2012	
	Effective interest rate %	Carrying amount RMB'000	Effective interest rate %	Carrying amount RMB'000
Variable rate instruments				
Loans and borrowings	**2.59%(+0.59%) +HIBOR/1.5% + 3-month HIBOR**	**108,202**	2.59%– 2.59%(+0.59%) + HIBOR	61,361
Fixed rate instruments				
Loans and borrowings	**0.35%**	**13,000**	0.35%	110,577
		121,202		171,938

(c) Loans from a third party:

On 15 January 2013, the Company entered into a loan agreement ("Loan Agreement") with an independent third party for borrowing of a convertible loan of USD10,000,000 (equivalent to RMB61,796,000) and a term loan of USD30,000,000 (equivalent to RMB185,388,000). The convertible loan and term loan were repayable by installments up to June 2018 and June 2019 respectively. The net proceed of RMB247,184,000 was received on 31 May 2013.

The major terms of the convertible loan are set out below:

(i) Conversion price

The principal amount of the convertible loan is convertible into ordinary shares of the Company, at a conversion price of HKD2.95 per share, subject to customary adjustments to accommodate alteration of share capital, in accordance with the terms of the Loan Agreement.

(ii) Conversion period

The convertible loan is convertible in whole or in part into ordinary shares of the Company at any time from the first disbursement of the convertible loan up to and including 15 June 2016.

(iii) Interest

The outstanding principal of the convertible loan will bear interest at a rate representing the sum of (i) before 15 June 2016, 1% per annum, and thereafter, 5% per annum, and (ii) LIBOR for six months on the interest determination date for the relevant interest period. Interest period of the convertible loan shall be a period of six months commencing from 15 June and 15 December in each year and interest accrued during the relevant interest period shall be payable in arrears semi-annually on 15 June and 15 December in each year.

If the independent third party does not exercise its conversion right in respect of the entire convertible loan prior to the end of the conversion period, the Company shall pay, on the date of final repayment of the convertible loan, an additional interest on the convertible loan accruing at a rate which generates for the independent third party an internal rate of return of 12%.

(iv) Early repayment

On 17 September 2013, the Company entered into an early repayment agreement with the independent third party. The Company repaid the term loan of RMB185,388,000 and the convertible loan of RMB61,796,000 in full on 18 September 2013. As a result of early repayment, the Company has paid costs of early repayment of RMB5,049,000 for the year ended 31 December 2013.

(v) Fair value of the derivative liability components

The fair value of the derivative liability components were valued by using the binominal option pricing model. Major inputs used in the model are as follows:

	At 31 May 2013	**At 18 September 2013**
Share price	HKD1.51	HKD1.29
Fair value at measurement date	RMB3,324,000	RMB2,652,000
Expected volatility	52.94%	52.59%
Maturity date	15 June 2019	15 June 2019
Dividend yield	1.52%	1.77%
Risk-free interest rate	0.90%	1.29%

Capital Commitments and Contingent Liabilities

(a) Capital commitments

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

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Contracted for	22,335	80,238

(b) Operating lease commitments

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

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

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Within 1 year	19,136	8,022
After 1 year but within 3 years	32,328	12,540
After 3 years but within 5 years	22,082	9,516
After 5 years	15,278	18,662
	88,824	48,740

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

Foreign Currency Risk

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

The Group is exposed to currency risk primarily arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. The currencies giving rise to this risk are primarily United States Dollars ("US$"), Hong Kong Dollars ("HK$"), Macau Pataca ("MOP"), Peruvian Nuevo Sol ("PEN") and Euro ("EUR"). As at 31 December 2013, the cash and cash equivalents held by the Group were primarily in RMB, HK$ and US$, representing 81.9%, 7.5% and 9.2% (2012: 87.8%, 1.7% and 10.2%) of total amounts, respectively. The rest of the amounts were held in MOP, PEN and EUR. On the other hand, as at 31 December 2013, our bank loans were in RMB, HK$, US$ and EUR, representing 11.6%, 82.5%, Nil and 5.9% (2012: 64.3%, 12.8%, 19.8% and 3.1%) of total amount, respectively.

The Group may enter into forward foreign exchange contracts to hedge against the exchange rate fluctuation when the exposure is significant. For details regarding the forward foreign exchange transactions of the Group during the year, please refer to Note 3(a) to the consolidated financial statements.

Employees

As at 31 December 2013, the Group had 2,502 employees (at 31 December 2012: 2,389). Relevant staff cost for the year ended 31 December 2013 was approximately RMB185,772,000 (including share option expenses of approximately RMB19,634,000) while our staff cost was approximately RMB157,659,000 (including share option expenses of approximately RMB10,089,000) for the year of 2012. 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 year ended 31 December 2013.

Subsequent Events

Mr. Se Hok Pan ceased to be the President of the Company, Mr. Liang Zhihua was appointed as an executive director and the President of the Company (the "Appointment of Mr. Liang") and Mr. Chow Chi Keung, Savio resigned as an executive director of the Company with effect from 1 January 2014. For details please refer to the announcement of the Company dated 20 December 2013.

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 date of listing of the Company's shares on the Stock Exchange to 31 December 2013, approximately RMB642.4 million raised from the global offering of the Company was used for the purposes and approximately in the amounts set out below:

(a) Approximately RMB112.0 million was used for strategic merger and acquisition;

(b) Approximately RMB147.8 million was used for the development of existing brands;

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

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

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

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

As at 31 December 2013, approximately RMB231.1 million raised from the global offering remains unused.

Future Plans for Material Investments

There was no specific plan for material investments and acquisition of material capital assets as at 31 December 2013. However, the Group will continue to seek new business development opportunities.

Biographies of the Directors and Senior Management

Executive Directors

Mr. Se Hok Pan (佘學彬), age 54, is the Chairman of the Company and was appointed a Director on 27 July 2007. Mr. Se is a co-founder of the Group. Mr. Se is responsible for formulating overall strategies, planning and business development of the Company, managing and supervising the financial management functions, human resources and sales and marketing of the Company and is instrumental to our growth and business expansion since our establishment in 2004. Mr. Se began his career in the flooring products industry in 1995 and has approximately 19 years of experience in the flooring products industry. Mr. Se holds important positions in influential industry associations. He is currently the vice president of China Forestry Industry Association (中國林業產業協會), and one of the drafters of the China National Standards for Solid Wood Flooring (中國實木地板國家標準) which came into effect in 2009. Mr. Se is also a member of the Gansu Provincial Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議甘肅省委員會) and the vice president of the Industry and Commerce Association of Macau (澳門工商聯會). From 1995 to 2001, Mr. Se served as a general manager at Shunde Daliang Yingbin Wood Furniture Mall (順德市大良區盈彬木器傢俬城). From July 2001 to September 2004, Mr. Se served as a president at Guangdong Yingbin-Nature Wood Industry Co., Ltd. (廣東盈彬大自然木業有限公司). Mr. Se has received numerous high profile awards such as the "Robert A. Mundell World Executive Awards (2004)", "China Forestry Industry Annual Person (2009)" (中國林業產業年度人物) as recognized by China National Forest Products Association (中國林產工業協會) and China Forestry Industry Association (中國林業產業協會) and "The Most Influential Figures in the 15-Year Development of China's Flooring Industry (2010)" (中國地板行業輝煌十五年最具影響力人物獎). Mr. Se is the spouse of Ms. Un Son I, the younger brother of Mr. She Jian Bin and the brother-in-law of Mr. Liang Zhihua.

Mr. Liang Zhihua (梁志華), age 50, is the President of the Company, the General Manager of the Human Resources Management Department and the Production Department of the Group. Mr. Liang was appointed a Director and the President of the Company with effect from 1 January 2014. Mr. Liang is also a director of certain operating subsidiaries of the Group. Mr. Liang is responsible for the overall management of human resources, the production plants and manufacturing facilities of the Group, such as overseeing the execution of management policies and processes of the production plants of the Group, coordinating the sharing of facilities, raw materials and other resources between production plants, organizing regular plant safety inspections, and development and production of new products. Mr. Liang joined the Group in 2006 and has since held various managerial positions in the general affairs, human resources and production departments as well as the President's Office of the Group. He has eight years of experience in the flooring products industry. Mr. Liang is the brother-in-law of Mr. She Jian Bin, Mr. Se Hok Pan and Ms. Un Son I.

Ms. Un Son I (袁順意), age 48, is a Vice President of the Company and the General Manager of the Supply Chain Management Department of the Group. Ms. Un was appointed a Director on 27 July 2007. Ms. Un is a co-founder of the Group. Ms. Un is responsible for networking and development of relationship with suppliers, procurement control, logistics management and asset management and control to ensure the supply chain operates efficiently. Ms. Un has approximately 19 years of experience in the flooring products industry. Ms. Un is a member of China-ASEAN Organization (中國

東盟協會) and vice president of the Industry and Commerce Association of Macau (澳門工商聯會). From 1995 to 2001, Ms. Un served as a deputy general manager and a procurement manager at Shunde Daliang Yingbin Wood Furniture Mall (順德市大良區盈彬木器傢俬城). From July 2001 to September 2004, Ms. Un was a director of president office, a director of human resources and a director of the procurement center at Guangdong Yingbin-Nature Wood Industry Co., Ltd. (廣東盈彬大自然木業有限 公司). Ms. Un was awarded as one of the "100 Outstanding Female Entrepreneurs of China" (中國百名傑出女企業家). Ms. Un is the spouse of Mr. Se Hok Pan and the sister-in-law of Mr. She Jian Bin and Mr. Liang Zhihua.

Mr. She Jian Bin (佘建彬), age 56, is a Vice President of the Company and the General Manager of the Sales and Distribution Department of the Group. Mr. She was appointed a Director on 8 May 2008. Mr. She is responsible for the overall management of the sales and distribution network of the Group, devising and overseeing the execution of our brand building and sales and marketing strategies, analyzing market trends and development, and managing and supervising daily operations of distributors and the Sales and Distribution Department. Mr. She has approximately 26 years of experience in the timber industry and the flooring products industry. Mr. She was a purchasing manager of wood at P.T. Sumber Laris Jaya Manufacturer Timber Industry from 1988 to 1994 and worked at Shunde Daliang Yingbin Wood Furniture Mall (順德市大良區盈彬木器傢俬城) for its production, sales and distribution management from 1995 to 2001. During the period between July 2001 and September 2004, Mr. She served as a director of the sales center at Guangdong Yingbin-Nature Wood Industry Co., Ltd. (廣東盈彬大自然木業有限公司). Mr. She has received "15 Prosperous Years of the China Flooring Industry — Promotion of Industry Development Award" (中國地板行業輝煌十五年傑出行業建設推動獎) in 2010. Mr. She joined the Group in 2004 and has since held various managerial positions in sales and distribution. Mr. She is the elder brother of Mr. Se Hok Pan and the brother-in-law of Ms. Un Son I and Mr. Liang Zhihua.

Non-executive Directors

Mr. Homer Sun (孫弘), age 43, is a Non-executive Director of the Company. Mr. Sun joined the Board on 8 May 2008. Mr. Sun is currently the Chief Investment Officer of Morgan Stanley Private Equity Asia and leads the China investments for Morgan Stanley Private Equity Asia. Mr. Sun is also a Managing Director of Morgan Stanley Asia Limited and a member of the China Management Committee which is comprised of Morgan Stanley Asia Limited's most senior business leaders within China. He is currently the Non-Executive Director of Sihuan Pharmaceutical Holdings Group Limited (stock code: 460), China XD Plastics (a company listed on the NASDAQ stock exchange, ticker: CXDC) and Yongye International (a company listed on the NASDAQ stock exchange, ticker: YONG). Mr. Sun was a non-executive director of China Shanshui Cement Group Limited (stock code: 691), a company listed on the Stock Exchange, from 14 June 2008 to 15 October 2013. Mr. Sun joined Morgan Stanley Asia Limited in 2000 prior to which he was a corporate attorney specializing in mergers and acquisitions with Simpson Thacher & Bartlett in New York and Hong Kong from 1996 to 2000. Mr. Sun received a B.S.E. in Chemical Engineering, magna cum laude, from the University of Michigan in 1993 and a J.D, cum laude, from the University of Michigan Law School in 1996.

Mr. Teoh Chun Ming (張振明), age 44, is a Non-executive Director of the Company. Mr. Teoh joined the Group in 2008 and was appointed as the Chief Financial Officer and the Company Secretary on 1 September 2008 and 26 March 2009, respectively. Mr. Teoh was also the Authorised Representative of the Company for the purpose of the Listing Rules and the Companies Ordinance. Mr. Teoh held the positions of Chief Financial Officer, Company Secretary and Authorised Representative of the Company until his appointment as a Non-executive Director of the Company on 1 July 2012. Mr. Teoh is also the investor relations officer of the Company. Mr. Tech is currently an independent non-executive director of EPI (Holdings) Limited (stock code: 689), a company listed on the Stock Exchange. Mr. Teoh has over 20 years of accounting and finance experience. Prior to joining the Group, Mr. Teoh held senior positions in accounting and finance in various companies listed on the Stock Exchange. Mr. Teoh obtained a master's degree in professional accounting from the Hong Kong Polytechnic University in 2005. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and a member of the Institute of Chartered Accountants in England and Wales.

Independent Non-executive Directors

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

Biographies of the Directors and Senior Management (Continued)

Mr. Zhang Sen Lin (張森林), age 66, was appointed as an Independent Non-executive Director on 4 May 2011. Mr. Zhang is currently the consultant to the Chinese National Forest Group Corporation (中國林產工業協會). Mr. Zhang has over 20 years of experience in forestry. Mr. Zhang was previously the president of Chinese National Forest Products Industry Association (中國林產工業協會), an independent director of Guangdong Yihua Timber Industry Co., Ltd. (廣東宜華木業股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 600978). Mr. Zhang was also an independent director of Sichuan Shengda Forestry Industry Co., Ltd. (四川升達林業產業股份有限公司) (Stock Code: 002259) from 2008 to 2012 and an independent director of Guangdong Weihua Corporation (廣東威華股份有限公司) from 2008 to 2013, both companies being listed on the Shenzhen Stock Exchange. Mr. Zhang also served as the deputy factory manager and acting factory manager of Jiangxi Timber Mill (江西木材廠) and manager of Jiangxi Province Forestry Industry Company (江西省林業工業公司). Mr. Zhang graduated from Nanjing Forestry University (南京林業大學), majoring in forestry industry and qualified as a professor level senior engineer. Mr. Zhang also studied pulp and paper-making technology and management in Georgia Institute of Technology and modern business management from University of Houston in the United States.

Mr. Chan Siu Wing, Raymond (陳兆榮), age 49, was appointed as an Independent Non-executive Director with effect from 4 May 2011. Mr. Chan is currently an executive director of ENM Holdings Limited (Stock Code: 128) and an independent non-executive director of Quali-Smart Holdings Limited (Stock Code: 1348) and Hong Kong Finance Group Limited (Stock Code: 1273), all of them being companies listed on the Main Board of the Stock Exchange. Mr. Chan also holds the position of independent non-executive director of Phoenitron Holdings Limited (formerly known as Cardlink Technology Group Limited) (Stock Code: 8066), a company listed on the Growth Enterprise Market of the Stock Exchange. Mr. Chan has over 21 years of experience in the field of accounting, taxation, finance and trust. Mr. Chan holds a Bachelor of Economics degree from the University of Sydney. Mr. Chan is a certified public accountant of the Hong Kong Institute of Certified Public Accountants, a certified practicing accountant of the Australian Society of Certified Practising Accountants, and a founding member of the Macau Society of Certified Practising Accountants. Mr. Chan was also an independent non-executive director of Orient Energy and Logistics Holdings Limited, a company which was delisted from the Frankfurt Stock Exchange on 15 December 2012, from June 2011 to September 2011.

Mr. Ho King Fung, Eric (何敬豐), age 37, was appointed as an Independent Non-executive Director on 4 May 2011. Mr. Ho is a solicitor of the Hong Kong Special Administrative Region and the chairman and executive director of Ample Hope Limited. In Macau, Mr. Ho is also the chairman of P&W Money Changer Limited and Jing Yang Company Limited, and an executive director of Mascargo (Macau) Company Limited. Mr. Ho is a non-executive director of EPI (Holdings) Limited (Stock Code: 689) since 4 April 2013 and subsequently the non-executive chairman since 30 July 2013. Mr. Ho is also a non-executive director of AGTech Holdings Limited (Stock Code: 8279) since 23 May 2013. Both EPI (Holdings) Limited and AGTech Holdings Limited are companies listed on the Stock Exchange. Mr. Ho joined JP Morgan in 2000 as an analyst and worked as a trainee solicitor at Linklaters between 2003 and 2005 and as an associate between 2005 and 2006. Between 2007 and 2010, Mr. Ho worked at Deutsche Bank AG, Hong Kong Branch and his last position held was vice president and head of Hong Kong and Macau Origination. Mr. Ho was a non-executive director of United Energy Group Limited (Stock Code: 467), a company listed on the Stock Exchange, between 2011 and 2012. He is a committee member of the Chinese People's Political Consultative Conference of Beijing (中國人民政治協商會議北京市委員會) and the president of Money Exchangers' Association of Macao. Mr. Ho was also awarded China's Top 10 Economic Talents (十大中華經濟英才) in 2009. Mr. Ho graduated from the University of New South Wales, Australia with Bachelor of Commerce (Finance) and Bachelor of Laws degrees.

Alternate Director

Mr. Law Wing Cheung, Ryan (羅永祥), age 39, was appointed as an alternate director to Mr. Homer Sun, a non-executive director of the Company since 26 March 2013. Mr. Law is a Managing Director of Morgan Stanley Asia Limited. Mr. Law focuses on private equity transactions for Morgan Stanley Private Equity Asia in China. Mr. Law joined Morgan Stanley in 1998 and worked in Morgan Stanley's Investment Banking Division and Morgan Stanley Principal Investments for 10 years before departing in 2008. Prior to rejoining Morgan Stanley in 2012, Mr. Law was with Mount Kellett Capital and founded GCL Capital. Mr. Law has been focusing on private equity transactions in China since 2006. Mr. Law received a Bachelor of Arts degree in Economics from the University of Chicago.

Senior Management

Mr. Tsang Chun Yiu (曾春曜), age 44, is the Chief Financial Officer and Company Secretary of the Company. Mr. Tsang joined the Group on 8 August 2011. Mr. Tsang is responsible for developing the financial strategies of the Group. Mr. Tsang also participates in the formulation of major investment plans of the Group, provides financial advice for the Group and oversees the Group's company secretarial matters.

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

Mr. Tian Guosheng (田國生), age 49, was appointed as the Chief Operating Officer of the Group in 2014. Mr. Tian is mainly responsible for the day-to-day management of the Group's business operation. Since joining the Group in 2008, Mr. Tian had served as Head of Operations of Sales and Marketing (Western Region), General Manager of Information Management Headquarter, General Manager of e-Commerce Operation Centre and General Manager of Strategic and Operational Management Headquarter. Mr. Tian has over 18 years of experience in marketing and management in flooring industry. Before joining the Group, Mr. Tian worked for several large-scale PRC enterprises. Mr. Tian graduated from the University of Science and Technology of China (中國科學技術大學) with bachelor degree in Physics.

Mr. Lin Hao (林皓), age 42, is the General Manager of the Flooring Department of the Group. Mr. Lin is responsible for the operational and sales management of the flooring business. Mr. Lin has over ten years of experience in sales and marketing. Mr. Lin joined our Group in 2008 and had served as the assistant to the Chairman and director of brand management centre of our Group. Before joining our Group, Mr. Lin was a director of the brand center, a director of the sales center and a vice president of the brand committee of Guangdong Yingbin-Nature Wood Industry Co., Ltd. (廣東盈彬大自然木業有限公司) from August 2001 to December 2007. Mr. Lin graduated from the Faculty of Chinese of the Jianghan University (江漢大學) in 1992.

Mr. Yang Weiming (楊偉明), age 49, is the General Manager of the Wooden door business Department of the Group. He is responsible for the business operation and sales management of the wooden doors. Mr. Yang obtained a Bachelor Degree in the Forest Product Engineering Department in the Northeast Forestry University (東北林業大學林產工業系) in 1987 and was granted the title of Wood Processing Engineer (木材加工工程師職稱) in 1992. Mr. Yang served as the factory manager of the Laminated Flooring Manufactory of our Group in 2004 and the General Manager of the Laminated Flooring Department in 2006, and then took up various positions in the Marketing Department. He has extensive experience in production and marketing management.

Mr. Fang Ren (方韌), age 34, the General Manager of Forest Operations Department of the Group. Mr. Fang is responsible for the overall business operations of the Group's forest operations. Mr. Fang joined the Group in 2009 and had served as Assistant to the Chairman, Manager of Corporate Social Responsibility and Manager of Investment Department of the Group. Mr. Fang has over five years of experience in management of wood business. Mr. Fang holds a bachelor degree in English translation and a master degree in foreign languages and applied language studies from Guangdong University of Foreign Studies.

Mr. Zhu Hongyao (朱宏耀), age 47, is the General Manager of Division of Internation Operation and Division of Decoration Projects of the Group. Mr. Zhu joined the Group in 2012 and is responsible for managing the overseas sales and distribution network as well as conducting promotion and advertising activities for the Group's products in overseas markets. Mr. Zhu also takes charge of the Group's flooring decoration project business. Mr. Zhu has gained over 18 years and 22 years of experience in flooring industry and timber industry respectively, while successively working for a number of large-scale PRC flooring enterprises. Mr. Zhu is now the Vice President of Sichuan Marketing Association. He graduated from the College of Economics of Sichuan University and holds an EMBA from the Southwestern University of Finance and Economics.

Corporate Governance Report

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

During the year ended 31 December 2013, the Company has complied with the applicable code provisions of the Code, except for a deviation from the code provision A.2.1 which requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

During the year ended 31 December 2013, the roles of Chairman and President of the Company were 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. Mr. Se Hok Pan ceased to be the President of the Company (the "Re-designation of Mr. Se") and Mr. Liang Zhihua was appointed as an executive director and the President of the Company (the "Appointment of Mr. Liang") with effect from 1 January 2014. The Re-designation of Mr. Se and the Appointment of Mr. Liang enable the Company to comply with the code provision of separating the roles of chairman and chief executive officer under the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

Board of Directors

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

The Board of the Company currently consists of ten directors, namely Mr. Se Hok Pan (Chairman), Mr. Liang Zhihua, Ms. Un Son I and Mr. She Jian Bin as executive directors, Mr. Homer Sun (with Mr. Law Wing Cheung, Ryan as his alternate) and Mr. Teoh Chun Ming as non-executive directors and Professor Li Kwok Cheung, Arthur, Mr. Zhang Sen Lin, Mr. Chan Siu Wing, Raymond and Mr. Ho King Fung, Eric as independent non-executive Directors. Mr. Liang Zhihua was appointed as an executive director and President of the Company with effect from 1 January 2014 and Mr. Law Wing Cheung, Ryan was appointed as an alternate director to Mr. Homer Sun, a non-executive director, with effect from 26 March 2013. Mr. Chow Chi Keung, Savio resigned as an executive director of the Company with effect from 1 January 2014. The Board has a balance of skills and experience appropriate for the requirements of the business of the Company.

The biographies of the Directors which include relationships between Board members are set out on pages 31 to 37 of this annual report.

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

The remuneration of the Directors is determined with reference to their duties, responsibilities and experience, and to prevailing market conditions. Details of the remuneration of the Directors for 2013 are set out in note 7 to the financial statements.

During the year ended 31 December 2013, the Company has four independent non-executive directors, which number exceeds the minimum requirement of the Listing Rules that the number of independent non-executive directors must represent at least one-third of the Board.

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

Directors have access to the services of the Company Secretary to ensure that the Board procedures are followed. The Company Secretary of the Company is Mr. Tsang Chun Yin, who has been appointed as the Company Secretary of the Company following the resignation of Mr. Teoh Chun Ming from the position of Company Secretary upon Mr. Teoh's appointment as non-executive director of the Company on 1 July 2012. Mr. Tsang is also the Chief Financial Officer of the Group. Mr. Tsang has attained not less than 15 hours of relevant professional training during the year ended 31 December 2013.

Directors' Attendance Records

Board meetings are held at least four times a year at approximately quarterly intervals and on other occasions when necessary. Details of directors' attendance at the meetings of the Board, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee held during the year ended 31 December 2013 are set out in the following table:

Directors	Number of meetings attended/held during the year ended 31 December 2013				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Corporate Governance Committee
Executive Directors					
Mr. Se Hok Pan *(Chairman)* (Note 1)	4/4	—	—	1/1	1/1
Ms. Un Son I	4/4	—	—	—	—
Mr. She Jian Bin	4/4	—	—	—	—
Mr. Chow Chi Keung, Savio (ceased to be a Director from 1 January 2014)	3/4	—	—	—	—
Non-executive Directors					
Mr. Homer Sun	3/4	—	—	—	—
Mr. Teoh Chun Ming	4/4	—	—	—	— (Note 2)
Independent non-executive Directors					
Professor Li Kwok Cheung, Arthur	3/4	—	0/1	—	—
Mr. Zhang Sen Lin	3/4	1/1	1/1	—	—
Mr. Chan Siu Wing, Raymond	4/4	1/1	—	1/1	—
Mr. Ho King Fung, Eric	4/4	1/1	1/1	1/1	1/1

Notes:

1. Mr. Se Hok Pan ceased to be the President of the Company with effect from 1 January 2014.

2. Mr. Teoh Chun Ming was appointed a member of the Corporate Governance Committee on 28 March 2013.

Mr. Se Hok Pan, Ms Un Son I, Mr. Teoh Chun Ming, Mr. Zhang Sen Lin, Mr. Chan Siu Wing, Raymond and Mr. Ho King Fung, Eric have attended the annual general meeting of the Company held on 28 May 2013.

Directors' Induction and Professional Development

On appointment to the Board, each Director receives a comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements. Each of Mr. Liang Zhihua and Mr. Law Wing Cheung, Ryan has received such induction package and has attended a training session conducted by lawyers, which training emphasized on the roles, functions and duties of a director of a listed company upon his appointment.

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

The Directors are requested to provide the Company with their respective training record pursuant to the new requirement of the Code on continuous professional development. During the year ended December 2013, all Directors have participated in appropriate continuous professional development activities by ways of attending training sessions, conferences and seminars or reading materials relevant to the Company's business, directors' duties and responsibilities, corporate governance and recent amendments to the Listing Rules.

Board Committees

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

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

Audit Committee

Membership

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

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

Responsibilities and work done

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

The work performed by the Audit Committee during year ended 31 December 2013 is as follows:

- reviewed the annual report and the annual results announcement of the Company for the year ended 31 December 2012;
- reviewed the interim report and the interim results announcement of the Company for the six months ended 30 June 2013;
- reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function; and
- reviewed the internal control practices of the Group.

Remuneration Committee

Membership

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

Responsibilities and work done

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

The work performed by the Remuneration Committee during the year ended 31 December 2013 is as follows:

— determined and approved the remuneration for Mr. Liang Zhihua, who was appointed as an executive director and President of the Company with effect from 1 January 2014;

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

For the year ended 31 December 2013, the remuneration payable to senior management (excluding directors) fell within the following bands:

Nil to RMB1,000,000	3
RMB1,000,001 to RMB2,000,000	2
RMB4,000,001 to RMB5,000,000	1

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

Nomination Committee

Membership

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

Responsibilities and work done

The Nomination Committee is responsible for reviewing and assessing the composition of the Board and the independence of the independent non-executive Directors and making recommendations to the Board on appointment and removal of Directors. In recommending candidates for appointment to the Board, the Nomination Committee will consider candidates on merit against objective criteria and with due regards to the benefits of diversity on the Board. Diversity of the Board will be considered from a number of perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, and length of services and time to be devoted as a director. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. For nomination and appointment of Mr. Liang Zhihua as an executive director and the President of the Company, these criteria and procedures have been applied.

The work performed by the Nomination Committee during the year ended 31 December 2013 is as follows:

— considered the appointment of Mr. Liang Zhihua as an executive director and the President of the Company;

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

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

Corporate Governance Committee

Membership

The Corporate Governance Committee currently has three members, namely Mr. Se Hok Pan (Chairman), Mr. Ho King Fung, Eric and Mr. Teoh Chun Ming.

Responsibilities and work done

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

The work performed by the Corporate Governance Committee during the year ended 31 December 2013 is as follows:

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

— reviewed the Company's compliance with the Code.

Executive Committee

Membership

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

Responsibilities and work done

The principal responsibilities of the Executive Committee include (i) implementing the business plan and company strategies as approved by the Board and developing specific implementation plan; and (ii) monitoring and overseeing the implementation of the budget as approved by the Board. During the year ended 31 December 2013, the Executive Committee has duly performed its responsibilities and contributed to the business development of the Group.

Model Code for Securities Transactions by Directors

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. All directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code throughout the year ended 31 December 2013.

External Auditors

KPMG are appointed as the external auditors of the Company.

For the year ended 31 December 2013, the fees paid to KPMG for the audit and interim review of the financial statements of the Group are RMB3.6 million.

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

Accountability and Audit

The Directors are responsible for overseeing the preparation of the financial statements which give a true and fair view of the state of affairs of the Group and of the results and cash flow during the reporting period. A statement from the auditors about their reporting responsibilities on the financial statements is set out on page 60 of this annual report. In preparing the financial statements for the year ended 31 December 2013, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis.

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

Shareholders

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

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

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

The Board recognizes the importance of good communications with all shareholders. The Company's annual general meeting is a valuable forum for the Board to communicate directly with the shareholders. During the year ended 31 December 2013, the Company convened and held the 2013 annual general meeting on 28 May 2013. The Chairman of the Board as well as Chairmen of the Audit, Remuneration, Nomination and Corporate Governance Committees (or their duly appointed delegates) together with the external auditor are present to answer shareholders' questions. An annual general meeting circular which sets out relevant information of the proposed resolutions is distributed to all shareholders at least 20 clear business days before the annual general meeting. For the 2013 annual general meeting of the Company, the Chairman of the meeting demanded that all resolutions proposed at the meeting to be passed by poll. The procedures for conducting a poll were explained at the meeting. A total of seven ordinary resolutions, including considering the audited financial statements and the Reports of the Directors and Auditors for the year ended 31 December 2012 and approving the declaration of the final dividend for the year ended 31 December 2012, the re-election of directors, the re-appointment of the external auditors of the Company and the granting of general mandates to the directors to repurchase and to issue shares of the Company were passed at the 2013 annual general meeting. The results of the poll were published on the websites of the Company and the Stock Exchange. The 2014 annual general meeting of the Company will be held at Falcon Room II, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong on 29 May 2014 at 11:30 a.m..

During the year ended 31 December 2013, there has not been any change in the Company's memorandum and articles of association. The Company's memorandum and articles of association are available on the websites of the Company and the Stock Exchange.

Report of the Directors

The board of directors of the Company (the "Board") is pleased to present its report together with the audited financial statements of the Company and its subsidiaries (collectively, the "Group"), for the year ended 31 December 2013.

Principal Activities

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

Results

The results of the Group for the year ended 31 December 2013 are set out in Consolidated Income Statement to the financial statements.

Final Dividend

The Board recommends the payment of a final dividend of HK$2.5 cents per ordinary share for the year ended 31 December 2013 and is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

Closure of Register of Members

The register of members of the Company will be closed from 5 June 2014 to 9 June 2014 (both days inclusive), during which period no transfer of shares in the Company will be effected. In order to qualify for the proposed 2013 final dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on 4 June 2014. The 2013 final dividend is subject to the approval of shareholders at the forthcoming annual general meeting, and if approved, will be payable on or about 16 June 2014 to shareholders on the register of members of the Company on 9 June 2014.

Subsidiaries

Particulars of the Company's subsidiaries as at 31 December 2013 are set out in Note 15 to the financial statements.

Property, Plant and Equipment

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

Share Capital and Share Option Schemes

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

Reserves

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

Distributable Reserves

As at 31 December 2013, the Company's distributable reserves calculated under the Companies Law of the Cayman Islands comprise the share premium, other reserves and retained earnings/(accumulated losses) totaling approximately HKD1,737,000,000 (equivalent to RMB1,365,000,000).

Five Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 163 to 164 of this annual report.

Bank and Other Loans

Particulars of bank and other loans of the Group as at 31 December 2013 are set out in Note 25 to the financial statements.

Directors

The directors of the Company during the year were:

Executive Directors

Mr. Se Hok Pan *(Chairman)*
Mr. Liang Zhihua (appointed on 1 January 2014)
Ms. Un Son I
Mr. She Jan Bin
Mr. Chow Chi Keung, Savio (ceased to be a Director on 1 January 2014)

Non-executive Directors

Mr. Homer Sun
Mr. Teoh Chun Ming

Independent Non-executive Directors

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

Alternate Director

Mr. Law Wing Cheung, Ryan (appointed on 26 March 2013)
(alternate director to Mr. Homer Sun)

In accordance with Article 84 of the articles of association of the Company, Mr. Se Hok Pan, Ms. Un Son I, Professor Li Kwok Cheung, Arthur and Mr. Chan Siu Wing, Raymond shall retire by rotation at the forthcoming annual general meeting and they, being eligible, offer themselves for re-election. In accordance with Article 83(3) of the articles of association of the Company, Mr. Liang Zhihua shall retire from office at the forthcoming annual general meeting and he, being eligible, offers himself for re-election.

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

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

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2013, the interests and short positions of the Directors or the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") were as follows:

	Number of shares held			
Name of Director	Personal Interest	Corporate Interest	Total	Percentage of shareholding
Mr. Se Hok Pan (Note 5)	25,900,000 1,500,000 (Note 1) 27,400,000	719,321,730 (Note 2)	746,721,730	50.39%
Ms. Un Son I	1,500,000 (Note 1)	719,321,730 (Note 2)	720,821,730	48.64%
Mr. She Jian Bin	1,500,000 (Note 1)	Nil	1,500,000	0.10%
Mr. Chow Chi Keung, Savio	1,500,000 (Notes 1, 4)	Nil	1,500,000	0.10%
Mr. Teoh Chun Ming	4,677,900 (Note 3)	Nil	4,677,900	0.32%
Professor Li Kwok Cheung, Arthur	1,000,000 (Note 1)	Nil	1,000,000	0.07%
Mr. Zhang Sen Lin	1,000,000 (Note 1)	Nil	1,000,000	0.07%
Mr. Chan Siu Wing, Raymond	1,000,000 (Note 1)	Nil	1,000,000	0.07%
Mr. Ho King Fung, Eric	1,000,000 (Note 1)	Nil	1,000,000	0.07%

Notes:

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

2. Amongst these 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 47.11% and Trader World Limited as to 39.81%. Team One Investments Limited and Trader World Limited are wholly-owned by Mr. Se Hok Pan and Ms. Un Son I, respectively. Loyal Winner Limited is a private company beneficially owned as to 50% by Mr. Se Hok Pan and 50% by Ms. Un Son I. Ms. Un Son I is the spouse of Mr. Se Hok Pan.

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

4. Mr. Chow Chi Keung, Savio resigned as a Director of the Company with effect from 1 January 2014.

5. Mr. Se Hok Pan ceased to be the President of the Company with effect from 1 January 2014.

6. All interest stated are long positions.

Share Option Schemes

Pre-IPO Share Option Scheme

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

As at 31 December 2013, the maximum number of shares that may be issued pursuant to the options granted and outstanding under the Pre-IPO Share Option Scheme is 27,328,020 shares, representing approximately 1.84% of the issued share capital of the Company as at the date of this report.

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

For options granted on 17 December 2008

Vesting period	Maximum cumulative percentage of options vested
30 December 2008	10%
30 December 2009	20%
30 December of the year of the Listing Date (Being 26 May 2011)	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 options granted on 1 July 2010

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

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

The exercise price per share for options granted under the Pre-IPO Share Option Scheme shall be determined by the Board, which shall be subject to adjustment in the event of any alteration to the capital structure of the Company. The exercise price shall be 120% of the fair market price per share as determined by an independent valuer appointed by the Company. The consideration payable for the acceptance of each grant of options under the Pre-IPO Share Option Scheme is HK$1.00 (or the equivalent amount in RMB). Details of the share options movements during the year ended 31 December 2013 under the Pre-IPO Share Option Scheme are as follows:

Category of participants	Date of Grant	Exercise period	Exercise price per share	No. of Shares involved in the options outstanding at the beginning of the period	Exercised during the period	Lapsed during the period	No. of Shares involved in the options outstanding at period end
Director of the Company							
Teoh Chun Ming	17/12/2008	17/12/2008–16/12/2018	HK$2.35	1,677,900	–	–	1,677,900
	1/7/2010	1/7/2010–30/6/2020	HK$3.38	1,500,000	–	–	1,500,000
Liang Zhihua (Note)	17/12/2008	17/12/2008–16/12/2018	HK$2.35	576,780	–	–	576,780
	1/7/2010	1/7/2010–30/6/2020	HK$3.38	7,000,000	–	–	7,000,000
Former Director of the Company							
Nam Cheung Ming	17/12/2008	17/12/2008–16/12/2018	HK$2.35	1,887,640	–	–	1,887,640
Employees							
Employees	17/12/2008	17/12/2008–16/12/2018	HK$2.35	11,615,650	–	429,950	11,185,700
	1/7/2010	1/7/2010–30/6/2020	HK$3.38	3,500,000	–	–	3,500,000
Total				27,757,970	–	–	27,328,020

Note: Mr. Liang Zhihua was appointed an executive Director and President of the Company with effect from 1 January 2014.

No option under the Pre-IPO Share Option Scheme has been granted or cancelled during the year ended 31 December 2013. No further option has been or will be granted under the Pre-IPO Share Option Scheme after the listing of the Company.

Share Option Scheme

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

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

As at 31 December 2013, the total number of shares which may be issued on the exercise of options to be granted under the Share Option Scheme is 122,005,979, representing approximately 8.23% of the issued share capital of the Company as at the date of this report. In addition, no options shall be granted under the Share Option Scheme to any eligible person which, if exercised, would result in such eligible person becoming entitled to subscribe for such number of shares as, when aggregated with the total number of shares already issued or to be issued to him under all options granted to him (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of offer, exceeds 1% of the shares in issue at such date.

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

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

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

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

(iii) the nominal value of the shares.

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

On 8 October 2013, options involving 31,500,000 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$1.61 per share. The closing price per share in the trading day immediately before 8 October 2013 is HK$1.65.

Details of the share options movements during the year ended 31 December 2013 under the Share Option Scheme are as follows:

Category of participants	No. of shares involved in the options outstanding at the beginning of the year	Exercised during the year	Lapsed during the year	Granted during the year	No. of shares involved in the options outstanding at year end
Directors					
Se Hok Pan	1,500,000	—	—	—	1,500,000
Liang Zhihua (Note 1)	15,000,000	—	—	—	15,000,000
Un Son I	1,500,000	—	—	—	1,500,000
She Jian Bin	1,500,000	—	—	—	1,500,000
Chow Chi Keung, Savio (Note 2)	1,500,000	—	—	—	1,500,000
Teoh Chun Ming	1,500,000	—	—	—	1,500,000
Li Kwok Cheung, Arthur	1,000,000	—	—	—	1,000,000
Zhang Sen Lin	1,000,000	—	—	—	1,000,000
Chan Siu Wing, Raymond	1,000,000	—	—	—	1,000,000
Ho King Fung, Eric	1,000,000	—	—	—	1,000,000
Employees					
Employees	41,500,000	—	—	31,500,000	73,000,000
Total	68,000,000	—	—	31,500,000	99,500,000

Notes:

1. Mr. Liang Zhihua was appointed as an executive Director and President of the Company with effect from 1 January 2014.

2. Mr. Chow Chi Keung, Savio resigned as a Director of the Company with effect from 1 January 2014. Mr. Chow remains a director of certain subsidiaries of the Company.

Save as disclosed above, no option has been granted under the Share Option Scheme during the year ended 31 December 2013. No option has been cancelled or lapsed during the year ended 31 December 2013.

Rights to Acquire the Company's Securities

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

Directors' Interests in Contracts of Significance

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

Directors' Interests in Competing Business

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

Management Contracts

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

Substantial Shareholders

As at 31 December 2013, 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)	48.52%
Team One Investments Limited	Interest in controlled corporations	718,921,730 (Note 1)	48.52%
Trader World Limited	Interest in controlled corporations	718,921,730 (Note 1)	48.52%
MS Flooring Holdings Co., Ltd.	Beneficial owner	269,999,990 (Note 2)	18.22%
Morgan Stanley Private Equity Asia III Holdings (Cayman) Ltd	Interest in controlled corporations	269,999,990 (Note 2)	18.22%
Morgan Stanley Private Equity Asia III, Inc.	Interest in controlled corporations	269,999,990 (Note 2)	18.22%
Morgan Stanley Private Equity Asia III, L.L.C.	Interest in controlled corporations	269,999,990 (Note 2)	18.22%
Morgan Stanley Private Equity Asia III, L.P.	Interest in controlled corporations	269,999,990 (Note 2)	18.22%
International Finance Corporation	Beneficial owner	108,000,000	7.29%

Notes:

1. Freewings Development Co., Ltd. is a private company owned by Team One Investments Limited as to 47.11% and Trader World Limited as to 39.81%. Team One Investments Limited and Trader World Limited are wholly-owned by Mr. Se Hok Pan and Ms. Un Son I, respectively. Mr. Se Hok Pan, Ms. Un Son I and Mr. She Jian Bin are directors of Freewings Development Co., Ltd.

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

3. All interests stated are long positions.

Save as disclosed above, the Directors are not aware that there is any party who, as at 31 December 2013, had interests or short positions in the shares and underlying shares of the Company, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Connected Transactions

During the year ended 31 December 2013, the Group has not conducted any connected transaction or continuing connected transaction (as defined under the Listing Rules) which are subject to reporting and annual review requirements under the Listing Rules.

Pre-Emptive Rights

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

Purchase, Sale or Redemption of Securities

During the year ended 31 December 2013, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Major Customers and Suppliers

The percentage of revenue attributable to the Group's five largest customers was less than 30% of the Group's total revenue for the year ended 31 December 2013. Purchases of raw materials attributable to the Group's five largest suppliers amounted to less than 30% of the Group's total cost of sales for the year ended 31 December 2013.

Emolument Policy

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

Employee Retirement Benefits

During the year ended 31 December 2013, the Company has complied, in all material respects, with relevant PRC labour laws and regulations, including contributing to employee retirement benefit schemes, medical and social security insurance schemes and housing provident fund. In Hong Kong, the Company has participated in a mandatory provident fund scheme for its employees in Hong Kong in accordance with applicable Hong Kong laws and regulations.

Sufficiency of Public Float

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

Audit Committee

The Audit Committee has reviewed the accounting principles and policies adopted by the Group and discussed the Group's internal controls and financial reporting matters with the management. The Audit Committee has reviewed the audited financial statements of the Group for the financial year ended 31 December 2013.

Auditors

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

On behalf of the Board

Se Hok Pan
Chairman

Hong Kong, 28 March 2014

Independent Auditor's Report

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

We have audited the consolidated financial statements of Nature Flooring Holding Company Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 62 to 162, which comprise the consolidated and company statements of financial position as at 31 December 2013, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

28 March 2014

Consolidated Statement of Profit or Loss

For the year ended 31 December 2013
(Expressed in Renminbi)

	Note	2013 RMB'000	2012 RMB'000
Turnover	3	**1,488,949**	1,117,904
Cost of sales		**(988,351)**	(763,301)
Gross profit		**500,598**	354,603
Other net income	4(a)	**83,246**	12,197
Net change in fair value of biological assets	14	**47,761**	65,541
Distribution costs		**(235,099)**	(186,300)
Administrative expenses		**(176,634)**	(140,671)
Other operating expenses	4(b)	**(9,253)**	(12,170)
Profit from operations		**210,619**	93,200
Finance income		**11,792**	7,182
Finance costs		**(11,845)**	(7,905)
Net finance costs	5(a)	**(53)**	(723)
Profit before taxation	5	**210,566**	92,477
Income tax (expense)/credit	6(a)	**(70,435)**	26,498
Profit for the year		**140,131**	118,975
Attributable to:			
Equity shareholders of the Company		**138,102**	122,711
Non-controlling interests		**2,029**	(3,736)
Profit for the year		**140,131**	118,975
Earnings per share (RMB):	10		
Basic and diluted		**0.093**	0.082

The notes on pages 71 to 162 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 29(g).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013
(Expressed in Renminbi)

	2013 RMB'000	2012 RMB'000
Profit for the year	**140,131**	118,975
Other comprehensive income for the year		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of entities not using RMB as functional currency, net of nil tax	**(23,765)**	1,671
Total comprehensive income for the year	**116,366**	120,646
Attributable to:		
Equity shareholders of the Company	**114,606**	124,382
Non-controlling interests	**1,760**	(3,736)
Total comprehensive income for the year	**116,366**	120,646

The notes on pages 71 to 162 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2013
(Expressed in Renminbi)

	Note	2013 RMB'000	2012 RMB'000
Non-current assets			
Property, plant and equipment	11	525,996	458,399
Intangible assets	12	16,621	17,901
Lease prepayments	13	56,928	64,650
Biological assets	14	518,555	479,247
Interest in joint venture	16	5,000	—
Investments in unlisted equity securities	17	4,796	14,470
Deposits, prepayments and other receivables	20	59,658	37,560
Deferred tax assets	27(c)	21,184	22,541
		1,208,738	1,094,768
Current assets			
Inventories	18	412,633	380,531
Trade and bills receivables	19	692,807	671,788
Deposits, prepayments and other receivables	20	176,275	108,776
Pledged deposits	21	97,878	13,528
Cash and cash equivalents	22	399,133	815,706
		1,778,726	1,990,329

The notes on pages 71 to 162 form part of these financial statements.

Consolidated Statement of Financial Position (Continued)

At 31 December 2013
(Expressed in Renminbi)

	Note	2013 RMB'000	2012 RMB'000
Current liabilities			
Trade and bills payables	23	**141,785**	137,732
Deposits received, accruals and other payables	24	**174,333**	192,627
Loans and borrowings	25	**121,202**	155,589
Income tax payables	27(a)	**22,196**	9,270
		459,516	495,218
Net current assets		**1,319,210**	1,495,111
Total assets less current liabilities		**2,527,948**	2,589,879
Non-current liabilities			
Loans and borrowings	25	**–**	16,349
Deferred tax liabilities	27(c)	**14,421**	11,370
Total non-current liabilities		**14,421**	27,719
NET ASSETS		**2,513,527**	2,562,160

The notes on pages 71 to 162 form part of these financial statements.

Consolidated Statement of Financial Position (Continued)

At 31 December 2013
(Expressed in Renminbi)

	Note	2013 RMB'000	2012 RMB'000
CAPITAL AND RESERVES			
Share capital	28	**9,680**	9,680
Reserves		**2,493,402**	2,552,480
Total equity attributable to equity shareholders of the Company		**2,503,082**	2,562,160
Non-controlling interests		**10,445**	—
TOTAL EQUITY		**2,513,527**	2,562,160

Approved and authorised for issue by the board of directors on 28 March 2014

Directors

The notes on pages 71 to 162 form part of these financial statements.

Statement of Financial Position

At 31 December 2013
(Expressed in Renminbi)

	Note	2013 RMB'000	2012 RMB'000
Non-current assets			
Investments in subsidiaries	15	278,053	286,107
		278,053	286,107
Current assets			
Deposits, prepayments and other receivables	20	1,270,133	1,243,044
Cash and cash equivalents	22	17,100	176,985
		1,287,233	1,420,029
Current liabilities			
Deposits received, accruals and other payables	24	197,507	106,279
		197,507	106,279
Net current assets		1,089,726	1,313,750
NET ASSETS		1,367,779	1,599,857
CAPITAL AND RESERVES			
Share capital	28	9,680	9,680
Reserves	29	1,358,099	1,590,177
TOTAL EQUITY		1,367,779	1,599,857

Approved and authorised for issue by the board of directors on 28 March 2014

Directors

The notes on pages 71 to 162 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company								
	Share capital RMB'000 (Note 28)	Share premium RMB'000 (Note 29(d))	Statutory surplus reserve RMB'000 (Note 29(a))	Foreign currency translation reserve RMB'000 (Note 29(b))	Other reserves RMB'000 (Note 29(c))	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 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 2012									
Profit for the year	—	—	—	—	—	122,711	122,711	(3,736)	118,975
Other comprehensive income	—	—	—	1,671	—	—	1,671	—	1,671
Total comprehensive income	—	—	—	1,671	—	122,711	124,382	(3,736)	120,646
Dividends approved in respect of the previous year (note 29(g))	—	—	—	—	—	(52,820)	(52,820)	—	(52,820)
Transfer to statutory surplus reserve	—	—	10,319	—	—	(10,319)	—	—	—
Purchase of own shares									
— Par value paid	(168)	—	—	—	—	—	(168)	—	(168)
— Premium paid	—	(28,019)	—	—	—	—	(28,019)	—	(28,019)
Equity settled share-based payment transactions (note 26)	—	—	—	—	10,089	—	10,089	—	10,089
Share options lapsed during the year	—	—	—	—	(1,652)	1,652	—	—	—
As at 31 December 2012	9,680	1,360,787	159,006	(23,504)	30,759	1,025,432	2,562,160	—	2,562,160
Changes in equity for 2013									
Profit for the year	—	—	—	—	—	138,102	138,102	2,029	140,131
Other comprehensive income	—	—	—	(23,496)	—	—	(23,496)	(269)	(23,765)
Total comprehensive income	—	—	—	(23,496)	—	138,102	114,606	1,760	116,366
Dividends approved in respect of the previous year(note 29(g))	—	(27,603)	—	—	—	—	(27,603)	—	(27,603)
Special dividends approved in respect of the current year (note 29(g))	—	(161,715)	—	—	—	—	(161,715)	—	(161,715)
Transfer to statutory surplus reserve	—	—	12,337	—	—	(12,337)	—	—	—
Equity settled share-based payment transactions (note 26)	—	—	—	—	19,634	—	19,634	—	19,634
Share options lapsed during the year	—	—	—	—	(267)	267	—	—	—
Acquisition of non-controlling interests (note 15(a)(ii))	—	—	—	—	—	(4,000)	(4,000)	—	(4,000)
Contribution from a non-controlling interests holder (note 15(a)(iii)&(iv))	—	—	—	—	—	—	—	8,685	8,685
As at 31 December 2013	9,680	1,171,469	171,343	(47,000)	50,126	1,147,464	2,503,082	10,445	2,513,527

The notes on pages 71 to 162 form part of these financial statements.

Consolidated Statement of Cash Flow

For the year ended 31 December 2013
(Expressed in Renminbi)

	Note	2013 RMB'000	2012 RMB'000
Operating activities			
Profit before taxation		210,566	92,477
Adjustments for:			
Net change in fair value of biological assets	14	(47,761)	(65,541)
Net finance costs		53	723
Equity settled share-based payment transactions		19,634	10,089
Depreciation of property, plant and equipment		48,057	37,891
Amortisation of lease prepayments in respect of land use rights		1,406	1,511
Net gain on the resumption of land and assets of Nature (Zhangjiagang) Wood Industry Co., Ltd. ("Nature Zhangjiagang")	4(a)(i)	(51,394)	—
Net (gain)/loss on disposal of property, plant and equipment		(627)	1,719
Amortisation of intangible assets		2,173	1,853
Impairment loss on investments in unlisted equity securities		5,424	4,980
Loss on disposal of an unlisted equity security		1,088	—
Changes in working capital:			
Increase in inventories		(53,472)	(109,073)
(Increase)/decrease in trade and bills receivables		(21,019)	232,515
(Increase)/decrease in deposits, prepayments and other receivables		(78,260)	3,125
Increase/(decrease) in trade and bills payables		4,053	(16,454)
Increase in deposits received, accruals and other payables		22,724	66,292
Cash generated from operations		62,645	262,107
The People's Republic of China (the "PRC") income tax paid		(52,719)	(29,529)
Non-PRC income tax paid		(7)	(738)
Net cash generated from operating activities		9,919	231,840

The notes on pages 71 to 162 form part of these financial statements.

Consolidated Statement of Cash Flow (Continued)

For the year ended 31 December 2013
(Expressed in Renminbi)

	Note	2013 RMB'000	2012 RMB'000
Investing activities			
Interest received		7,398	6,191
Proceeds from the resumption of land and assets of Nature Zhangjiagang	4(a)(i)	120,029	—
Proceeds from disposal of other property, plant and equipment		13,076	9,833
Proceeds from disposal of investment in unlisted equity securities		3,162	—
Payment for acquisition of property, plant and equipment		(225,633)	(115,955)
Payment for acquisition of intangible assets		(893)	(13,082)
Lease prepayments for land use rights		(10,299)	(4,523)
Payment for acquisitions of subsidiaries	15(b)	—	(45,995)
Payment for investment in joint venture	16	(5,000)	—
Net cash used in investing activities		(98,160)	(163,531)
Financing activities			
Proceeds from discounted bills without the right of recourse (note)		13,000	59,803
Proceeds from loans and borrowings		379,778	122,525
Contribution from non-controlling interests		8,685	—
Collection of deposits placed with banks for loans and borrowings		13,528	—
Repayment of discounted bills without the right of recourse		(59,803)	—
Repayment of loans and borrowings		(380,108)	(209,040)
Dividends paid		(189,318)	(52,820)
Interest paid	5(a)	(6,796)	(7,905)
Costs of early repayment of loans from a third party	5(a)	(5,049)	—
Purchase of own shares		—	(28,187)
Payment for acquisition of non-controlling interests		(1,600)	(2,400)
Deposits placed with banks for loans and borrowings		(97,878)	(255)
Net cash used in financing activities		(325,561)	(118,279)
Net decrease in cash and cash equivalents		(413,802)	(49,970)
Cash and cash equivalents at 1 January		815,706	865,638
Effect of foreign exchange rate changes		(2,771)	38
Cash and cash equivalents at 31 December	22	399,133	815,706

Note: As at 31 December 2013, trade acceptance bills of RMB13,000,000 (2012: RMB59,803,000) were discounted to a bank without the right of recourse.

The notes on pages 71 to 162 form part of these financial statements.

1 Significant Accounting Policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual IFRSs, International Accounting Standards ("IASs") and Interpretations adopted by the International Accounting Standards Board ("IASB"). These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("HKSE") and the disclosure requirements of the Hong Kong Companies Ordinance. A summary of the significant accounting policies adopted by Nature Flooring Holding Company Limited (the "Company") and its subsidiaries (together the "Group") is set out below.

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2013 comprise the Company and its subsidiaries and a joint venture.

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

- derivative financial instruments (see note 1(h)(i));
- convertible loan (see note 1 (h) (iii)); and
- biological assets (see note 1(k)).

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

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

1 Significant Accounting Policies (Continued)

(b) Basis of preparation of the financial statements (Continued)

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

(c) Changes in accounting policies

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

- Amendments to IAS 1, *Presentation of financial statements — Presentation of items of other comprehensive income*
- IFRS 10, *Consolidated financial statements*
- IFRS 11, *Joint arrangements*
- IFRS 12, *Disclosure of interests in other entities*
- IFRS 13, *Fair value measurement*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of new or amended IFRSs are discussed below:

Amendments to IAS 1, Presentation of financial statements — Presentation of items of other comprehensive income

The amendments require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the consolidated statement of profit or loss and other comprehensive income in these financial statements has been modified accordingly. In addition, the Group has chosen to use the new titles "statement of profit or loss" and "statement of profit or loss and other comprehensive income" as introduced by the amendments in these financial statements.

IFRS 10, Consolidated financial statements

IFRS 10 replaces the requirements in IAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and SIC 12 *Consolidation — Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

1 Significant Accounting Policies (Continued)

(c) Changes in accounting policies (Continued)

IFRS 10, Consolidated financial statements (Continued)

As a result of the adoption of IFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

IFRS 11, Joint arrangements

IFRS 11, which replaces IAS 31, *Interests in joint ventures*, divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under IFRS 11 are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under IFRS 11 and are required to be accounted for using the equity method in the Group's consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice.

IFRS 12, Disclosure of interests in other entities

IFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements associates and unconsolidated structured entities. The disclosures required by IFRS 12 are generally more extensive than those previously required by the respective standards. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in notes 15, 16 and 17.

IFRS 13, Fair value measurement

IFRS 13 replaces existing guidance in individual IFRSs with a single source of fair value measurement guidance. IFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in notes 14, 26 and 30. The adoption of IFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

(d) Subsidiaries and non-controlling interests

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

1 Significant Accounting Policies (Continued)

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

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

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

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

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no gain or loss is recognised.

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

(e) Joint venture

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

1 Significant Accounting Policies (Continued)

(e) Joint venture (Continued)

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

When the Group's share of losses exceeds its interest in the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the joint venture.

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

(f) Translation of foreign currencies

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

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

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

1 Significant Accounting Policies (Continued)

(f) Translation of foreign currencies (Continued)

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(g) Investments in unlisted equity securities

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

(h) Financial instruments

(i) 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.

(ii) Non-derivative financial assets and financial liabilities

The Group initially recognises loans and receivables on the date when they are originated. All other financial assets and liabilities are recognised initially on the trade date.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or it neither transfers nor retains substantially all of the risks and rewords of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

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

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

1 Significant Accounting Policies (Continued)

(h) Financial instruments (Continued)

(ii) Non-derivative financial assets and financial liabilities (Continued)

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

(i) Trade and other receivables

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

(ii) Cash and cash equivalents

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

(iii) Interest-bearing loans and borrowings

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

(iv) Trade and other payables

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

(iii) Convertible loan

At initial recognition the derivative component of the convertible loans is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs that relate to the issue of the convertible loan are allocated to the liability and derivative component in proportion to the allocation of proceeds.

1 Significant Accounting Policies (Continued)

(h) Financial instruments (Continued)

(iii) Convertible loan (Continued)

The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

The fair value of the derivative component is remeasured at the end of the reporting date. The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method.

If the loan is redeemed, any difference between the amount paid and the carrying amounts of both components is recognised in profit or loss.

(iv) Share capital

Ordinary shares

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

Repurchase of ordinary shares

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

(i) Property, plant and equipment

(i) Recognition and measurement

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

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

Any gain and loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

1 Significant Accounting Policies (Continued)

(i) Property, plant and equipment (Continued)

(ii) Subsequent costs expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives, and is generally recognised in profit or loss. Leasehold improvements are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land in Peru is not depreciated.

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

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

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

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

(iv) Construction in progress

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

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

1 Significant Accounting Policies (Continued)

(j) Intangible assets

(i) Recognition and measurement

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

(ii) Subsequent expenditure

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

(iii) Amortisation

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

The estimated useful lives are as follows:

- Patents 7–10 years
- Computer softwares 5–10 years

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

(k) Biological assets

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

(l) Lease prepayments

Lease prepayments represent cost of land use rights paid to the PRC government authorities. Land use rights are stated at cost less accumulated amortisation and impairment losses (note 1(n)). Amortisation is recognised in profit or loss on a straight-line basis over the respective period of rights which are 45 to 50 years.

1 Significant Accounting Policies (Continued)

(m) Inventories

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

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

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

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

The cost of standing timber transferred from biological assets is its fair value less costs to sell at the date of harvest.

(n) Impairment of assets

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

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

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

1 Significant Accounting Policies (Continued)

(n) Impairment of assets (Continued)

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

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

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

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

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

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

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

1 Significant Accounting Policies (Continued)

(n) Impairment of assets (Continued)

(ii) Impairment of other assets

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

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

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

- **Calculation of recoverable amount**

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

- **Recognition of impairment losses**

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

1 Significant Accounting Policies (Continued)

(n) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

- **Reversals of impairment losses**

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

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

(iii) Interim financial reporting and impairment

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

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

(o) Employee benefit

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

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

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in other reserves within equity. The fair value is measured at grant date using the Binomial Option Pricing Model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

1 Significant Accounting Policies (Continued)

(o) Employee benefit (Continued)

(ii) Share-based payments (Continued)

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

(p) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

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

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

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

1 Significant Accounting Policies (Continued)

(p) Provisions and contingent liabilities (Continued)

(ii) Other provisions and contingent liabilities

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

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

(q) Revenue recognition

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

(i) Sales of goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised. Revenue excludes value added tax.

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

(ii) Trademark and distribution network usage fees

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

1 Significant Accounting Policies (Continued)

(q) Revenue recognition (Continued)

(iii) Interest income

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

(iv) Government grants

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

(r) Lease payments

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

(s) Borrowing costs

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

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

(t) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

1 Significant Accounting Policies (Continued)

(t) Income tax (Continued)

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

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

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

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

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

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

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

1 Significant Accounting Policies (Continued)

(t) Income tax (Continued)

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

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(u) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

1 Significant Accounting Policies (Continued)

(u) Related parties (Continued)

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

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

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

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

(v) Segment reporting

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

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

2 Significant Accounting Estimates and Judgements

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

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

2 Significant Accounting Estimates and Judgements (Continued)

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

(i) Depreciation

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

(ii) Impairments

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

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

(iii) Net realisable value of inventories

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

2 Significant Accounting Estimates and Judgements (Continued)

(iv) Income taxes

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

(v) Fair value of biological assets

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

(vi) Fair value of convertible loan

In determining the fair value of the convertible loan, considerable estimations are required to interpret market data used in the valuation techniques. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

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:

	2013 RMB'000	2012 RMB'000
Manufacturing and sale of wood products	**991,179**	807,060
Trademark and distribution network usage fees	**235,016**	175,641
Trading of timber and wood products	**262,754**	135,203
	1,488,949	1,117,904

The Group's customer base is diversified and did not have any customer with whom transactions exceeded 10% of the Group's aggregate revenue for the year ended 31 December 2013 (2012: Nil). Details of concentrations of credit risk arising from customers are set out in note 30(a).

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

(b) Segment reporting

The Group manages its business by different lines of businesses and geographical locations. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

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

3 Turnover and Segment Reporting (Continued)

(b) Segment reporting (Continued)

(i) Segment results, assets and liabilities

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

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.

3 Turnover and Segment Reporting (Continued)

(b) Segment reporting (Continued)

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

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

	Manufacturing and sale of wood products		Trademark and distribution network usage fees		Trading of timber and wood products		Total	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Revenue from external customers (note 3(a))	991,179	807,060	235,016	175,641	262,754	135,203	1,488,949	1,117,904
Inter-segment revenue	18,636	2,962	–	–	28,727	33,429	47,363	36,391
Reportable segment revenue	1,009,815	810,022	235,016	175,641	291,481	168,632	1,536,312	1,154,295
Reportable segment result	85,415	46,048	88,383	45,126	(8,050)	(19,797)	165,748	71,377
Depreciation and amortisation for the year	(21,375)	(28,427)	–	–	(4,578)	(3,588)	(25,953)	(32,015)
Net impairment losses (recognised)/ reversed for trade receivables during the year	(12,199)	(5,905)	–	–	1,396	(1,521)	(10,803)	(7,426)

3 Turnover and Segment Reporting (Continued)

(b) Segment reporting (Continued)

(ii) Reconciliations of reportable segment revenues and profits

	2013 RMB'000	2012 RMB'000
Revenue		
Reportable segment revenue	**1,536,312**	1,154,295
Elimination of inter-segment revenue	**(47,363)**	(36,391)
Consolidated revenue	**1,488,949**	1,117,904

	2013 RMB'000	2012 RMB'000
Profit		
Reportable segment result	**165,748**	71,377
Elimination of inter-segment profits	**(1,879)**	(2,244)
Reportable segment result derived from external customers	**163,869**	69,133
Other net income	**83,246**	6,690
Net change in fair value of biological assets	**47,761**	65,541
Other operating expenses	**(9,253)**	(12,170)
Depreciation and amortisation	**(25,683)**	(9,240)
Net finance costs	**(53)**	(723)
Unallocated head office and corporate expenses	**(49,321)**	(26,754)
Consolidated profit before taxation	**210,566**	92,477

(iii) Geographic information

Analysis of the Group's turnover by geographical market has not been presented as substantially all of 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)

(b) Segment reporting (Continued)

(iii) Geographic information (Continued)

	2013 RMB'000	2012 RMB'000
Specified non-current assets		
The PRC Region	724,232	730,756
Peru	382,254	289,406
the United States of America (the "USA")	73	35
	1,106,559	1,020,197

4 Other Net Income/Other Operating Expenses

(a) Other net income

	2013 RMB'000	2012 RMB'000
Net gain on the resumption of land and assets of Nature Zhangjiagang (i)	51,394	—
Government grants (ii)	27,281	10,613
Net gain on forward exchange transactions	98	450
Net gain on disposal of other property, plant and equipment	627	—
Others	3,846	1,134
	83,246	12,197

4 Other Net Income/Other Operating Expenses (Continued)

(a) Other net income (Continued)

(i) On 6 December 2012, Nature Zhangjiagang entered into a compensation agreement (the "Compensation Agreement") with Jingang County Government and Zhangjiagang Chengxin Relocation Co., Limited. Pursuant to the Compensation Agreement, Jingang County Government made a compensation of RMB135,029,000 to Nature Zhangjiagang in respect of the loss on assets. Nature Zhangjiagang has also entered into a supplementary agreement (the "Supplementary Agreement") with Jingang County Government for an additional compensation of RMB15,000,000. The aggregate compensation payments under the Compensation Agreement and the Supplementary Agreement amounted to RMB150,029,000. As at 31 December 2012, the keys to the buildings erected on the land has not yet been delivered to local government but a compensation of RMB30,000,000 was received by Nature Zhangjiagang and recognised as deferred income (Note 24).

During the year ended 31 December 2013, the remaining compensation of RMB120,029,000 was received upon the delivery of the keys to the buildings erected on the land. After deduction of the net book value of the respective assets upon disposal of RMB98,635,000, the gain of RMB51,394,000 and the income tax provision for the gain of RMB6,727,000 (note 6(a)) were recognised by the Group in the profit or loss during the year ended 31 December 2013.

(ii) Government grants for the year ended 31 December 2013 mainly represented tax refunds of RMB22,134,000 (2012: RMB5,500,000) from certain local tax bureaux in the PRC and Peru.

(b) Other operating expenses

	2013 RMB'000	2012 RMB'000
Impairment loss for investment in unlisted equity securities (note 17(ii))	**5,424**	4,980
Loss on disposal of an unlisted equity security (note 17(i))	**1,088**	—
Net loss on disposal of property, plant and equipment	**—**	1,719
Donations	**1,260**	—
Others	**1,481**	5,471
	9,253	12,170

5 Profit before Taxation

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

(a) Finance income and finance costs

	2013 RMB'000	2012 RMB'000
Interest income on bank deposits	(7,398)	(6,191)
Net foreign exchange gain	(4,394)	(991)
Finance income	(11,792)	(7,182)
Interest expense on bank loans	6,796	7,905
Costs of early repayment of loans from a third party (note 25(b)(iv))	5,049	—
Finance costs	11,845	7,905
Net finance costs recognised in profit or loss	53	723

5 Profit before Taxation (Continued)

(b) Staff costs

	2013 RMB'000	2012 RMB'000
Salaries, wages and other benefits	**159,581**	141,574
Contributions to defined contribution retirement plan	**6,557**	5,996
Equity settled share-based payment expenses (note 26)	**19,634**	10,089
	185,772	157,659

The employees of the companies in the PRC participate in a defined contribution retirement scheme operated by the local government authorities whereby the Group is required to contribute to the scheme at rate of 8–20% of the eligible employees' basic salary. The local government authorities are responsible for the entire pension obligations payable to the retired employees.

Contributions to the Mandatory Provident Fund ("MPF") are required under the Hong Kong Mandatory Provident Fund Schemes Ordinance. The Group and its employees in Hong Kong make monthly mandatory contributions to the Mandatory Provident Fund Scheme at 5% of the employees' relevant income as defined under the Mandatory Provident Fund Schemes Ordinance. The contributions from employees and employers are subject to a cap of monthly relevant income of Hong Kong Dollar ("HKD") 20,000 during the period from 1 January 2012 to 31 May 2012. With effect from 1 June 2012, the maximum amount of monthly relevant income for MPF mandatory contributions was changed from HKD20,000 to HKD25,000.

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

5 Profit before Taxation (Continued)

(c) Other items

	Note	2013 RMB'000	2012 RMB'000
Cost of inventories*	18	983,564	754,220
Net impairment losses			
— trade and other receivables	19(b)	10,803	7,426
— investments in unlisted equity securities	17	5,424	4,980
Depreciation		48,057	37,891
Amortisation			
— lease prepayments		1,406	1,511
— intangible assets		2,173	1,853
Net gain on the resumption of land and assets of Nature Zhangjiagang	4(a)(i)	(51,394)	—
Net (gain)/loss on disposal of other property, plant and equipment		(627)	1,719
Operating lease charges		14,430	14,561
Auditors' remuneration		3,906	3,117

* For the year ended 31 December 2013, cost of inventories includes RMB92,533,000 (2012: RMB97,656,000) relating to staff costs, depreciation and operating lease charges, amounts of which are also included in the respective total amounts disclosed separately above or in note 5(b) for each of these types of expenses.

6 Income Tax in the Consolidated Statement of Profit or Loss

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

	2013 RMB'000	2012 RMB'000
Current tax		
Provision for PRC income tax (note 27(a))(note)	65,405	27,180
Provision for income tax from subsidiaries in other jurisdictions (note 27(a))	247	738
	65,652	27,918
Deferred tax		
Origination and reversal of temporary differences (note 27(b))	4,783	(54,416)
	70,435	(26,498)

Note: For the year ended 31 December 2013, the provision for PRC income tax included RMB6,727,000 income tax provision for the net gain on the resumption of land and assets of Zhangjiagang Nature (note 4(a)(i)), net of accumulated tax losses.

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

	2013 RMB'000	2012 RMB'000
Profit before taxation	210,566	92,477
Notional tax on profit before taxation, calculated at the rates applicable to the jurisdictions concerned (i)	47,239	14,667
Tax effect of non-deductible expenses (ii)	10,268	16,437
Tax effect of non-taxable income	(381)	(3)
Deferred tax recognised at different tax rates	–	(1,262)
Tax effect of un-recognised tax losses	12,576	11,485
Tax effect of un-recognised temporary difference	733	(23)
Recognition of previously unrecognised temporary differences and tax losses	–	(4,567)
Effect of tax concessions (iii)	–	(13,154)
Tax effect of withholding tax on distributable profits (iv)	–	(50,078)
Income tax expense/(credit)	70,435	(26,498)

6 Income Tax in the Consolidated Statement of Profit or Loss (Continued)

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

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

The Group's subsidiaries incorporated in the USA were subject to federal income tax at progressive rates from 15% to 35% and state income tax.

The Group's subsidiaries incorporated in Hong Kong were subject to Profits Tax rate of 16.5% for the year ended 31 December 2013. No provision for Hong Kong Profits Tax for the year ended 31 December 2012 as the Group had no assessable profits subject to Hong Kong Profits Tax.

The Group's subsidiaries incorporated in Macau were subject to Macau Complementary Tax. The provision for Macau Complementary Tax for the year ended 31 December 2013 is calculated at the rate of 12%, of which assessable profits of the first MOP300,000 is exempted from tax. For the year ended 31 December 2012, the provision for Macau Complementary Tax was calculated at progressive tax rates ranging from 9% to 12% of the assessable profits for the year after deducting the first MOP200,000 which was exempted from tax.

The Group's subsidiaries incorporated in Peru were subject to income tax rates of 5% for the years ended 31 December 2013 and 2012.

The PRC's statutory income tax rate is 25% for the years ended 31 December 2013 and 2012.

(ii) For the year ended 31 December 2013, the tax effect of non-deductible expenses of RMB12,970,000 (2012: RMB16,437,000) mainly consists of losses from change in fair value of biological assets (note 14) recorded by Jiangxi Yingran Forest Development Company Limited ("Jiangxi Forest"). According to relevant Corporate Income Tax Law in the PRC, income derived from projects in the forestry industry is exempted from corporate income tax.

6 Income Tax in the Consolidated Statement of Profit or Loss (Continued)

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

(iii) For the year ended 31 December 2012, the tax concessions mainly represented the tax holidays enjoyed by Yingyi-Nature (Kunshan) Wood Industry Co., Limited ("Kunshan Nature"). Kunshan Nature was entitled to a tax holiday of two-year full exemption followed by three-year 50% reduction in the income tax rate. The first year of full exemption was 2008. Accordingly, Yingyi-Nature is subject to income tax at 12.5% from 2010 to 2012. Kunshan Nature's tax holiday expired as at 1 January 2013.

(iv) According to the Corporate Income Tax Law of the PRC 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 subsidiaries in Hong Kong and Macau are the qualified Hong Kong and Macau tax residents for the years ended 31 December 2013 and 2012.

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%.

As a part of the continuing evaluation of the funding needs of its subsidiaries, the directors have determined that the undistributed profits of the Group's subsidiaries will not be distributed in the foreseeable future. As such, the deferred tax liabilities as at 1 January 2012 in the amount of RMB50,078,000 were reversed during the year ended 31 December 2012 and no further deferred tax liabilities in this regard have been provided as at 31 December 2013 and 2012.

The amounts of undistributed profit of the Group's subsidiaries are set out below:

	2013 RMB'000	2012 RMB'000
Profits earned by PRC subsidiaries on or after 1 January 2008	1,147,965	1,008,422
Others	109,523	121,788
Total	1,257,488	1,130,210

7 Directors' Remuneration

The details of directors' remuneration are disclosed as follows:

Year ended 31 December 2013

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

7 Directors' Remuneration (Continued)

Year ended 31 December 2012

	Directors' fees RMB'000	Salaries, allowances and other benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Sub-total RMB'000	Equity settled share-based payment expenses RMB'000	Total RMB'000
Executive directors							
Mr. Se Hok Pan	—	249	2,342	—	2,591	120	2,711
Ms. Un Son I	—	218	1,555	—	1,773	120	1,893
Mr. Chow Chi Keung	—	180	1,246	—	1,426	120	1,546
Mr. She Jian Bin	—	183	366	—	549	120	669
Non-executive directors							
Mr. Homer Sun	—	—	—	—	—	—	—
Mr. Eddy Huang (note)	—	—	—	—	—	—	—
Mr. Teoh Chun Ming	81	334	244	—	659	670	1,329
Independent non-executive directors							
Mr. Li Kwok Cheung	163	—	—	—	163	80	243
Mr. Zhang Sen Lin	163	—	—	—	163	80	243
Mr. Chan Siu Wing	163	—	—	—	163	80	243
Mr. Ho King Fung	163	—	—	—	163	80	243
	733	1,164	5,753	—	7,650	1,470	9,120

There were no amounts paid during the year ended 31 December 2013 (2012: nil) to the directors as inducement to join or upon joining the Company or the Group or as compensation for loss of office.

Note: Mr. Eddy Huang resigned as non-executive director on 24 May 2012.

8 Individual with Highest Emoluments

During the year ended 31 December 2013, three (2012: three) of the five highest paid individuals were also the directors of the Company.

The remuneration of the remaining individuals is as follows:

	2013 RMB'000	2012 RMB'000
Salaries and other emoluments	727	527
Equity settled share-based payment expenses	7,915	4,274
Contributions to retirement benefit scheme	7	—
	8,649	4,801

The emoluments of the two (2012: two) individuals with the highest emoluments are within the following bands:

HKD	2013 Number of individuals	2012 Number of individuals
1,500,001–2,000,000	—	1
4,000,001–4,500,000	—	1
5,000,001–5,500,000	1	—
5,500,001–6,000,000	1	—

9 Profit Attributable to Equity Shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a loss of RMB27,756,000 (2012: loss of RMB22,575,000) which has been dealt with in the financial statements of the Company.

9 Profit Attributable to Equity Shareholders of the Company (Continued)

Reconciliation of the above amount to the Company's loss for the year:

	2013 RMB'000	2012 RMB'000
Amount of consolidated loss attributable to equity shareholders dealt with in the Company's financial statements	27,756	22,575
Final dividends from subsidiaries attributable to the profits of the previous financial year, approved and paid during the year	—	(3,254)
Company's loss for the year (note 29)	27,756	19,321

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

10 Earnings Per Share

(a) Basic earnings per share

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

(i) Profit attributable to equity shareholders of the Company of RMB138,102,000 (2012: RMB122,711,000).

(ii) Weighted average number of ordinary shares

	2013 '000	2012 '000
Issued ordinary shares at 1 January	1,481,824	1,508,265
Effect of repurchase and cancellation of own shares (note 28(b))	—	(10,529)
Weighted average number of ordinary shares at 31 December	1,481,824	1,497,736

(b) Diluted earnings per share

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

11 Property, Plant and Equipment

	Land, buildings and plant RMB'000	Leasehold improvement RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Office equipment and furniture RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At 1 January 2012	160,014	—	257,649	23,385	9,513	16,993	467,554
Additions	28,475	10,208	39,801	3,800	3,018	36,531	121,833
Transfer from construction in progress	18,182	3,725	5,541	—	344	(27,792)	—
Exchange adjustments	136	—	433	630	22	2	1,223
Disposals	(412)	—	(13,573)	(1,015)	(422)	(75)	(15,497)
At 31 December 2012	206,395	13,933	289,851	26,800	12,475	25,659	575,113
At 1 January 2013	206,395	13,933	289,851	26,800	12,475	25,659	575,113
Additions	7,241	—	38,681	4,638	1,542	127,165	179,267
Transfer from construction in progress	42,096	1,548	21,486	87	1,492	(66,709)	—
Exchange adjustments	(2,366)	—	(2,980)	(1,906)	(2)	(128)	(7,382)
Disposals	(26,950)	—	(42,752)	(5,877)	(949)	—	(76,528)
At 31 December 2013	226,416	15,481	304,286	23,742	14,558	85,987	670,470
Accumulated depreciation:							
At 1 January 2012	(12,940)	—	(57,411)	(7,932)	(4,245)	—	(82,528)
Charge for the year	(6,760)	(1,874)	(23,519)	(3,776)	(1,962)	—	(37,891)
Exchange adjustments	(2)	—	(45)	(189)	(4)	—	(240)
Disposals	19	—	3,102	615	209	—	3,945
At 31 December 2012	(19,683)	(1,874)	(77,873)	(11,282)	(6,002)	—	(116,714)
At 1 January 2013	(19,683)	(1,874)	(77,873)	(11,282)	(6,002)	—	(116,714)
Charge for the year	(8,281)	(7,656)	(27,107)	(2,373)	(2,640)	—	(48,057)
Exchange adjustments	47	—	242	550	16	—	855
Disposals	2,770	—	12,474	3,675	523	—	19,442
At 31 December 2013	(25,147)	(9,530)	(92,264)	(9,430)	(8,103)	—	(144,474)
Carrying amounts:							
At 31 December 2013	201,269	5,951	212,022	14,312	6,455	85,987	525,996
At 31 December 2012	186,712	12,059	211,978	15,518	6,473	25,659	458,399

As at 31 December 2013, none of the property, plant and equipment was pledged for loans and borrowings (2012: RMB84,908,000) (note 25(a)(i)).

12 Intangible Assets

	Patents RMB'000	Computer softwares RMB'000	Total RMB'000
Cost:			
At 1 January 2012	3,512	4,124	7,636
Additions	10,000	3,082	13,082
At 31 December 2012	13,512	7,206	20,718
At 1 January 2013	13,512	7,206	20,718
Additions	51	842	893
At 31 December 2013	13,563	8,048	21,611
Accumulated amortisation:			
At 1 January 2012	680	284	964
Charge for the year	1,194	659	1,853
At 31 December 2012	1,874	943	2,817
At 1 January 2013	1,874	943	2,817
Charge for the year	1,432	741	2,173
At 31 December 2013	3,306	1,684	4,990
Carrying amount:			
At 31 December 2013	10,257	6,364	16,621
At 31 December 2012	11,638	6,263	17,901

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

13 Lease Prepayments

	Land use rights RMB'000
Cost:	
At 1 January 2012, 31 December 2012 and 1 January 2013	71,319
Additions	21,149
Disposal	(30,590)
At 31 December 2013	61,878
Accumulated amortisation:	
At 1 January 2012	5,158
Amortisation for the year	1,511
At 31 December 2012	6,669
At 1 January 2013	6,669
Amortisation for the year	1,406
Disposal	(3,125)
At 31 December 2013	4,950
Carrying amounts:	
At 31 December 2013	56,928
At 31 December 2012	64,650

Lease prepayments represent the Group's land use rights on leasehold land located in the PRC and Peru. At 31 December 2013, the remaining period of the land use rights ranges from 43 to 49 years (2012: 44 to 48 years).

As at 31 December 2013, none of the lease prepayments was pledged for loans and borrowings (2012: RMB21,371,000) (note 25(a)(i)).

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

14 Biological Assets

(a) Reconciliation of carrying amount

	Standing timber RMB'000
Balance at 1 January 2012	372,962
Increase due to acquisition of subsidiaries (note 15(b)(ii))	45,995
Net change in fair value less estimated costs to sell	65,541
Harvested timber transferred to inventories	(5,021)
Effect of movements in exchange rate	(230)
Balance at 31 December 2012	479,247
Balance at 1 January 2013	479,247
Net change in fair value less estimated costs to sell	47,761
Harvested timber transferred to inventories	(5,163)
Effect of movements in exchange rate	(3,290)
Balance at 31 December 2013	518,555

As at 31 December 2013 and 2012, the Group's biological assets represent the following concession rights:

- harvest standing timber in 46,345 hectares of natural forest in Peru Yurimaguas for a period up to 2045;
- harvest standing timber in 91,754 hectares of natural forest in Peru Sepahua for a period up to 2042;
- harvest standing timber in 4,445 hectares of natural forest in Yunnan Ninglang for a period through the year 2060, 2077 or 2078; and
- harvest standing timber in 3,706 hectares of natural forest in Yunnan Yingjiang for a period through the year 2041 or 2042.

During the year ended 31 December 2013, 31,875 cubic meters of timbers in Peru Yurimaguas were harvested (2012: 24,095 cubic meters).

On 3 July 2013 and 25 August 2013, the Group entered into two harvesting contracts with independent third parties (the "Lessees"). Pursuant to the harvesting contracts, the Lessees have the rights to harvest the standing timber in 204 hectares and 221 hectares of natural forest in Yunnan Yingjiang, respectively, for a period up to 30 June 2014, with a total consideration of RMB2,420,000. As at 31 December 2013, the carrying amount of the relevant natural forest in Yunnan Yingjiang under the above harvesting contracts was approximately RMB10,871,000 (2012: Nil).

14 Biological Assets (Continued)

(b) Measurement of fair values

(i) Fair value hierarchy

The following table presents the fair value of the Group's biological assets measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

The fair value measurement for standing timber has been categorised as Level 3 fair value. The fair value of the standing timber as at the end of each reporting period and the fair value of harvested timber transferred to inventories during the year were determined by an external independent valuer engaged by the Group. The valuation reports with analysis of changes in fair value measurement are prepared by the valuer at annual reporting date, and are reviewed and approved by the management.

(ii) Level 3 fair values

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

	2013 RMB'000	2012 RMB'000
Balance at 1 January	479,247	372,962
Increase due to acquisition of subsidiaries	—	45,995
Harvested timber transferred to inventories	(5,163)	(5,021)
Included in "Net change in fair value of biological assets"		
— Change in fair value (unrealised)	47,761	65,541
Included in other comprehensive income		
— Effect of movements in exchange rate	(3,290)	(230)
Balance at 31 December	518,555	479,247

During the years ended 31 December 2013 and 2012, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(Expressed in Renminbi)

14 Biological Assets (Continued)

(b) Measurement of fair value (Continued)

(ii) Level 3 fair values (Continued)

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

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Discounted cash flow: The valuation model considers the present value of the net cash flows expected to be generated by the standing timber. The cash flow projections include specific estimates for the periods as disclosed in note 14(a). The expected net cash flows are discounted using risk-adjusted discount rates.	Standing timber in Peru Yurimaguas: • Estimated future timber market prices per stere (USD83–USD188) (2012: USD103–USD120) • Estimated yields per hectare (16–29 cubic meters) (2012: 15–27 cubic meters) • Estimated harvest and transportation costs per stere (USD41–USD50) (2012: USD33–USD40) • Risk-adjusted discount rate (12%) (2012: 12%) Standing timber in Peru Sepahua: • Estimated future timber market prices per stere (USD104–USD188) (2012: USD118–USD136) • Estimated yields per hectare(19–42 cubic meters) (2012: 19–42 cubic meters) • Estimated harvest and transportation costs per stere (USD29–USD44) (2012: USD17–USD41.9) • Risk-adjusted discount rate (14%) (2012: 15%) Standing timber in Yunnan Ninglang: • Estimated future timber market prices per stere (RMB611-RMB1188) (2012: RMB540–RMB1020) • Estimated yields per hectare(90–240 cubic meters) (2012: 49–179 cubic meters) • Estimated harvest and transportation costs per stere (RMB347–RMB409) (2012: RMB349–RMB384) • Risk-adjusted discount rate (11.5%) (2012: 11.5%) Standing timber in Yunnan Yingjiang: • Estimated future timber market prices per stere (RMB400–RMB1003) (2012: RMB580–RMB900) • Estimated yields per hectare(140–240 cubic meters) (2012: 145–260 cubic meters) • Estimated harvest and transportation costs per stere (RMB355-RMB384) (2012: RMB329–RMB332) • Risk-adjusted discount rate (11.5%) (2012: 11.5%)	The estimated fair value would increase (decrease) if: • the estimated timber prices per stere were higher (lower); • the estimated yields per hectare were higher (lower); • the estimated harvest and transportation costs were lower (higher); or • the risk-adjusted discount rates were lower (higher).

14 Biological Assets (Continued)

(c) Risk management strategy related to agricultural activities

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

Regulatory and environmental risks

The Group is subject to laws and regulations in Peru and Yunnan. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

Supply and demand risk

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

Climate and other risks

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

15 Investments in Subsidiaries

	2013 RMB'000	2012 RMB'000
Unlisted shares, at cost	278,053	286,107

(a) List of major subsidiaries

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

			Proportion of ownership interest		
Name of company	Place of incorporation and business	Particulars of issued and paid-up capital	Group's effective interest	Held by a subsidiary	Principal activity
YS Nature International Trading Co., Ltd. 盈順國際貿易有限公司	Macau	MOP50,000	100%	100%	Investment holding and trading of wood cores and wood flooring
Nature (Zhongshan) Wood Industry Co. Ltd. 中山市大自然木業有限公司 (i)(ii)	the PRC	USD6,150,000	100%	100%	Wood flooring manufacturing
Kunshan Nature 昆山盈意大自然木業有限公司 (i)(ii)	the PRC	USD9,600,000	100%	100%	Wood flooring manufacturing
Ever Sharp Industrial Limited 國耀實業有限公司	Hong Kong	HKD100	100%	100%	Investment holding and trading of wood cores and wood flooring
Guangdong Yingran Wood Industry Co., Ltd. 廣東盈然木業有限公司 (i)(ii)	the PRC	USD9,000,000	100%	100%	Wood flooring manufacturing
Nature Zhangjiagang 大自然 (張家港) 木業有限公司 (i)(ii)	the PRC	USD10,000,000	100%	100%	Wood flooring manufacturing
Jiangxi Nature Wood Based Panels Co., Ltd. 江西大自然人造板有限公司 (i)(ii)	the PRC	USD10,000,000	100%	100%	Artificial board manufacturing

(Expressed in Renminbi)

15 Investments in Subsidiaries (Continued)

(a) List of major subsidiaries (Continued)

Name of company	Place of incorporation and business	Particulars of issued and paid-up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by a subsidiary	Principal activity
Jiangxi Yingran Wood Industry Co., Ltd. 江西盈然地板有限公司 (i)(ii)	the PRC	USD10,000,000	100%	100%	Floorboard manufacturing
Jiangxi Forest 江西盈然林業發展有限公司 (i)(ii)	the PRC	USD5,000,000	100%	100%	Extraction and sale of timber and forest operations
Nature Flooring (China) Co., Ltd. 大自然家居 (中國) 有限公司 (i)(ii)	the PRC	RMB50,000,000	100%	100%	Trading of wood products
Zhuhai Nature Baigao Wood Industry Co., Ltd ("Nature Baigao") 珠海大自然柏高木業有限公司 (i)(iii)	the PRC	RMB10,000,000	100%	100%	Research, development, manufacturing and sales of wood doors
Taizhou Nature Desenberg Wood Industry Co., Ltd. 泰州大自然德森堡木業有限公司 (i)(ii)	the PRC	USD12,000,000	100%	100%	Research, development, manufacturing and sale of wood doors
Nature Desenberg (Tai Zhou) Wood Door Industry Co., Ltd. 泰州大自然德森堡木門有限公司 (i)	the PRC	RMB1,000,000	100%	100%	Manufacturing and sale of wood doors
Nature Desenberg (Xu Zhou) Wood Industry Co., Ltd. 徐州大自然德森堡木業有限公司 (i)	the PRC	USD1,500,000	100%	100%	Manufacturing and sale of wood doors
Nature Vanessa (Guangdong) Cupboard & Wardrobe Industry Co., Ltd. 廣東大自然溫莎堡櫥衣櫃有限公司 (i)(ii)	the PRC	USD1,800,000	100%	100%	Manufacturing and sale of cupboard and wardrobe products
Nature Flooring Industries Inc. ("Nature Flooring")	USA	USD10,000	100%	100%	Trading of wood flooring

(Expressed in Renminbi)

15 Investments in Subsidiaries (Continued)

(a) List of major subsidiaries (Continued)

			Proportion of ownership interest		
Name of company	Place of incorporation and business	Particulars of issued and paid-up capital	Group's effective interest	Held by a subsidiary	Principal activity
Nature Wood (Peru) S.A.C.	Peru	Peruvian Nuevo Sol ("PEN") 500,000	100%	100%	Trading of wood flooring
Nature America S.A.C.	Peru	PEN500,000	100%	100%	Trading of wood flooring, extraction and sale of timber and forest operations
Sepahua Tropical Foresta S.A.C.	Peru	PEN100,000	100%	100%	Extraction and sale of timber and forest operations
Nuevo San Martin S.A.C.	Peru	PEN19,205	100%	100%	Extraction and sale of timber and forest operations
Cheerway Industrial Limited 捷偉實業有限公司	Hong Kong	HKD100	100%	100%	Investment holding and trading of wood cores and wood flooring
Prime World International Investment Limited 柏匯國際投資有限公司	Hong Kong	HKD1	100%	100%	Investment holding and trading of wood cores and wood flooring
Parquet Nature (France) S.A.R.L.	France	EUR100,000	100%	100%	Trading of wood cores and wood flooring
Swift Top Capital Resources Limited 捷達資本有限公司	Hong Kong	HKD1	100%	100%	Trading of wood cores and wood flooring
Jiang Xi Nature Home Co., Ltd 江西省大自然家居有限公司 (i)(ii)	the PRC	RMB1,244,880	100%	100%	Trading of wood cores and wood flooring
Contrato De Compra Venta De Peruvian Flooring S.A.C.	Peru	PEN10,000	100%	100%	Extraction and sale of timber and forest operations

15 Investments in Subsidiaries (Continued)

(a) List of major subsidiaries (Continued)

Name of company	Place of incorporation and business	Particulars of issued and paid-up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by a subsidiary	Principal activity
Mico Incorporation Limited ("Mico") 民廣有限公司 (iv)	Macau	MOP31,000,000	65%	65%	Investment holding and trading of wood cores and wood flooring
Homefloormax Inc. ("Homefloormax") (v)	USA	USD2,600,000	65%	65%	Trading of Flooring Products

(i) These subsidiaries are private limited liability companies in the PRC. The official names of these companies are in Chinese. The English translation of these companies' names is for reference only.

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

(iii) The Group acquired the remaining 40% equity interests of Nature Baigao at a consideration of RMB4,000,000 on 3 September 2013. Nature Baigao became a wholly owned subsidiary of the Group as at 31 December 2013.

(iv) Mico was incorporated on 14 May 2013 by the Group's wholly owned subsidiary and an independent third party with a registered capital of MOP31,000,000. The Group and the other shareholder held 65% and 35% equity interests in Mico respectively as at 31 December 2013.

(v) Homefloormax was incorporated on 22 May 2013 by Mico with a registered capital of USD2,600,000. As of 31 December 2013, the Group and the other shareholder indirectly held 65% and 35% equity interests in Homefloormax respectively.

(b) Acquisitions of subsidiaries

On 27 December 2012, the Group acquired certain biological assets in Peru through acquisition of 100% equity interests in Liteful Development Limited, Rise Power Development, Sepahua Tropical Foresta S.A.C. and Nuevo San Martin S.A.C. at a total consideration of USD7,318,000 (equivalent to RMB45,995,000 at acquisition date).

(i) Consideration transferred

	RMB'000
Cash	45,995

(ii) Identifiable assets acquired

	RMB'000
Biological assets (note 14)	45,995

16 Interest in Joint Venture

	2013 RMB'000	2012 RMB'000
Unlisted shares, at cost	5,000	—

Details of the Group's interest in the joint venture, which is accounted for using the equity method in the consolidated financial statement, are as follows:

			Proportion of ownership interest		
Name of company	Place of incorporation and business	Particulars of issued and paid-up capital	Group's effective interest	Held by a subsidiary	Principal activity
Foshan Shunde Nature Investment Management Co., Ltd. ("Foshan Nature") 佛山市順德區大自然投資管理有限公司*	the PRC	RMB10,000,000	50%	50%	Provision of property management services

* The English translation of this company's name is for reference only.

Foshan Nature is an unlisted corporate entity whose quoted market price is not available. The company has not yet started its operations as at 31 December 2013.

Summarised financial information of Foshan Nature, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

	2013 RMB'000
Gross amounts of Foshan Nature's	
Current assets	60,394
Non-current assets	14
Current liabilities	(50,408)
Equity	(10,000)
Included in the above assets and liabilities:	
Cash and cash equivalent	6,625
Reconciled to the Group's interest in Foshan Nature	
Gross amounts of Foshan Nature's net assets	10,000
Group's effective interest	50%
Group's share of Foshan Nature's net assets and the carrying amount in the consolidated financial statements	5,000

17 Investments in Unlisted Equity Securities

	2013 RMB'000	2012 RMB'000
Unlisted shares, at cost (i)	15,200	19,450
Less: impairment loss (ii)	(10,404)	(4,980)
	4,796	14,470

As at 31 December 2013, the Group had direct equity interest in the following unlisted PRC incorporated entities:

Name of company	Place of incorporation and business	Particulars of issued and paid-up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by a subsidiary	Principal activity
Liaoning Tai'an Yingfu Xinsheng Flooring Co., Ltd. 遼寧台安盈福新盛地板有限公司*	the PRC	RMB40,000,000	19%	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	RMB40,000,000	19%	19%	Manufacturing and trading of wood flooring

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

(i) The Group disposed of Lejia Chengpin (Beijing) Technology Co., Ltd. (樂嘉誠品(北京)科技有限公司) during the year ended 31 December 2013 with a loss on disposal of RMB1,088,000 (note 4(b)).

(ii) During the year ended 31 December 2013, 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 fair value less costs of disposal.

18 Inventories

	2013 RMB'000	2012 RMB'000
Raw materials	72,306	110,475
Work in progress	48,895	41,236
Finished goods	266,084	207,747
Spare parts and consumables	25,348	21,073
	412,633	380,531

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

	2013 RMB'000	2012 RMB'000
Carrying amount of inventories sold	976,668	751,894
Write down of inventories	6,896	2,326
	983,564	754,220

19 Trade and Bills Receivables

	2013 RMB'000	2012 RMB'000
Trade debtors	568,747	561,939
Bills receivable (note)	153,867	128,853
Less: allowance for doubtful debts (note 19(b))	(29,807)	(19,004)
	692,807	671,788

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

Note: As at 31 December 2013, RMB13,000,000 bills receivable has been pledged to a bank as security in connection with certain banking facilities (2012: RMB110,577,000) (note 25(a)(i)) obtained by the Group.

19 Trade and Bills Receivables (Continued)

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade debtors and bills receivable, based on the invoice date (or the date of revenue recognition, if earlier) and net of allowance for doubtful debts, is as follows:

	2013 RMB'000	2012 RMB'000
Within 1 month	173,000	233,755
1 to 3 months	225,364	155,421
3 to 6 months	205,257	105,032
6 to 12 months	49,464	105,926
More than 12 months	39,722	71,654
	692,807	671,788

Trade debtors and bills receivable are due within 30–180 days from the date of billing. Customers from trademark and distribution network usage (see note 3) are due within 180 days from the date of billing. These customers manufacture and sell the products under the trademarks and distribution network owned by the Group. These customers are responsible for their own raw materials procurement and other costs incurred in the manufacturing processes. The Group charges them trademark and distribution network usage fees accordingly. Generally, these customers collect the amounts from their customers before making settlement to the Group. Further details on the Group's credit policy are set out in note 30(a).

(b) Impairment of trade debtors and bills receivable

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

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

	2013 RMB'000	2012 RMB'000
Balance at 1 January	19,004	11,578
Impairment loss recognised during the year	23,679	12,594
Reversal of impairment loss recognised during the year	(12,876)	(5,168)
Balance at 31 December	29,807	19,004

19 Trade and Bills Receivables (Continued)

(b) Impairment of trade debtors and bills receivable (Continued)

As at 31 December 2013, the Group's trade receivables of RMB30,727,000 (2012: RMB27,030,000) 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 RMB29,807,000 as at 31 December 2013 were recognised (2012: RMB19,004,000).

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

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

	2013 RMB'000	2012 RMB'000
Neither past due nor impaired	532,995	450,523
Less than 3 months past due	73,620	65,903
More than 3 months but less than 12 months past due	53,161	111,980
More than 12 months past due	32,111	35,356
	158,892	213,239
	691,887	663,762

Receivables that were neither past due nor impaired and receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and balances are still considered fully recoverable.

20 Deposits, Prepayments and Other Receivables

The Group

	2013 RMB'000	2012 RMB'000
Deposits	11,781	7,552
Prepayments for purchase of raw materials	40,179	27,791
Prepayments for purchase of plant and equipment	59,658	24,310
Prepayments for acquisition of non-controlling interests	—	2,400
Prepayments for purchase of land use rights	—	10,850
Value added tax recoverable	39,505	10,801
Other prepayments and receivables	84,810	62,632
	235,933	146,336

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

	2013 RMB'000	2012 RMB'000
Non-current	59,658	37,560
Current	176,275	108,776
	235,933	146,336

The Company

	2013 RMB'000	2012 RMB'000
Amounts due from subsidiaries	1,269,947	1,242,458
Other prepayments and receivables	186	586
	1,270,133	1,243,044

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

21 Pledged Deposits

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

	2013 RMB'000	2012 RMB'000
Loans and borrowings (note 25(a)(i))	73,000	11,247
Others	24,878	2,281
	97,878	13,528

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

22 Cash and Cash Equivalents

The Group

	2013 RMB'000	2012 RMB'000
Cash in hand	105	216
Deposits with banks	399,028	815,490
Cash and cash equivalents	399,133	815,706

The Company

	2013 RMB'000	2012 RMB'000
Cash at bank and in hand	17,100	176,985

23 Trade and Bills Payable

	2013 RMB'000	2012 RMB'000
Trade creditors	127,685	103,032
Bills payable	14,100	34,700
	141,785	137,732

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

23 Trade and Bills Payable (Continued)

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

	2013 RMB'000	2012 RMB'000
Within 1 month	75,441	63,931
1 to 3 months	50,238	23,639
3 to 6 months	2,754	38,037
6 to 12 months	13,352	12,125
	141,785	137,732

24 Deposits Received, Accruals and Other Payables

The Group

	2013 RMB'000	2012 RMB'000
Payables for purchase of property, plant and equipment	9,405	20,423
Advanced payments and deposits received from customers	62,809	77,307
Accrued staff costs	25,933	21,079
Value added tax, business tax and consumption tax payable	16,057	5,496
Accrued professional fees	2,949	2,003
Accrued transportation fees	13,214	12,863
Deferred income (note 4(a)(i))	—	30,000
Other payables and accruals	43,966	23,456
	174,333	192,627

The Company

	2013 RMB'000	2012 RMB'000
Other payables and accruals	197,507	106,279

All of the deposits received, accruals and other payables are expected to be settled within 12 months or are repayable on demand.

25 Loans and Borrowings

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

	2013 RMB'000	2012 RMB'000
Current:		
— secured (note (i))	112,454	126,926
— unsecured	8,748	28,663
	121,202	155,589
Non-current:		
— secured (note (i))	—	16,349
	121,202	171,938

All of the non-current loans are carried at amortised cost. As at 31 December 2013, none of the non-current loans and borrowings is expected to be settled within one year.

(i) At the end of the reporting period, secured loans and borrowings of RMB112,454,000 (31 December 2012: RMB143,275,000) were secured by the following assets of the Group:

	2013 RMB'000	2012 RMB'000
Pledged deposits (note 21)	73,000	11,247
Property, plant and equipment (note 11)	—	84,908
Lease prepayments (note 13)	—	21,371
Bills receivable (note 19)	13,000	110,577
	86,000	228,103

(ii) As at 31 December 2013 and 2012, no bank loan was subject to the fulfillment of covenants.

(iii) The loan facilities, amounting to RMB338,476,000 as at 31 December 2013 (31 December 2012: RMB398,692,000), were utilised to the extent of RMB107,202,000 (2012: RMB171,938,000) as at 31 December 2013.

25 Loans and Borrowings (Continued)

(b) Loans from a third party:

On 15 January 2013, the Company entered into a loan agreement ("Loan Agreement") with an independent third party for borrowing of a convertible loan of USD10,000,000 (equivalent to RMB61,796,000) and a term loan of USD30,000,000 (equivalent to RMB185,388,000). The convertible loan and term loan were repayable by installments up to June 2018 and June 2019 respectively. The net proceed of RMB247,184,000 was received on 31 May 2013.

The major terms of the convertible loan are set out below:

(i) Conversion price

The principal amount of the convertible loan is convertible into ordinary shares of the Company, at a conversion price of HKD2.95 per share, subject to customary adjustments to accommodate alteration of share capital, in accordance with the terms of the Loan Agreement.

(ii) Conversion period

The convertible loan is convertible in whole or in part into ordinary shares of the Company at any time from the first disbursement of the convertible loan up to and including 15 June 2016.

(iii) Interest

The outstanding principal of the convertible loan will bear interest at a rate representing the sum of (i) before 15 June 2016, 1% per annum, and thereafter, 5% per annum, and (ii) LIBOR for six months on the interest determination date for the relevant interest period. Interest period of the convertible loan shall be a period of six months commencing from 15 June and 15 December in each year and interest accrued during the relevant interest period shall be payable in arrears semi-annually on 15 June and 15 December in each year.

If the independent third party does not exercise its conversion right in respect of the entire convertible loan prior to the end of the conversion period, the Company shall pay, on the date of final repayment of the convertible loan, an additional interest on the convertible loan accruing at a rate which generates for the independent third party an internal rate of return of 12%.

(iv) Early repayment

On 17 September 2013, the Company entered into an early repayment agreement with the independent third party. The Company repaid the term loan of RMB185,388,000 and the convertible loan of RMB61,796,000 in full on 18 September 2013. As a result of early repayment, the Company has paid costs of early repayment of RMB5,049,000 for the year ended 31 December 2013.

25 Loans and Borrowings (Continued)

(b) Loans from a third party: (Continued)

(v) Fair value of the derivative liability components

The fair value of the derivative liability components were valued by using the binominal option pricing model. Major inputs used in the model are as follows:

	At 31 May 2013	At 18 September 2013
Share price	HKD1.51	HKD1.29
Fair value at measurement date	RMB3,324,000	RMB2,652,000
Expected volatility	52.94%	52.59%
Maturity date	15 June 2019	15 June 2019
Dividend yield	1.52%	1.77%
Risk-free interest rate	0.90%	1.29%

26 Equity Settled Share-Based Transactions

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

	Note	2013 RMB'000	2012 RMB'000
Share-based payment transactions			
— Pre-IPO share option scheme	(a)	2,046	4,642
— Post-IPO share option scheme	(b)	17,588	5,447
		19,634	10,089

(a) Pre-IPO share option scheme

(i) The 2008 share option plan

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 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").

26 Equity Settled Share-Based Transactions (Continued)

(a) Pre-IPO share option scheme (Continued)

(i) The 2008 share option plan (Continued)

(i) 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
17 December 2008	17 December 2008 to 30 December 2008	26 November 2012 to 16 December 2018	–	1,533	1,533
	17 December 2008 to 30 December 2009	26 November 2012 to 16 December 2018	–	1,533	1,533
	17 December 2008 to 30 December 2011	26 November 2012 to 16 December 2018	–	3,066	3,066
	17 December 2008 to 30 December 2012	31 December 2012 to 16 December 2018	–	4,598	4,598
	17 December 2008 to 30 December 2013	31 December 2013 to 16 December 2018	–	4,598	4,598
			–	15,328	15,328

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.

26 Equity Settled Share-Based Transactions (Continued)

(a) Pre-IPO share option scheme (Continued)

(i) The 2008 share option plan (Continued)

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

	2013 Weighted average exercise price HKD	2013 Number of Options '000	2012 Weighted average exercise price HKD	2012 Number of Options '000
Outstanding at the beginning of the year	2.35	15,758	2.35	16,976
Forfeited during the year	2.35	(430)	2.35	(1,218)
Outstanding at the end of the year	2.35	15,328	2.35	15,758
Exercisable at the end of the year	2.35	15,328	2.35	11,031

The 2008 Options outstanding at 31 December 2013 had an exercise price of HKD2.35 per share (equivalent to RMB2.07 per share at the date of grant) (2012: HKD2.35 per share) and a weighted average remaining contractual life of 4.96 years (2012: 5.96 years).

26 Equity Settled Share-Based Transactions (Continued)

(a) Pre-IPO share option scheme (Continued)

(i) The 2008 share option plan (Continued)

(iii) Fair value of options and assumptions

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

Fair value at measurement date	RMB19,634,000
Grant date share price	RMB1.60
Exercise price	HKD2.35 (equivalent to RMB2.07)
Expected volatility	59.10%
Option life	10 years
Expected dividends	0%
Risk-free interest rate (based on Hong Kong Exchange Fund Notes)	1.348%

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

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

26 Equity Settled Share-Based Transactions (Continued)

(a) Pre-IPO share option scheme (Continued)

(ii) The 2010 share option plan

Pursuant to the written resolution of the equity 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").

(i) 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		Total
			Directors	Employees	
			'000	'000	'000
1 July 2010	1 July 2010 to 30 December 2010	26 November 2012 to 30 June 2020	–	2,400	2,400
	1 July 2010 to 30 December 2011	26 November 2012 to 30 June 2020	–	2,400	2,400
	1 July 2010 to 30 December 2012	31 December 2012 to 30 June 2020	–	3,600	3,600
	1 July 2010 to 30 December 2013	31 December 2013 to 30 June 2020	–	3,600	3,600
			–	12,000	12,000

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

26 Equity Settled Share-Based Transactions (Continued)

(a) Pre-IPO share option scheme (Continued)

(ii) The 2010 share option plan (Continued)

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

	2013		2012	
	Weighted average exercise price HKD	Number of Options '000	Weighted average exercise price HKD	Number of Options '000
Outstanding at the beginning and at the end of the year	3.38	12,000	3.38	12,000
Exercisable at the end of the year	3.38	12,000	3.38	8,400

The 2010 Options outstanding at 31 December 2013 had an exercise price of HKD3.38 per share (equivalent to RMB2.95 per share at the date of grant) (2012: HKD3.38 per share) and a weighted average remaining contractual life of 6.5 years (2012: 7.5 years).

(Expressed in Renminbi)

26 Equity Settled Share-Based Transactions (Continued)

(a) Pre-IPO share option scheme (Continued)

(ii) The 2010 share option plan (Continued)

(iii) Fair value of options and assumptions

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

Fair value at measurement date	RMB14,379,000
Grant date share price	RMB2.46
Exercise price	HKD3.38 (equivalent to RMB2.95)
Expected volatility	63.53%
Option life	10 years
Expected dividends	0%
Risk-free interest rate (based on Hong Kong Exchange Fund Notes)	2.29%

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

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

(iii) Termination of the Pre-IPO Share Option Scheme

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.

26 Equity Settled Share-Based Transactions (Continued)

(b) Post-IPO share option scheme

Pursuant to the written resolution of the equity 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.

(i) The 2012 share option plan

Pursuant to the board minutes of the Company passed on 4 January 2012, 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 (the "2012 Options").

(i) 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:

			Options granted		
Date granted	Vesting period	Exercise period	Directors '000	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.

26 Equity Settled Share-Based Transactions (Continued)

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

(i) The 2012 share option plan (Continued)

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

	2013		2012	
	Weighted average exercise price HKD	Number of Options '000	Weighted average exercise price HKD	Number of Options '000
Outstanding at the beginning of the year	1.45	68,000	–	–
Granted during the year	–	–	1.45	68,000
Outstanding at the end of the year	1.45	68,000	1.45	68,000
Exercisable at the end of the year	–	–	–	–

The 2012 Options outstanding at 31 December 2013 had an exercise price of HKD1.45 per share (equivalent to RMB1.18 per share at the date of grant) (2012: HKD1.45 per share) and a weighted average remaining contractual life of 8.00 years (2012: 9.00 years).

(Expressed in Renminbi)

26 Equity Settled Share-Based Transactions (Continued)

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

(i) The 2012 share option plan (Continued)

(iii) Fair value of options and assumptions

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

Fair value at measurement date	RMB32,443,000
Grant date share price	RMB1.10
Exercise price	HKD1.45 (equivalent to RMB1.18)
Expected volatility	63.68%
Option life	10 years
Expected dividends	3.01%
Risk-free interest rate (based on Hong Kong Exchange Fund Notes)	1.53%

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

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

(ii) The 2013 share option plan

Pursuant to the board minutes of the Company passed on 8 October 2013, share options were granted under the Post-IPO Share Option Scheme on 8 October 2013, 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 RMB0.792 at the date of grant). Each option entitles the option holders to subscribe to one ordinary share of the Company (the “2013 Options”).

26 Equity Settled Share-Based Transactions (Continued)

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

(ii) The 2013 share option plan (Continued)

(i) 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:

			Options granted		
Date granted	Vesting period	Exercise period	Directors '000	Employees '000	Total '000
8 October 2013	8 October 2013 to 8 October 2016	9 October 2016 to 8 October 2023	–	31,500	31,500

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

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

	2013 Weighted average exercise price HKD	2013 Number of Options '000
Outstanding at the beginning of the year	–	–
Granted during the year	1.61	31,500
Outstanding at the end of the year	1.61	31,500
Exercisable at the end of the year	–	–

The 2013 Options outstanding at 31 December 2013 had an exercise price of HKD1.61 per share (equivalent to RMB1.2751 per share at the date of grant) and a weighted average remaining contractual life of 9.75 years.

(Expressed in Renminbi)

26 Equity Settled Share-Based Transactions (Continued)

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

(ii) The 2013 share option plan (Continued)

(iii) Fair value of options and assumptions

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

Fair value at measurement date	RMB19,763,000
Grant date share price	RMB1.28
Exercise price	HKD1.61 (equivalent to RMB1.28)
Expected volatility	50.67%
Option life	10 years
Expected dividends	1.43%
Risk-free interest rate (based on Hong Kong Exchange Fund Notes)	2.06%

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

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

27 Income Tax in the Consolidated Statement of Financial Position

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

	2013 RMB'000	2012 RMB'000
At 1 January	9,270	11,619
Provision for PRC income tax (note 6(a))	65,405	27,180
Provision for income tax from subsidiaries in other jurisdictions (note 6(a))	247	738
PRC income tax paid	(52,719)	(29,529)
Income tax paid by subsidiaries in other jurisdictions	(7)	(738)
At 31 December	22,196	9,270

(b) Deferred tax assets and liabilities recognised:

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

	Write-downs of inventories RMB'000	Impairment of receivables RMB'000	Impairment of investment on unlisted equity securities RMB'000	Unused tax losses RMB'000	Unrealised profit in inventories RMB'000	Capitalised borrowing cost RMB'000	Withholding tax on undistributed profits of subsidiaries RMB'000	Change in fair value of biological assets RMB'000	Total RMB'000
Balance as at 1 January 2012	(2,795)	(2,247)	–	(3,934)	(2,043)	620	50,078	3,567	43,246
(Credited)/charged to profit or loss	(1,115)	(2,215)	(1,245)	(6,035)	(912)	(34)	(50,078)	7,218	(54,416)
Credited to foreign currency translation reserve	–	–	–	–	–	–	–	(1)	(1)
Balance as at 31 December 2012	(3,910)	(4,462)	(1,245)	(9,969)	(2,955)	586	–	10,784	(11,171)
Balance as at 1 January 2013	(3,910)	(4,462)	(1,245)	(9,969)	(2,955)	586	–	10,784	(11,171)
(Credited)/charged to profit or loss	(1,404)	(2,617)	(1,356)	6,689	45	(45)	–	3,471	4,783
Credited to foreign currency translation reserve	–	–	–	–	–	–	–	(375)	(375)
Balance as at 31 December 2013	(5,314)	(7,079)	(2,601)	(3,280)	(2,910)	541	–	13,880	(6,763)

27 Income Tax in the Consolidated Statement of Financial Position (Continued)

(c) Reconciliation to the consolidated statement of financial position

	2013 RMB'000	2012 RMB'000
Deferred tax assets recognised on the consolidated statement of financial position	21,184	22,541
Deferred tax liabilities recognised on the consolidated statement of financial position	(14,421)	(11,370)
	6,763	11,171

(d) Deferred tax assets not recognised

	2013 RMB'000	2012 RMB'000
Deductible temporary difference	3,288	—
Unused tax losses	159,089	75,445
	162,377	75,445

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 31 December 2013, unused tax losses of RMB5,467,000, RMB3,252,000, RMB9,340,000, RMB52,462,000 and RMB45,367,000 (2012: RMB429,000, RMB5,467,000, RMB3,252,000, RMB9,340,000 and RMB52,897,000), if unused, will expire by 31 December 2013, 2014, 2015, 2016 and 2017 (2012: 2013, 2014, 2015, 2016 and 2017), respectively. Further, unused tax losses of RMB43,201,000 (2012: RMB4,060,000) do not expire under current tax legislation.

28 Share Capital

(a) Authorised

	As at 1 January 2012, 31 December 2012,1 January 2013 and 31 December 2013	
	Number of shares	Nominal value of shares USD'000
Ordinary shares of USD0.001 each	4,000,000,000	4,000

(b) Issued and fully paid

		Ordinary shares	
	Number of ordinary shares	Nominal value of fully paid ordinary shares USD'000	Nominal value of fully paid ordinary shares RMB'000
As at 1 January 2012	1,508,264,990	1,508	9,848
Repurchase and cancellation of own shares	(26,441,000)	(26)	(168)
As at 31 December 2012, 1 January 2013 and 31 December 2013	1,481,823,990	1,482	9,680

29 Reserves

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

	Share capital RMB'000 (Note 28)	Share premium RMB'000 (Note 29(d))	Foreign currency translation reserve RMB'000 (Note 29 (b))	Other reserves RMB'000 (Note 29 (c))	Retained earnings/ (accumulated losses) RMB'000	Total equity RMB'000
At 1 January 2012	9,848	1,388,806	(99,021)	339,625	50,212	1,689,470
Changes in equity for the year ended 31 December 2012						
Loss for the year	—	—	—	—	(19,321)	(19,321)
Other comprehensive income	—	—	626	—	—	626
Total comprehensive income	—	—	626	—	(19,321)	(18,695)
Dividends approved in respect of the previous year (note 29(g))	—	—	—	—	(52,820)	(52,820)
Purchase of own shares						
— Par value paid	(168)	—	—	—	—	(168)
— Premium paid	—	(28,019)	—	—	—	(28,019)
Equity settled share-based payment transactions (note 26)	—	—	—	10,089	—	10,089
Share options lapsed during the year	—	—	—	(1,652)	1,652	—
At 31 December 2012 and at 1 January 2013	9,680	1,360,787	(98,395)	348,062	(20,277)	1,599,857
Changes in equity for the year ended 31 December 2013						
Loss for the year	—	—	—	—	(27,756)	(27,756)
Other comprehensive income	—	—	(34,638)	—	—	(34,638)
Total comprehensive income	—	—	(34,638)	—	(27,756)	(62,394)
Dividends approved in respect of the previous year (note 29(g))	—	(27,603)	—	—	—	(27,603)
Special dividends approved in respect of the current year (note 29(g))	—	(161,715)	—	—	—	(161,715)
Equity settled share-based payment transactions (note 26)	—	—	—	19,634	—	19,634
Share options lapsed during the year	—	—	—	(267)	267	—
At 31 December 2013	9,680	1,171,469	(133,033)	367,429	(47,766)	1,367,779

29 Reserves (Continued)

(a) Statutory surplus reserve

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

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

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

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

(b) Foreign currency translation reserve

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

(c) Other reserves

Other reserves comprise the following:

The Group

	Note	2013 RMB'000	2012 RMB'000
Equity settled share-based payment transactions (note 26)	(i)	49,431	30,064
Capital contributions	(ii)	596	596
Arising from reorganisation	(iii)	99	99
		50,126	30,759

29 Reserves (Continued)

(c) Other reserves (Continued)

The Company

	Note	2013 RMB'000	2012 RMB'000
Equity settled share-based payment transactions (note 26)	(i)	49,431	30,064
Arising from reorganisation	(iv)	317,998	317,998
		367,429	348,062

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

(ii) These represent property, plant and equipment contributed by ultimate controlling equity shareholders to the Group in prior years.

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

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

(d) Share premium

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

(e) Capital management

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

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

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

29 Reserves (Continued)

(e) Capital management (Continued)

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

The adjusted net debt-to-capital ratio at 31 December 2013 and 2012 was as follows:

	The Group		The Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Current liabilities:				
Bills payable	14,100	34,700	—	—
Loans and borrowings	121,202	155,589	—	—
	135,302	190,289	—	—
Non-current liabilities:				
Loans and borrowings	—	16,349	—	—
Total debt	135,302	206,638	—	—
Add: Proposed dividends	31,344	27,603	31,344	27,603
Less: Cash and cash equivalents	(399,133)	(815,706)	(17,100)	(176,985)
Pledged deposits	(97,878)	(13,528)	—	—
Adjusted net debt	(330,365)	(594,993)	(14,244)	(149,382)
Total equity	2,513,527	2,562,160	1,367,779	1,599,857
Less: Proposed dividends	(31,344)	(27,603)	(31,344)	(27,603)
Adjusted capital	2,482,183	2,534,557	1,336,435	1,572,254
Adjusted net debt-to-capital ratio	(0.13)	(0.23)	(0.01)	(0.10)

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

(f) Distributability of reserves

The aggregate amount of reserves available for distribution to equity shareholders of the Company at 31 December 2013 was HKD1,737,000,000 (equivalent to RMB1,365,000,000) (2012: HKD1,971,000,000 (equivalent to RMB1,598,000,000)) which comprises of share premium, retained earnings/accumulated losses and other reserves.

29 Reserves (Continued)

(g) Dividends

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

	2013 RMB'000	2012 RMB'000
Special dividend declared and paid of HKD0.128 (equivalent to RMB0.108) per ordinary share (2012: nil)	161,715	–
Final dividend proposed after the end of the reporting period of HKD0.025 (equivalent to RMB0.021) (2012: HKD0.023 (equivalent to RMB0.019)) per ordinary share	31,344	27,603

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

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

	2013 RMB'000	2012 RMB'000
Dividend in respect of the previous year, approved and paid during the year	27,603	52,820

30 Financial Risk Management and Fair Values

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

(a) Credit risk

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

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

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

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

	2013 RMB'000	2012 RMB'000
Due from		
— largest customer	106,100	96,353
— five largest customers	238,885	275,436

Except for the financial guarantees given by the Company to its subsidiaries as set out in note 31(c), the Group does not provide any other guarantees which would expose the Group or the Company to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 31(c).

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

30 Financial Risk Management and Fair Values (Continued)

(b) Liquidity risk

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

Typically the Group ensures that it maintains sufficient reserves of cash on demand and adequate committed lines of funding from major financial institutions to meet its liquidity requirement in the short and longer term. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted. The maximum banking facilities and amounts utilised at the end of the reporting period are disclosed in note 25.

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

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

The Group

At 31 December 2013	Carrying amount RMB'000	Contractual cash flows RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000
Loans and borrowings	121,202	123,088	123,088	–	–
Trade and bills payables	141,785	141,785	141,785	–	–
Deposits received, accruals and other payables	174,333	174,333	174,333	–	–
	437,320	439,206	439,206	–	–

30 Financial Risk Management and Fair Values (Continued)

(b) Liquidity risk (Continued)

The Group (Continued)

At 31 December 2012	Carrying amount RMB'000	Contractual cash flows RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000
Loans and borrowings	171,938	173,925	156,961	16,964	—
Trade and bills payables	137,732	137,732	137,732	—	—
Deposits received, accruals and other payables	192,627	192,627	192,627	—	—
	502,297	504,284	487,320	16,964	—

The Company

At 31 December 2013	Carrying amount RMB'000	Contractual cash flows RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000
Other payables and accruals	197,507	197,507	197,507	—	—

At 31 December 2012	Carrying amount RMB'000	Contractual cash flows RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000
Other payables and accruals	106,279	106,279	106,279	—	—

30 Financial Risk Management and Fair Values (Continued)

(c) Interest rate risk

The Group's interest rate risk arises primarily from deposits with banks and other financial institutions, short-term and long-term borrowings. Loans and borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest risk, respectively. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

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

	2013 Effective interest rate %	2013 Carrying amount RMB'000	2012 Effective interest rate %	2012 Carrying amount RMB'000
Variable rate instruments				
Deposit with banks and other financial institutions	0.35%	399,028	0.35%	815,490
Pledged deposits	0.35%	24,878	0.35%	13,528
Loans and borrowings	2.59% (+0.59%) + HIBOR/1.5% +3-month HIBOR	(108,202)	2.59%~2.59% (+0.59%) +HIBOR	(61,361)
		315,704		767,657
Fixed rate instruments				
Pledged deposits	4.25%	73,000		—
Loans and borrowings	0.35%	(13,000)	0.35%	(110,577)
		60,000		(110,577)
Fixed rate borrowings as a percentage of total borrowings		11%		64%

30 Financial Risk Management and Fair Values (Continued)

(c) Interest rate risk (Continued)

(ii) Sensitivity analysis

At 31 December 2013, it is estimated that a general increase/(decrease) in interest rates, with all other variables held constant, would have increased/(decreased) the Group's profit after tax and retained profits as follows:

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
100 basis points increase	**2,693**	6,083
35 basis points decrease	**(924)**	(2,129)

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained earnings) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2012.

(d) Currency risk

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

The Group is exposed to currency risk primarily arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. The currencies giving rise to this risk are primarily RMB, USD, HKD, MOP, PEN and EUR. Nearly all sales and purchases are denominated in functional currency of the entity to which they relate. In respect of receivables and payables held in currencies other than the functional currency of the operations to which they relate, the Group ensure that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

30 Financial Risk Management and Fair Values (Continued)

(d) Currency risk (Continued)

(i) Exposure to currency risk

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

The Group

Exposure to foreign currencies

	31 December 2013						31 December 2012					
	HKD	USD	PEN	MOP	EUR	RMB	HKD	USD	PEN	MOP	EUR	RMB
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	–	36,039	2,691	901	1,010	56,688	1	77,865	720	384	1,372	294,782
Trade and bills receivables	–	85,716	755	3,203	7,526	–	–	6,235	3,649	–	665	–
Deposits, prepayments and other receivables	–	–	16,181	–	8	–	–	137,458	12,629	–	18,149	425
Trade and bills payables	–	(29,363)	(5,024)	(71)	(1,179)	–	–	(1,553)	1,892	–	(4,417)	–
Deposits received, accruals and other payables	–	(463)	(662)	(5)	–	–	(85,950)	(69,838)	(90)	–	(20,328)	–
Loans and borrowings	–	–	–	–	(8,377)	–	–	(34,577)	–	–	(5,465)	–
Gross exposure arising from recognised assets and liabilities	–	91,929	13,941	4,028	(1,012)	56,688	(85,949)	115,590	18,800	384	(10,024)	295,207

The Company

Exposure to foreign currencies

	31 December 2013						31 December 2012					
	HKD	USD	PEN	MOP	EUR	RMB	HKD	USD	PEN	MOP	EUR	RMB
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	–	73	–	–	–	1,203	–	880	–	–	–	170,043
Gross exposure arising from recognised assets and liabilities	–	73	–	–	–	1,203	–	880	–	–	–	170,043

30 Financial Risk Management and Fair Values (Continued)

(d) Currency risk (Continued)

(ii) Sensitivity analysis

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

The Group

	31 December 2013			31 December 2012		
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits RMB'000	Effect on other components of equity RMB'000	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits RMB'000	Effect on other components of equity RMB'000
HKD	0.65%	–	–	1.00%	(864)	–
HKD	(0.65%)	–	–	(1.00%)	864	–
USD	0.7%	644	41	0.90%	600	89
USD	(0.7%)	(644)	(41)	(0.90%)	(600)	(89)
PEN	0.8%	110	103	1.45%	278	278
PEN	(0.8%)	(110)	(103)	(1.45%)	(278)	(278)
MOP	0.65%	26	26	0.05%	–	–
MOP	(0.65%)	(26)	(26)	(0.05%)	–	–
EUR	0.65%	(7)	(7)	0.95%	(97)	(97)
EUR	(0.65%)	7	7	(0.95%)	97	97
RMB	0.65%	370	276	0.20%	594	594
RMB	(0.65%)	(370)	(276)	(0.20%)	(594)	(594)

30 Financial Risk Management and Fair Values (Continued)

(d) Currency risk (Continued)

(ii) Sensitivity analysis (Continued)

The Company

	31 December 2013			31 December 2012		
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits RMB'000	Effect on other components of equity RMB'000	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits RMB'000	Effect on other components of equity RMB'000
USD	0.7%	(1)	(1)	0.90%	—	—
USD	(0.7%)	1	1	(0.90%)	—	—
RMB	0.65%	101	101	0.20%	342	342
RMB	(0.65%)	(101)	(101)	(0.20%)	(342)	(342)

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

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including intercompany payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2012.

(e) Commodity price risk

Various wood cores and sawn timber are the major materials of the Group's products which accounted for 61% (2012: 69%) of total cost of sales. Fluctuation on commodity price of wood cores and sawn timber will have significant impact on the Group's earnings, cash flows as well as the value of inventories. The Group minimises the cost of materials by bulk purchase of major raw materials and acquisition of natural resources. The Group historically has not entered into any commodity derivative instruments to hedge the potential commodity price changes.

30 Financial Risk Management and Fair Values (Continued)

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

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2013 and 2012.

31 Commitments and Contingent Liabilities

(a) Capital commitments

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

	2013 RMB'000	2012 RMB'000
Contracted for	22,335	80,238

(b) Operating lease commitments

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

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

	2013 RMB'000	2012 RMB'000
Within 1 year	19,136	8,022
After 1 year but within 3 years	32,328	12,540
After 3 years but within 5 years	22,082	9,516
After 5 years	15,278	18,662
	88,824	48,740

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

31 Commitments and Contingent Liabilities (Continued)

(c) Financial guarantees issued

At 31 December 2013, bank loans amounted to RMB7,748,000 (2012: RMB28,663,000) was guaranteed by the Company to its subsidiaries.

32 Material Related Party Transactions

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

During the year ended 31 December 2013, the directors are of the view that the following are related parties of the Group:

Name of Related Party	Relationship
Mr. Se Hok Pan and Ms. Un Son I	Ultimate controlling parties of the Company (note 33)
Mr. She Jian Bin (佘建彬)	Executive director of the Company
江門洋明橱櫃有限公司* ("Jiangmen Yangming")	A company controlled by close family member of Ms. Un Son I
M & M Real Estate Investment Company Limited	A company controlled by the ultimate controlling parties

* Jiangmen Yangming became a related party of the Group on 29 November 2012. The following disclosures of the related party transactions related to Jiangmeng Yangming are for the period since 29 November 2012.

(i) Sales of wood products to related parties

	2013 RMB'000	2012 RMB'000
Jiangmen Yangming	282	65

(ii) Purchases of raw material from related parties

	2013 RMB'000	2012 RMB'000
Jiangmen Yangming	153	80

32 Material Related Party Transactions (Continued)

(iii) Key management personnel remuneration

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

	2013 RMB'000	2012 RMB'000
Short-term employee benefits	8,784	8,177
Post-employment benefits	19	—
Equity settled share-based payment expenses	10,878	5,744
	19,681	13,921

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

(iv) Applicability of the Listing Rules relating to connected transactions

None of the above related party transactions falls under the definition of connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

33 Immediate and Ultimate Controlling Parties

At 31 December 2013, the directors consider the immediate parent of the Group to be Freewings Development Co., Ltd., which is incorporated in BVI. This entity does not produce financial statements available for public use. The ultimate controlling parties are Mr Se Hok Pan and Ms Un Son I.

(Expressed in Renminbi)

34 Possible Impact of Amendments, New Standards and Interpretations Issued but not yet Effective for the year ended 31 December 2013

Up to the date of issue of these financial statements, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2013 and which have not been adopted in these financial statements.

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

	Effective Date (for annual financial statements covering periods beginning on or after unless specified)
Amendments to IAS 32, Financial instruments: Presentation — Offsetting financial assets and financial liabilities	1 January 2014
Amendments to IAS 36, Recoverable amount disclosures for non-financial assets	1 January 2014
IFRIC 21, Levies	1 January 2014
Annual improvements to IFRSs 2010–2012 cycle	1 July 2014
Annual improvements to IFRSs 2011–2013 cycle	1 July 2014
IFRS 9, Financial instruments (2009) Basis for conclusions on IFRS 9 (2009) Amendments to other IFRSs and guidance on IFRS 9 (2009)	Unspecified
IFRS 9, Financial instruments (2010) Basis for conclusions on IFRS 9 (2010) Implementation guidance on IFRS 9 (2010)	Unspecified
Amendments to IFRS 9, Financial instruments and IFRS 7 Financial instruments: Disclosures — Mandatory effective date and transition disclosures	Unspecified

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

34 Possible Impact of Amendments, New Standards and Interpretations Issued but not yet Effective for the Year Ended 31 December 2013 (Continued)

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

Five Year Summary

(Expressed in Renminbi)

	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000
Results					
Turnover	**1,488,949**	1,117,904	1,560,985	1,623,908	990,462
Net change in fair value of biological assets	**47,761**	65,541	92,707	106,798	81,869
Profit from operations	**210,619**	93,200	335,646	442,886	332,793
Net finance (costs)/income	**(53)**	(723)	23,427	(39,194)	(70,770)
Profit before taxation	**210,566**	92,477	359,073	403,692	262,023
Income tax	**(70,435)**	26,498	(53,320)	(63,555)	(38,197)
Profit for the year	**140,131**	118,975	305,753	340,137	223,826
Attributable to:					
Equity shareholders of the Company	**138,102**	122,711	306,017	340,137	223,826
Non-controlling interests	**2,029**	(3,736)	(264)	—	—
Profit for the year	**140,131**	118,975	305,753	340,137	223,826
Assets and liabilities					
Non-current assets	**1,208,738**	1,094,768	885,547	694,641	556,699
Current assets	**1,778,726**	1,990,329	2,219,486	1,185,048	1,027,214
Total assets	**2,987,464**	3,085,097	3,105,033	1,879,689	1,583,913
Current liabilities	**(459,516)**	(495,218)	(480,874)	(395,641)	(888,667)
Non-current liabilities	**(14,421)**	(27,719)	(111,727)	(141,781)	(98,129)
NET ASSETS	**2,513,527**	2,562,160	2,512,432	1,342,267	597,117
Share capital	**9,680**	9,680	9,848	775	490
Reserves	**2,493,402**	2,552,480	2,498,848	1,341,492	596,627
Non-controlling interests	**10,445**	—	3,736	—	—
TOTAL EQUITY	**2,513,527**	2,562,160	2,512,432	1,342,267	597,117
Earnings per share (Note)					
Basic	**0.09**	0.08	0.23	0.25	0.21
Diluted	**0.09**	0.08	0.23	0.25	0.21

(Expressed in Renminbi)

Note:

The calculation of basic and diluted earnings per share for the years ended 31 December 2009 and 2010 was adjusted retrospectively for the effect of 1,007,999,991 ordinary shares issued by way of capitalization on 26 May 2011.

There were no potential dilutive ordinary shares in existence during the years ended 31 December 2009 and 2010.

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

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

Design And Produced By: EDICO Financial Press Services Limited
設計及製作：鉅京財經印刷服務有限公司