Nature Home Holding Company Limited
大自然家居控股有限公司
(Incorporated in the Cayman Islands with limited liability)
Stock Code: 2083

2014 Interim Report

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Mr. Homer Sun
Mr. Teoh Chun Ming

Independent non-executive Directors

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

Alternate Director

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

CORPORATE GOVERNANCE COMMITTEE

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

EXECUTIVE COMMITTEE

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

COMPANY SECRETARY

Mr. Tsang Chun Yiu

AUTHORISED REPRESENTATIVES

Mr. Se Hok Pan
Mr. Tsang Chun Yiu

AUDITORS

KPMG

PRINCIPAL BANKERS

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

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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STOCK CODE

2083

BUSINESS REVIEW

For the six months ended 30 June 2014 (the "Period"), the Group has kept the growth momentum since 2013, and continued to strengthen its efforts on brand building and sales, thus to further broaden its coverage in international markets under the circumstance of intensified industry competition. The Group therefore recorded sustained growth in its overall sales during the period, with an increase of 36.9% in turnover when compared to the corresponding period of last year. In respect of manufacturing and sale of wood products and trading of timber and wood products, the Group recorded an increase in sales of approximately 39.2% and 61.8%, respectively. In respect of provision of trademarks and distribution network, the Group recorded a slight decrease in sales of approximately 2.4%. Moreover, a total of 10,088,000 square meters of our branded flooring products were sold during the Period (for the six months ended 30 June 2013: 8,449,000 square meters), representing an increase of 19.4% year-on-year.

1. Manufacturing and sale of wood products

The Group's wood products are mainly floorings, wooden doors, wardrobes and cabinets. For the six months ended 30 June 2014, the sales for the Group's manufacturing and sale of wood products business was RMB526,776,000 (for the six months ended 30 June 2013: RMB378,379,000), recording an increase of 39.2% year-on-year. Such increase is principally attributable to the continued recovery of the Group's flooring business in the People's Republic of China (the "PRC") and the overall 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 mainly include laminated floorings and engineered floorings among which sales of laminated floorings recorded significant growth. 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 30 June 2014, number of flooring stores reached 3,344 (31 December 2013: 3,338) in total, of which, there were 1,856 "Nature" stores (31 December 2013: 1,917), 1,121 "Nature • No. 1 My Space" stores (31 December 2013: 1,130), 152 "Nature • Aesthetics" stores (31 December 2013: 155), and 99 foreign imported brand stores (31 December 2013: 71) and 116 other brand stores (31 December 2013: 65).

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

In 2011, the Group started household products business leveraging on its "Nature" brand and network. Since then, the Group has been gradually achieving its goal of integration of household products. The business of wooden doors, wardrobes and cabinets is one of the core businesses of the Group. Leveraging on the brand recognition of "Nature", the Group has established its sub-brands, namely "Nature Wooden Doors" and "Nature Vanessa" respectively to further tap into the business of wooden doors, wardrobes and cabinets. The Group has set up a production plant in Taizhou City, Jiangsu Province, the PRC (the "Taizhou Plant") which officially opened in late February 2014 and has already commenced its commercial production. It is the largest production plant among the wooden doors business of the Group with advanced production equipment imported from overseas. Although the business of manufacturing and sale of wooden doors still recorded losses, we will strive for improvement of such business in future with the completion and operation of the production line in Taizhou Plant. As at 30 June 2014, there were 441 (31 December 2013: 400) wooden door stores in total.

With respect to the business of wardrobes and cabinets, the Group has purchased a piece of land and a production plant in Zhongshan City, Guangdong Province, the PRC (the "Zhongshan Wardrobes and Cabinets Plant"), to set up a production line of wardrobes and cabinets with the aim to strengthen the development of the business. The Group also introduced advanced production equipment imported from overseas to manufacture wardrobes and cabinets products with high quality. The wardrobes and cabinets plant is planned to commence its trial production in the second half of 2014. Furthermore, the Group has established an in-depth strategic cooperation relationship with a domestic player of wardrobes and cabinets brand to set up a new production line and sales network in the PRC, and it is expected to generate sales in the second half of 2014. In terms of the overseas brand business, the Group is currently an exclusive distributor of a renowned German kitchen cabinet brand in the PRC. We will invest resources for the development of such business. As at 30 June 2014, there were 154 (31 December 2013: 142) wardrobes and cabinets stores in total.

2. Provision of trademark and distribution network

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

During the Period, the turnover generated from provision of trademark and distribution network slightly decreased by 2.4% to RMB84,486,000 from approximately RMB86,561,000 in the corresponding period of 2013, which was principally attributable to the decrease in sales of laminated products from authorized manufacturers which were manufactured by our self-owned factories in the Period.

3. Trading of timber and wood products

The Group's subsidiaries located in the U.S. purchase flooring products from our owned plants, authorized manufacturers and other flooring manufacturers. They then resell these products to their customers in overseas markets. During the Period, the Group has further boosted its business development in the U.S., which resulted in a sustained growth in the Group's sales for the trading of wood flooring products in the U.S.. During the Period, revenue from the Group's trading business of timber and wood products was approximately RMB165,136,000 (for the six months ended 30 June 2013: approximately RMB102,037,000), representing a significant increase of 61.8%.

4. Forest Resources Business

As at 30 June 2014, the Group owned the land use rights and forestry concessions of 8,151 hectares of forest assets in Yunnan Province, the PRC, and of 138,101 hectares of forest assets in Loreto Province, Peru. These forest assets contain several species of trees which are used in the production of premium solid wood flooring products. Through enhanced control on wood resources, the Group ensured itself and its authorized manufacturers a stable supply of high quality wood.

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 7.35% 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 principal amount of the Convertible Loan is convertible into ordinary shares of the Company (the "Share(s)"), at a conversion price of HK$2.95 per Share (the "Convertible Share(s)"). Assuming a conversion price of HK$2.95 per Convertible Share, the aggregate principal amount of the Convertible Loan of US$10,000,000 (equivalent to approximately HK$77,800,000) are convertible into approximately 26,372,881 Convertible Shares. Based on the estimated net proceeds attributable to the Convertible Loan, the net issue price of the Conversion Shares is approximately HK$2.89 per Conversion Share. On 15 January 2013, being the date of the Loan Agreement, the closing price of the Share quoted on the Stock Exchange was HK$1.67.

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, 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. As at 30 June 2014, there was no outstanding loan due to IFC. The Group currently does not have any acquisition target in forestry resources.

PROSPECT

Our self-owned "Nature" brand has been successfully positioned among consumers to represent high quality and safety products as well as health and environmental-friendly image. The Group commenced the business of wooden doors, wardrobes and cabinets leveraging on the brand recognition of "Nature" and its distribution network. With the completion and operation of Taizhou Plant and the planned trial production of the Zhongshan Wardrobes and Cabinets Plant in the second half of 2014, the Group will strive for improvement of wooden doors business and wardrobes and cabinets business. The Group has changed the name of the Company from "Nature Flooring Holding Company Limited" to "Nature Home Holding Company Limited" in June 2014, which reflected that the Group has been gradually achieving its goal of integration of household products under its "Nature" brand.

Looking forward, the Group is still facing various challenges. In addition to the uncertainties in the housing and real estate market, gradual change in the consumption patterns of Chinese consumers and the trend of online shopping present not only big challenges for enterprises that mainly rely on traditional retail stores, but also opportunities at the same time. The Group plans to establish an online housing O2O platform to provide customers with one-stop solution in combination of household products, logistics and decoration as well as installation services. The Group also plans to open "O2O Household Package Experience Stores" which will display different packages of household products, offering customers an open experience for household products. The Group will continuously implement its strategy of integrated household products and enhance its household brand with a combination of online and offline platform, so as to maximize the sales effectiveness of its household brand.

FINANCIAL REVIEW

Revenue

We generate revenue from three business segments: (1) manufacturing and sale of wood products, (2) provision of trademark and distribution network 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 provision of trademark and distribution network 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 periods indicated.

	Six months ended 30 June		
	2014	2013	Growth rate
	RMB'000	RMB'000	%
Revenue			
Manufacturing and sale of wood products	**526,776**	378,379	39.2
Provision of trademark and distribution network	**84,486**	86,561	(2.4)
Trading of timber and wood products	**165,136**	102,037	61.8
Total	**776,398**	566,977	36.9

For the six months ended 30 June 2014, the Group recorded a revenue of approximately RMB776,398,000 representing an increase of 36.9% as compared with approximately RMB566,977,000 recorded in the corresponding period of 2013.

Revenue from manufacturing and sale of wood products increased by 39.2% to approximately RMB526,776,000 during the period from approximately RMB378,379,000 in corresponding period of 2013. It was mainly attributable to the increase in consumer demand on our branded wood products in the PRC and the increase in sales of the laminated products manufactured by us which previously produced by authorized manufacturers.

Revenue from provision of trademark and distribution network decreased by 2.4% to approximately RMB84,486,000 during the period from approximately RMB86,561,000 in corresponding period of 2013. The decrease was mainly attributable to decrease in sales of laminated products from authorized manufacturers which were manufactured by our self-owned factories in current period.

Revenue from trading of timber and wood products increased by 61.8% to approximately RMB165,136,000 during the period from approximately RMB102,037,000 in corresponding period of 2013. 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 provision of trademark and distribution network consists primarily of the labour costs and travelling expenses relating to our representatives who provide authorised manufacturers with onsite technical and logistics support and conduct quality control measures on their products.

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

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

	Six months ended 30 June		
	2014	2013	Growth rate
	RMB'000	RMB'000	%
Cost of Sales			
Manufacturing and sale of wood products	**385,009**	309,614	24.4
Provision of trademark and distribution network	**1,917**	1,955	(1.9)
Trading of timber and wood products	**136,814**	86,520	58.1
Total	**523,740**	398,089	31.6

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 periods as indicated:

	Six months ended 30 June		
	2014	2013	Growth rate
	RMB'000	RMB'000	%
Gross Profit			
Manufacturing and sale of wood products	**141,767**	68,765	106.2
Provision of trademark and distribution network	**82,569**	84,606	(2.4)
Trading of timber and wood products	**28,322**	15,517	82.5
Total	**252,658**	168,888	49.6

	Six months ended 30 June	
	2014	2013
	%	%
Gross Profit Margin		
Manufacture and sale of wood products	**26.9**	18.2
Provision of trademark and distribution network	**97.7**	97.7
Trading of timber and wood products	**17.2**	15.2
Total	**32.5**	29.8

For the six months ended 30 June 2014, the overall gross profit increased by 49.6% to approximately RMB252,658,000 from approximately RMB168,888,000 in the corresponding period of 2013 and the gross profit margin also increased to 32.5% from 29.8% in the corresponding period of 2013.

The segment on manufacturing and sale of wood products contributed a gross profit of approximately RMB141,767,000 during the period, representing an increase of 106.2% from approximately RMB68,765,000 in the corresponding period of 2013. The gross profit margin increased to 26.9% during the period from 18.2% in the corresponding period of 2013. The increase in gross profit were mainly attributable to the increase of the consumer demand on our branded flooring products in the PRC and the increase in sales of the laminated products manufactured by the self-owned factories which previously produced by authorized manufacturers. The increase in gross profit margin in current period was mainly attributable to the economy of scales gained from simplifying the SKUs of wood flooring products and the increase in share of wood flooring products which have higher gross profit margin than other products.

The segment on provision of trademark and distribution network contributed a gross profit of approximately RMB82,569,000 during the period, representing a decrease of 2.4% from approximately RMB84,606,000 in the corresponding period of 2013. The decrease was mainly attributable to the decrease in sales of laminated products from authorized manufacturers which were manufactured by our self-owned factories in current period.

The segment on trading of timber and wood products contributed a gross profit of approximately RMB28,322,000 during the period, representing an increase of 82.5% from approximately RMB15,517,000 in the corresponding period of 2013. The gross profit margin increased to 17.2% from 15.2% in the corresponding period of 2013. The increase in gross profit and gross profit margin were mainly due to the 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 negative RMB5,979,000 in current period (for the six months ended 30 June 2013: negative RMB73,359,000) is represented by the decrease 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 Net Income

Other net income in current period consists primarily of rental income from investment property and government grants which are subject to the discretion of the relevant authorities. During the period, other net income decreased significantly by 83.8% to approximately RMB10,128,000 from approximately RMB62,635,000 in the corresponding period of 2013. The significant decrease in other net income was primarily attributable to the recognition of net gain of approximately RMB51,394,000 on the resumption of land and assets of Nature (Zhangjiagang) Wood Industry Co., Ltd., a wholly owned subsidiary of the Company, by the Jingang County Government in the corresponding period of 2013.

Distribution Costs

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

Distribution costs for the period was approximately RMB129,278,000, representing an increase of approximately 48.9% from approximately RMB86,836,000 in the corresponding period of 2013. The significant increase in distribution costs was primarily attributable to an increase in the delivery costs as well as the increase in the cost of advertising and exhibition expenses resulted from the increase in the promotion and marketing activities.

Administrative Expenses

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

Administrative expenses for the period was approximately RMB85,572,000, representing a decrease of approximately 20.8% from approximately RMB108,040,000 in the corresponding period of 2013. The decrease was primarily attributable to the impairment loss of approximately RMB28,769,000 recognised for trade receivables in the corresponding period of 2013 which only of approximately RMB4,231,000 recognised in current period.

Other Operating Expenses

Other operating expenses in current period mainly consist of harvesting expenses, loss on disposal of a subsidiary, net loss on disposal of property, plant and equipment, impairment loss for investments in unlisted equity securities and donations.

Net Finance (Costs)/Income

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

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

	Six months ended 30 June		
	2014	2013	Growth rate
	RMB'000	RMB'000	%
Net finance income/(costs)			
Finance income	**1,744**	5,190	(66.4)
Finance costs	**(7,411)**	(8,213)	(9.8)
Total	**(5,667)**	(3,023)	87.5

Finance income for the six months ended 30 June 2014 was decreased significantly by 66.4% to approximately RMB1,744,000 as compared to approximately RMB5,190,000 in the corresponding period of 2013, primarily attributable to the decrease in deposit interest rate as well as the cash and bank balances from approximately RMB742,339,000 at 30 June 2013 to approximately RMB431,847,000 at 30 June 2014.

Finance costs for the six months ended 30 June 2014 was decreased by 9.8% to approximately RMB7,411,000 as compared to approximately RMB8,213,000 in the corresponding period of 2013, was mainly attributable to the decrease in foreign exchange loss.

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 periods indicated:

	Six months ended 30 June		
	2014	2013	Growth rate
	RMB'000	RMB'000	%
Income Tax Expense/(Credit)			
Current	**11,200**	24,937	(55.1)
Deferred	**(5,243)**	(17,059)	(69.3)
Total	**5,957**	7,878	(24.4)

Income tax was approximately RMB5,957,000 for the six months ended 30 June 2014, representing a decrease of 24.4% from approximately RMB7,878,000 in the corresponding period of 2013, which was the total effect of the current income tax to approximately RMB11,200,000 and the deferred tax to approximately RMB5,243,000. The decrease in income tax was attributable certain deferred tax assets being recognised on subsidiaries which made loss in previous years and was turnaround into profitable in current period.

Profit Attributable to Equity Shareholders of the Company for the Period

Resulting from the factors mentioned above, the profit attributable to equity shareholders of the Company for the six months ended 30 June 2014 was approximately RMB19,715,000, representing a turnaround from loss attributable to equity shareholders of the Company of approximately RMB55,248,000 in the corresponding period of 2013. The significant turnaround was attributable to the net change in fair value of biological assets of approximately negative RMB73,359,000 recorded in the corresponding period of 2013, and the increase in revenue and gross profit resulting from the continuous improvement in the Group's flooring business in the PRC.

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.

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Net cash generated from/(used in) operating activities	**55,335**	(22,474)
Net cash used in investing activities	**(108,948)**	(35,105)
Net cash generated from/(used in) financing activities	**85,472**	(11,677)
Net increase/(decrease) in cash and cash equivalents	**31,859**	(69,256)
Cash and cash equivalents as at 1 January	**399,133**	815,706
Effect of foreign exchange rate changes	**855**	(4,111)
Cash and cash equivalents as at 30 June	**431,847**	742,339

Liquidity

Net current assets and working capital sufficiency

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

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Current assets		
Inventories	**527,403**	412,633
Trade and bills receivables	**654,331**	692,807
Deposit , prepayment and other receivables	**187,933**	176,275
Financial assets at fair value through profit or loss	**32,500**	—
Pledged deposits	**114,777**	97,878
Cash and cash equivalents	**431,847**	399,133
Total current assets	**1,948,791**	1,778,726
Current liabilities		
Trade and bills payables	**230,396**	141,785
Deposits received, accruals and other payables	**189,237**	174,333
Bank loans	**288,540**	121,202
Income tax payables	**14,122**	22,196
Total current liabilities	**722,295**	459,516
Net current assets	**1,226,496**	1,319,210

As at 30 June 2014, net current assets was approximately RMB1,226,496,000, representing 7.0% decreases from approximately RMB1,319,210,000 as at 31 December 2013. The current ratios as at 30 June 2014 and 31 December 2013 were 2.7 and 3.9, respectively. The decrease in net current assets was principally attributable to increase in bank loans during the period.

CAPITAL MANAGEMENT

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

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Total debts	**288,540**	135,302
Add: Proposed dividends	**—**	31,344
Less: Cash and cash equivalent	**(431,847)**	(399,133)
Pledged deposits	**(114,777)**	(97,878)
Adjusted net assets	**(258,084)**	(330,365)
Total equity	**2,519,247**	2,513,527
Less: Proposed dividends	**—**	(31,344)
Adjusted capital	**2,519,247**	2,482,183
Adjusted gearing ratios	**(0.10)**	(0.13)

Our adjusted gearing ratios, which are derived by dividing adjusted net debt/(assets) by adjusted capital, were negative 0.10 and negative 0.13 as at 30 June 2014 and 31 December 2013, respectively. Adjusted net debt/(assets) is defined as total debt which includes bills payable, bank loans and add proposed dividends and less cash and cash equivalents and pledged deposits.

Trade and Bills Receivables Analysis

As at 30 June 2014, trade and bills receivables was decreased by 5.6% to approximately RMB654,331,000 from RMB692,807,000 as at 31 December 2013. The table below sets out trade and bills receivables as at the end of the dates indicated.

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Trade debtors	**572,937**	568,747
Bills receivables	**115,432**	153,867
Less: allowance for doubtful debts	**(34,038)**	(29,807)
	654,331	692,807

Ageing analysis

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

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Within 1 month	**236,847**	173,000
1 to 3 months	**133,144**	225,364
3 to 6 months	**136,504**	205,257
6 to 12 months	**140,748**	49,464
More than 12 months	**7,088**	39,722
Total	**654,331**	692,807

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

BIOLOGICAL ASSETS

(a) Reconciliation of carrying amount

	Standing Timber	
	2014	2013
	RMB'000	RMB'000
As at 1 January	**518,555**	479,247
Change in fair value less estimated costs to sell	**(5,979)**	(73,359)
Harvested timber transferred to inventories	**(16,275)**	(542)
Effect of movements in exchange rate	**2,995**	(4,701)
As at 30 June	**499,296**	400,645

As at 30 June 2014, the Group's biological assets represent the following concession rights:

- harvest standing timber in 46,347 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 years 2060, 2077 or 2078; and
- harvest standing timber in 3,706 hectares of natural forest in Yunnan Yingjiang for a period through the years 2041 or 2042.

During the six months ended 30 June 2014, 27,441 and 2,890 cubic meters of timbers in Peru and Yunnan, respectively were harvested (six month ended 30 June 2013: 6,979 cubic meters and Nil).

The fair values of the standing timber as at 30 June 2014 and 31 December 2013 were valued by an independent valuation firm engaged by the Group. The valuer applied the net present value approach whereby projected future net cash flows, based on the international timber log prices, were discounted according to the harvest plans for the standing timber to provide a current market value of the biological assets. The discount rates adopted for the Peru Yurimaguas, Peru Sepahua, Yunnan Ninglang and Yunnan Yingjiang forest were 12%, 14%, 11.5% and 11.5%, respectively.

(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 fair value measurement for standing timber has been categorised as Level 3 fair value (fair value measured using significant unobservable inputs). 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 period were determined by the valuer engaged by the Group. The valuation reports with analysis of changes in fair value measurement were prepared by the valuer were 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:

	2014 **RMB'000**	2013 RMB'000
Balance at 1 January	**518,555**	479,247
Harvested timber transferred to inventories	**(16,275)**	(542)
Included in "Net change in fair value of biological assets"		
— Change in fair value (unrealised)	**(5,979)**	(73,359)
Included in other comprehensive income		
— Effect of movements in exchange rate	**2,995**	(4,701)
Balance at 30 June	**499,296**	400,645

During the six months ended 30 June 2014 and 2013, 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
The cash flow projections include specific estimates for the periods as disclosed in (a).	Standing timber in Peru Yurimaguas: • Estimated future timber market prices per stere (USD83–USD188) • Estimated yields per hectare (16–29 cubic meters) • Estimated harvest and transportation costs per stere (USD42–USD51) • Risk-adjusted discount rate (12%) Standing timber in Peru Sepahua: • Estimated future timber market prices per stere (USD83–USD188) • Estimated yields per hectare (19–42 cubic meters) • Estimated harvest and transportation costs per stere (USD29–USD46) • Risk-adjusted discount rate (14%) Standing timber in Yunnan Ninglang: • Estimated future timber market prices per stere (RMB403–RMB1,261) • Estimated yields per hectare (90–240 cubic meters) • Estimated harvest and transportation costs per stere (RMB349–RMB433) • Risk-adjusted discount rate (11.5%) Standing timber in Yunnan Yingjiang: • Estimated future timber market prices per stere (RMB400–RMB1,003) • Estimated yields per hectare (52–121 cubic meters) • Estimated harvest and transportation costs per stere (RMB360–RMB487) • Risk-adjusted discount rate (11.5%)	The estimated fair value would increase/(decrease) if: • the estimated timber prices per stere were higher/(lower); • the estimated yields per hectare were higher/(lower); • the estimated harvest and transportation costs were lower/(higher); or • the risk-adjusted discount rates were lower/(higher).

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

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

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

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

The Group's rights in respect of its Yunnan forestry are subject to various regulatory restrictions. For example, the Group is 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.

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

International Financial Reporting Standard 41 requires that biological assets 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 approach quickly falls 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 net cash flows expected to be realised from the asset back to the valuation date at a market discount rate as a basis for estimating the market value. As far as the Independent Valuer is aware, its valuation approach complies with this international standards.

At 30 June 2014

The Independent Valuer has not undertaken a field inspection as part of this mid-year valuation update. This valuation represents an update of the 31 December 2013 forest valuations. The Independent Valuer has asked the forestry management of the Group to advise them of any changes and provide updated data and information in respect of the forest assets to be valued.

In respect of the forests located in Peru, the Independent Valuer has separately reviewed changes in tropical hardwood log and sawn timber prices over the first six months of 2014 and applied inflation in Peru (as measured by CPI) over the first six months of 2014 to estimate the forestry and harvesting costs, and come to a view on appropriate prices and costs to apply in this valuation as at 30-June 2014. In respect of the forests located in Yunnan Province, the PRC, the Independent Valuer has in addition reviewed changes in log prices, forestry and harvesting costs in southern China since December 2013, and come to a view on appropriate prices and costs to apply in this valuation as at 30 June 2014. The Independent Valuer has also reviewed the constraints applied in the forest estate model that impact on the future wood flow from the forest.

At 31 December 2013

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

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

(i) The forests located in Peru

With different discount rate:

	At 30 June 2014 Changes on discount rate (2%)	 2%	At 31 December 2013 Changes on discount rate (2%)	 2%
	Change in value (USD millions)		Change in value (USD millions)	
Peru Yurimaguas	2.8	(2.1)	2.9	(2.2)
Peru Sepahua	4.7	(3.7)	5.0	(3.9)

With changes in key assumptions and variables:

	At 30 June 2014 Adjustment to based value (10%)	 10%	At 31 December 2013 Adjustment to based value (10%)	 10%
	Change in value (USD millions)		Change in value (USD millions)	
Peru Yurimaguas				
Log price	(3.6)	3.6	(3.5)	3.5
Direct harvesting cost including transportation cost	1.5	(1.5)	1.2	(1.2)
Peru Sepahua				
Log price	(6.0)	6.0	(6.1)	6.1
All harvesting costs/Total cost including harvesting and transportation cost	1.6	(1.6)	2.7	(2.7)

(ii) The forests located in Yunnan Province, the PRC

With different discount rate:

	At 30 June 2014 Changes on discount rate		At 31 December 2013 Changes on discount rate	
	(1%)	**1%**	(1%)	1%
	Change in value (RMB millions)		Change in value (RMB millions)	
Yunnan Ninglang	**12**	**(10.5)**	12	(10.6)
Yunnan Yingjiang	**3.1**	**(2.9)**	3.7	(3.4)

With changes in key assumptions and variables:

	At 30 June 2014 Adjustment to based value		At 31 December 2013 Adjustment to based value	
	(10%)	**10%**	(10%)	10%
	Change in value (RMB millions)		Change in value (RMB millions)	
Yunnan Ninglang				
Log price	**(20.2)**	**20.2**	(19.2)	19.2
Harvesting cost	**5.0**	**(5.0)**	4.7	(4.7)
Transportation cost	**2.7**	**(2.7)**	2.6	(2.6)
Yunnan Yingjiang				
Log price	**(18.0)**	**18.0**	(18.9)	18.9
Harvesting cost	**6.7**	**(6.7)**	4.8	(4.8)
Transportation cost	**1.9**	**(1.9)**	2.0	(2.0)

BANK LOANS

(a)

	As at 30 June 2014 RMB'000	As at 31 December 2013 RMB'000
Current:		
— secured *(note (i))*	**249,711**	112,454
— unsecured	**38,829**	8,748
	288,540	121,202

(i) At the end of the reporting period, secured loans and borrowings of RMB249,711,000 (31 December 2013: RMB112,454,000) were secured by the following assets of the Group:

	As at 30 June 2014 RMB'000	As at 31 December 2013 RMB'000
Pledged deposits	**73,000**	73,000
Property, plant and equipment	**52,059**	—
Lease prepayment	**19,987**	—
Trade receivable	**185,800**	—
Bills receivable	**—**	13,000
Financial assets at fair value through profit or loss	**32,500**	—
	363,346	86,000

(ii) As at 30 June 2014 and 31 December 2013, no bank loan was subject to the fulfillment of covenants.

(iii) The unutilised banking facilities as at 30 June 2014 amounted to RMB485,153,000 (31 December 2013: RMB231,274,000).

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

	At 30 June 2014		At 31 December 2013	
	Effective interest rate	**Carrying amount**	Effective interest rate	Carrying amount
	%	**RMB'000**	%	RMB'000
Variable rate instruments				
Bank loans	**2.59%+HIBOR (+0.59%)/ 1.5% + 3-month HIBOR**	**157,540**	2.59%+HIBOR (+0.59%)/ 1.5% + 3-month HIBOR	108,202
Fixed rate instruments				
Bank loans	**7.07%**	**130,000**		
	0%	**1,000**	0.35%	13,000
		288,540		121,202

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

Capital commitments outstanding at the end of reporting period not provided for in the interim financial report are as follows:

	As at 30 June 2014 RMB'000	As at 31 December 2013 RMB'000
Contracted for	**32,181**	22,335

(b) Operating lease commitments

At the end of the reporting period, the future minimum lease:

	As at 30 June 2014 RMB'000	As at 31 December 2013 RMB'000
Within 1 year	**23,476**	19,136
After 1 year but within 3 years	**33,093**	32,328
After 3 years but within 5 years	**22,071**	22,082
After 5 years	**10,342**	15,278
	88,982	88,824

CAPITAL EXPENDITURE

For the six months ended 30 June 2014, the capital expenditure used for the purchase of property, plant and equipment was RMB91,072,000 (for the six months ended 30 June 2013: RMB125,487,000.)

FOREIGN CURRENCY RISK

The Group's principal activities are mainly 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 ("USD"), Hong Kong Dollars ("HKD"), Macau Pataca ("MOP"), Peruvian Nuevo Sol ("PEN") and Euro ("EUR"). As at 30 June 2014, the cash and cash equivalents held by the Group were primarily in RMB, HKD and USD, representing 86.1%, 5.1% and 7.6% (at 31 December 2013: 81.9%, 7.5% and 9.2%) of total amounts, respectively. The rest of the amounts were held in MOP, PEN and EUR. On the other hand, as at 30 June 2014, our bank loans were in RMB, HKD, USD and EUR, representing 46.1%, 51.9%, 0.4% and 1.6% (at 31 December 2013: 11.6%, 82.5%, Nil and 5.9%) of total amount, respectively. The Group may enter into forward foreign exchange contracts to hedge against the exchange rate fluctuation when the exposure is significant.

EMPLOYEES

As at 30 June 2014, the Group had 2,880 employees (31 December 2013: 2,502). Relevant staff cost for the six months ended 30 June 2014 was approximately RMB108,095,000 (including share option expenses of approximately RMB8,622,000) while our staff cost was approximately RMB86,128,000 (including share option expenses of approximately RMB6,524,000) for the corresponding period of 2013. The Group will regularly review remuneration and benefits of its employees accordingly to the relevant market practice and individual performance of the employees. In addition to basic salary, employees are entitled to other benefits including social insurance contribution, employee provident fund schemes and share option schemes.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

The Group did not have any material acquisition or disposal of subsidiaries or associated companies for the six months ended 30 June 2014.

SUBSEQUENT EVENTS

No significant events took place subsequent to 30 June 2014.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

In May 2011, the Company's shares were listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). A total of 388,265,000 shares were issued at HKD2.95 per share for a total of approximately HKD1,145 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 30 June 2014, approximately RMB729.3 million raised from the global offering of the Company was used for the purposes and approximately in the amounts set out below:

(a) Approximately RMB172.0 million was used for strategic merger and acquisition;

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

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

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

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

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

As at 30 June 2014, approximately RMB144.2 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 30 June 2014. However, the Group will continue to seek new business development opportunities.

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

As at 30 June 2014, the interests and short positions of the Directors or the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of the Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") were as follows:

	Number of shares held			
Name of Director	**Personal Interest**	**Corporate Interest**	**Total**	**Percentage of shareholding**
Mr. Se Hok Pan	25,900,000 1,500,000 (Note 1) 27,400,000	719,321,730 (Note 2)	746,721,730	50.86%
Mr. Liang Zhihua (also the President)	22,576,780 (Note 1)	Nil	22,576,780	1.54%
Ms. Un Son I	1,500,000 (Note 1)	719,321,730 (Note 2)	720,821,730	49.09%
Mr. She Jian Bin	1,500,000 (Note 1)	Nil	1,500,000	0.10%
Mr. Teoh Chun Ming	4,677,900 (Note 1)	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 60.19% and Trader World Limited as to 39.81%. Team One Investments Limited and Trader World Limited are wholly-owned by Mr. Se Hok Pan and Ms. Un Son I, respectively. Loyal Winner Limited is a private company beneficially owned as to 50% by Mr. Se Hok Pan and 50% by Ms. Un Son I. Ms. Un Son I is the spouse of Mr. Se Hok Pan.*

3. *All interests stated are long positions.*

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2014, the following persons (other than the Directors or the chief executive of the Company) has interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholders	Capacity and nature of interest	Number of shares held	Percentage of shares in issue
Freewings Development Co., Ltd.	Beneficial owner	718,921,730 (Note 1)	48.96%
Team One Investments Limited	Interest in controlled corporations	718,921,730 (Note 1)	48.96%
Trader World Limited	Interest in controlled corporations	718,921,730 (Note 1)	48.96%
MS Flooring Holdings Co., Ltd.	Beneficial owner	269,999,990 (Note 2)	18.39%
Morgan Stanley Private Equity Asia III Holdings (Cayman) Ltd.	Interest in controlled corporations	269,999,990 (Note 2)	18.39%
Morgan Stanley Private Equity Asia III, Inc.	Interest in controlled corporations	269,999,990 (Note 2)	18.39%
Morgan Stanley Private Equity Asia III, L.L.C.	Interest in controlled corporations	269,999,990 (Note 2)	18.39%
Morgan Stanley Private Equity Asia III, L.P.	Interest in controlled corporations	269,999,990 (Note 2)	18.39%
International Finance Corporation	Beneficial owner	108,000,000	7.36%

Notes:

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

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

3. *All interests stated are long positions.*

Save as disclosed above, the Directors are not aware that there is any party who, as at 30 June 2014, had interests or short positions in the shares and underlying shares of the Company, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

RIGHTS TO ACQUIRE COMPANY'S SECURITIES

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

SHARE OPTION SCHEMES

Pre-IPO Share Option Scheme

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

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

For the options granted on 17 December 2008

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

For the options granted on 1 July 2010

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

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

Further details of the principal terms of the Pre-IPO Share Option Scheme are set out in the prospectus of the Company dated 16 May 2011. Details of the share options movements during the six months ended 30 June 2014 under the Pre-IPO Share Option Scheme are as follows:

Category of participants	Date of grant	Exercise period	Exercise price per share	No. of shares involved in the options outstanding at the beginning of the period	Exercised during the period	Lapsed during the period	No. of shares involved in the options outstanding at period end
Director of the Company							
Liang Zhihua (Also the President)	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
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
Former Director of the Company							
Nam Cheung Ming	17/12/2008	17/12/2008–16/12/2018	HK$2.35	1,887,640	—	—	1,887,640
Employees							
Employees	17/12/2008	17/12/2008–16/12/2018	HK$2.35	11,185,700	—	—	11,185,700
	1/7/2010	1/7/2010–30/6/2020	HK$3.38	3,500,000	—	—	3,500,000
Total				27,328,020	—	—	27,328,020

No option under the Pre-IPO Share Option Scheme has been granted or cancelled during the six months ended 30 June 2014. No further option has been or will be granted under the Pre-IPO Share Option Scheme after the listing of the Company.

Share Option Scheme

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

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

Details of the share options movements during the six months ended 30 June 2014 under the Share Option Scheme are as follows:

Category of participants	No. of shares involved in the options outstanding at the beginning of the period	Exercised during the period	Lapsed during the period	No. of shares involved in the options outstanding at period end
Directors of the Company				
Se Hok Pan	1,500,000	—	—	1,500,000
Liang Zhihua	15,000,000	—	—	15,000,000
Un Son I	1,500,000	—	—	1,500,000
She Jian Bin	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	74,500,000	—	—	74,500,000
Total	99,500,000	—	—	99,500,000

Save as disclosed above, no option has been granted under the Share Option Scheme during the six months ended 30 June 2014. No option has been cancelled or lapsed during the six months ended 30 June 2014.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has applied the principles and complied with the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") (the "Code") during the six months ended 30 June 2014.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as its code of conduct regarding Directors' securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code throughout the six months ended 30 June 2014.

AUDIT COMMITTEE

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

Independent non-executive Directors

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

The primary responsibilities of the Audit Committee are to assist the Board in providing an independent view of the effectiveness of the Company's financial reporting process, internal control and risk management system, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board. The Audit Committee has reviewed and discussed the interim results for the six months ended 30 June 2014.

REMUNERATION COMMITTEE

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

Independent Non-executive Directors

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

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

NOMINATION COMMITTEE

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

Executive Director

Mr. Se Hok Pan *(Chairman)*

Independent Non-executive Directors

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

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

CORPORATE GOVERNANCE COMMITTEE

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

Executive Director

Mr. Se Hok Pan *(Chairman)*

Non-executive Director

Mr. Teoh Chun Ming

Independent Non-executive Director

Mr. Ho King Fung, Eric

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

PURCHASES, SALE AND REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2014, the Company repurchased 13,586,000 shares of the Company on the Stock Exchange at an aggregate consideration of HKD19,761,261.10 pursuant to the share repurchase mandate approved by the shareholders of the Company at the annual general meeting held on 28 May 2013. Details of the repurchases are summarised as follows:

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

All the repurchased shares of the Company have been cancelled on 30 May 2014 and the issued share capital of the Company has been reduced by the nominal value of the repurchased shares. The premium paid on repurchase was charged against the share premium of the Company. The repurchases were effected by the Board with a view to benefiting the shareholders of the Company as a whole by enhancing the net value of the Company and its assets and earnings per share.

Except as disclosed above, the Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company during the six months ended 30 June 2014.

INTERIM DIVIDEND

The Board did not declare any interim dividend for the six months ended 30 June 2014.

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

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in directors' biographical details of the Company since the date of the Annual Report 2013 of the Company are as follows:

Mr. Homer Sun, a non-executive director of the Company, was appointed as a non-executive director of Tianhe Chemicals Group Limited (Stock Code: 1619), whose shares are listed on the Stock Exchange on 20 June 2014, since March 2012.

Save as disclosed above, there is no other change in the Directors' biographical details which is required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules since the date of the Annual Report 2013 of the Company.

KPMG

Review report to the board of directors of Nature Home Holding Company Limited
(formerly named as Nature Flooring Holding Company Limited)
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 43 to 78 which comprises the consolidated statement of financial position of Nature Home Holding Company Limited as of 30 June 2014 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, adopted by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

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

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2014 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

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

28 August 2014

Consolidated Statement of Profit or Loss

For the six months ended 30 June 2014—Unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June 2014 RMB'000	2013 RMB'000
Turnover	3	**776,398**	566,977
Cost of sales		**(523,740)**	(398,089)
Gross profit		**252,658**	168,888
Other net income	4(a)	**10,128**	62,635
Net change in fair value of biological assets	10	**(5,979)**	(73,359)
Distribution costs		**(129,278)**	(86,836)
Administrative expenses		**(85,572)**	(108,040)
Other operating expenses	4(b)	**(9,611)**	(7,635)
Profit/(loss) from operations		**32,346**	(44,347)
Finance income		**1,744**	5,190
Finance costs		**(7,411)**	(8,213)
Net finance costs	5(a)	**(5,667)**	(3,023)
Profit/(loss) before taxation	5	**26,679**	(47,370)
Income tax	6(a)	**(5,957)**	(7,878)
Profit/(loss) for the period		**20,722**	(55,248)
Attributable to:			
Equity shareholders of the Company		**19,715**	(55,248)
Non-controlling interests		**1,007**	—
Profit/(loss) for the period		**20,722**	(55,248)
Earnings/(loss) per share (RMB):			
Basic and diluted	7	**0.013**	(0.037)

The notes on pages 49 to 78 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 19.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2014—Unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Profit/(loss) for the period	**20,722**	(55,248)
Other comprehensive income for the period		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of entities not using RMB as functional currency	**10,080**	(14,704)
Total comprehensive income for the period	**30,802**	(69,952)
Attributable to:		
Equity shareholders of the Company	**29,612**	(69,952)
Non-controlling interests	**1,190**	—
Total comprehensive income for the period	**30,802**	(69,952)

The notes on pages 49 to 78 form part of this interim financial report.

Consolidated Statement of Financial Position

At 30 June 2014—Unaudited
(Expressed in Renminbi)

	Note	**As at 30 June 2014 RMB'000**	As at 31 December 2013 RMB'000
Non-current assets			
Property, plant and equipment	8	**542,176**	525,996
Investment property	9	**49,965**	—
Intangible assets		**17,154**	16,621
Lease prepayments		**67,625**	56,928
Biological assets	10	**499,296**	518,555
Interest in joint venture		**5,000**	5,000
Investments in unlisted equity securities		**4,387**	4,796
Deposits, prepayments and other receivables		**82,170**	59,658
Deferred tax assets	6(d)	**24,978**	21,184
		1,292,751	1,208,738
Current assets			
Inventories	11	**527,403**	412,633
Trade and bills receivables	12	**654,331**	692,807
Deposits, prepayments and other receivables		**187,933**	176,275
Financial assets at fair value through profit or loss	13	**32,500**	—
Pledged deposits	14	**114,777**	97,878
Cash and cash equivalents		**431,847**	399,133
		1,948,791	1,778,726
Current liabilities			
Trade and bills payables	15	**230,396**	141,785
Deposits received, accruals and other payables		**189,237**	174,333
Bank loans	16	**288,540**	121,202
Income tax payables	6(b)	**14,122**	22,196
		722,295	459,516
Net current assets		**1,226,496**	1,319,210
Total assets less current liabilities		**2,519,247**	2,527,948

The notes on pages 49 to 78 form part of this interim financial report.

At 30 June 2014—Unaudited
(Expressed in Renminbi)

	Note	**As at 30 June 2014 RMB'000**	As at 31 December 2013 RMB'000
Non-current liabilities			
Deferred tax liabilities	6(d)	**13,099**	14,421
Total non-current liabilities		**13,099**	14,421
NET ASSETS		**2,506,148**	2,513,527
CAPITAL AND RESERVES			
Share capital	18(b)	**9,596**	9,680
Reserves		**2,484,917**	2,493,402
Total equity attributable to equity shareholders of the Company		**2,494,513**	2,503,082
Non-controlling interests		**11,635**	10,445
TOTAL EQUITY		**2,506,148**	2,513,527

The notes on pages 49 to 78 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014—Unaudited
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company								
	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Foreign currency translation reserve RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2013	9,680	1,360,787	159,006	(23,504)	30,759	1,025,432	2,562,160	–	2,562,160
Changes in equity for the six months ended 30 June 2013									
Loss for the period	–	–	–	–	–	(55,248)	(55,248)	–	(55,248)
Other comprehensive income	–	–	–	(14,704)	–	–	(14,704)	–	(14,704)
Total comprehensive income	–	–	–	(14,704)	–	(55,248)	(69,952)	–	(69,952)
Dividend approved in respect of the previous year (note 19)	–	(28,837)	–	–	–	–	(28,837)	–	(28,837)
Equity settled share-based payment transactions (note 17)	–	–	–	–	6,524	–	6,524	–	6,524
Share option lapsed during the period	–	–	–	–	(104)	104	–	–	–
As at 30 June 2013	9,680	1,331,950	159,006	(38,208)	37,179	970,288	2,469,895	–	2,469,895
As at 1 January 2014	**9,680**	**1,171,469**	**171,343**	**(47,000)**	**50,126**	**1,147,464**	**2,503,082**	**10,445**	**2,513,527**
Changes in equity for the six months ended 30 June 2014									
Profit for the period	**–**	**–**	**–**	**–**	**–**	**19,715**	**19,715**	**1,007**	**20,722**
Other comprehensive income	**–**	**–**	**–**	**9,897**	**–**	**–**	**9,897**	**183**	**10,080**
Total comprehensive income	**–**	**–**	**–**	**9,897**	**–**	**19,715**	**29,612**	**1,190**	**30,802**
Dividend approved in respect of the previous year (note 19)	**–**	**(31,053)**	**–**	**–**	**–**	**–**	**(31,053)**	**–**	**(31,053)**
Equity settled share-based payment transactions (note 17)	**–**	**–**	**–**	**–**	**8,621**	**–**	**8,621**	**–**	**8,621**
Purchase of own shares (note 18(c))									
— par value paid	**(84)**	**–**	**–**	**–**	**–**	**–**	**(84)**	**–**	**(84)**
— premium paid	**–**	**(15,665)**	**–**	**–**	**–**	**–**	**(15,665)**	**–**	**(15,665)**
Disposal of a subsidiary	**–**	**–**	**(1,400)**	**–**	**–**	**1,400**	**–**	**–**	**–**
As at 30 June 2014	**9,596**	**1,124,751**	**169,943**	**(37,103)**	**58,747**	**1,168,579**	**2,494,513**	**11,635**	**2,506,148**

The notes on pages 49 to 78 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2014—Unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Operating activities		
Cash generated from/(used in) operations	**74,641**	(4,613)
Income tax paid	**(19,306)**	(17,861)
Net cash generated from/(used in) operating activities	**55,335**	(22,474)
Investing activities		
Payment for the purchase of property, plant and equipment	**(91,072)**	(125,487)
Other net cash flows (used in)/arising from investing activities	**(17,876)**	90,382
Net cash used in investing activities	**(108,948)**	(35,105)
Net cash generated from/(used in) financing activities	**85,472**	(111,677)
Net increase/(decrease) in cash and cash equivalents	**31,859**	(69,256)
Cash and cash equivalents as at 1 January	**399,133**	815,706
Effect of foreign exchanges rate changes	**855**	(4,111)
Cash and cash equivalents as at 30 June	**431,847**	742,339

The notes on pages 49 to 78 form part of this interim financial report.

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, *Interim financial reporting*, adopted by the International Accounting Standards Board ("IASB"). It was authorised for issue on 28 August 2014.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for the newly adopted accounting policies and the accounting policies changes that are expected to be reflected in the 2014 annual financial statements. Details of the newly adopted accounting policies and the changes in accounting policies are set out in note 2.

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

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of Nature Home Holding Company Limited (the "Company") and its subsidiaries (together, the "Group") since the 2013 annual financial statements. The condensed consolidated interim financial report and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

The interim financial report is unaudited, but has been reviewed by the Audit Committee of the Company. It has also been reviewed by KPMG in accordance with the Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). KPMG's independent review report to the Board of Directors is included on page 41 to 42.

The financial information relating to the financial year ended 31 December 2013 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2013 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 28 March 2014.

(Expressed in Renminbi unless otherwise indicated)

2 NEWLY ADOPTED ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES

(a) Newly adopted accounting policies

(i) Investment property

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

The estimated useful lives of investment properties are as follows:

• Land use right	45 years
• Properties	30 years

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

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

Financial assets at fair value through profit or loss are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any interest earned on these financial assets as these are recognised as it accrues using the effective interest method.

(b) Changes in accounting policies

The IASB has issued the following amendments to IFRSs and one new interpretation that are first effective for the current accounting period of the Group and the Company:

- Amendments to IFRS 10, IFRS 12 and IAS 27, *Investment entities*
- Amendments to IAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to IAS 36, *Recoverable amount disclosures for non-financial assets*
- Amendments to IAS 39, *Novation of derivatives and continuation of hedge accounting*
- IFRIC 21, *Levies*

2 NEWLY ADOPTED ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES (Continued)

(b) Changes in accounting policies (Continued)

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

Amendments to IFRS 10, IFRS 12 and IAS 27, Investment entities

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended IFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on the Group's interim financial report as the Company does not qualify to be an investment entity.

Amendments to IAS 32, Offsetting financial assets and financial liabilities

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

Amendments to IAS 36, Recoverable amount disclosures for non-financial assets

The amendments to IAS 36 modify the disclosure requirements for impaired non- financial assets. Among them, the amendments expand the disclosures required for an impaired asset or cash-generating unit ("CGU") whose recoverable amount is based on fair value less costs of disposal. The amendments do not have an impact on the Group's interim financial report as the Group does not have any impaired non-financial assets.

Amendments to IAS 39, Novation of derivatives and continuation of hedge accounting

The amendments to IAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments do not have an impact on the Group's interim financial report as the Group has not novated any of its derivatives.

IFRIC 21, Levies

The interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on the Group's interim financial report as the guidance is consistent with the Group's existing accounting policies.

(Expressed in Renminbi unless otherwise indicated)

3 TURNOVER AND SEGMENT REPORTING

(a) Turnover

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

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

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Manufacturing and sale of wood products	**526,776**	378,379
Provision of trademark and distribution network	**84,486**	86,561
Trading of timber and wood products	**165,136**	102,037
	776,398	566,977

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

For the twelve months ended 30 June 2014, the Group reported revenue of RMB1,698,370,000 (twelve months ended 30 June 2013: RMB1,178,548,000), and gross profit of RMB584,368,000 (twelve months ended 30 June 2013: RMB361,603,000).

(b) Segment results, assets and liabilities

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

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

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

(Expressed in Renminbi unless otherwise indicated)

3 TURNOVER AND SEGMENT REPORTING (Continued)

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

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

	Manufacturing and sale of wood products		Trademark and distribution network usage fees		Trading of timber and wood products		Total	
	Six months ended 30 June							
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Revenue from external customers	**526,776**	378,379	**84,486**	86,561	**165,136**	102,037	**776,398**	566,977
Inter-segment revenue	**10,702**	5,274	**–**	–	**20,666**	14,586	**31,368**	19,860
Reportable segment revenue	**537,478**	383,653	**84,486**	86,561	**185,802**	116,623	**807,766**	586,837
Reportable segment result	**55,528**	(9,998)	**23,753**	22,950	**(4,962)**	(4,215)	**74,319**	8,737
Depreciation and amortisation for the period	**(14,932)**	(11,025)	**–**	–	**(3,235)**	(2,297)	**(18,167)**	(13,322)
Net impairment losses for trade receivables (recognised)/ reversed during the period	**(541)**	(31,205)	**–**	–	**(3,690)**	2,436	**(4,231)**	(28,769)

(Expressed in Renminbi unless otherwise indicated)

3 TURNOVER AND SEGMENT REPORTING (Continued)

(c) Reconciliations of reportable segment revenues and profits

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Revenue		
Reportable segment revenue	**807,766**	586,837
Elimination of inter-segment revenue	**(31,368)**	(19,860)
Consolidated revenue	**776,398**	566,977
Profit		
Reportable segment profit	**74,319**	8,737
Elimination of inter-segment results	**(14,351)**	(2,612)
Reportable segment profit derived from external customers	**59,968**	6,125
Other net income	**10,128**	62,635
Net change in fair value of biological assets	**(5,979)**	(73,359)
Other operating expenses	**(9,611)**	(7,635)
Depreciation and amortisation	**(9,670)**	(15,027)
Net finance costs	**(5,667)**	(3,023)
Unallocated head office and corporate expenses	**(12,490)**	(17,086)
Consolidated profit/(loss) before taxation	**26,679**	(47,370)

(d) Geographic information

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

(Expressed in Renminbi unless otherwise indicated)

3 TURNOVER AND SEGMENT REPORTING (Continued)

(d) Geographic information (Continued)

	Revenue from external customers Six months ended 30 June		Specified non-current assets	
			At 30 June	At 31 December
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
The PRC, Hong Kong and Macau	**649,477**	484,487	**803,410**	735,773
Peru	**21,251**	11,008	**372,726**	382,254
USA	**105,670**	71,482	**80**	73
	776,398	566,977	**1,176,216**	1,118,100

4 OTHER NET INCOME/OTHER OPERATING EXPENSES

(a) Other net income

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Government grants	**7,757**	9,958
Net gain on the resumption of land and assets of Nature (Zhangjiagang) Wood Industry Co.,Ltd ("Nature Zhangjiagang") *(i)*	**—**	51,394
Rental income from operating leases		
— investment property (note 9)	**303**	—
— others (note 8)	**1,934**	—
Others	**134**	1,283
	10,128	62,635

(Expressed in Renminbi unless otherwise indicated)

4 OTHER NET INCOME/OTHER OPERATING EXPENSES (Continued)

(b) Other operating expenses

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Net loss on disposal of property, plant and equipment	**36**	249
Impairment loss for investments in unlisted equity securities	**458**	4,867
Loss on disposal of a subsidiary *(ii)*	**1,147**	—
Donations	**1,121**	1,043
Loss on disposal of an unlisted equity security	**—**	1,088
Harvesting expenses	**6,299**	—
Others	**550**	388
	9,611	7,635

(i) During the six months ended 30 June 2013, Jingang County Government made a total compensation of RMB150,029,000 to Nature Zhangjiagang in respect of resumption of land and assets of Nature Zhangjiagang. After deduction of net loss on disposal of assets of RMB98,635,000, a gain of RMB51,394,000 was recognised by the Group in the consolidated statement of profit or loss.

(ii) Disposal of a subsidiary

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

	Net book value as of the disposal date RMB'000
Cash and cash equivalents	1,000
Deposits, prepayments and other receivables	56,022
Deposits received, accruals and other payables	(54,875)
Net identifiable assets	2,147
Consideration received, satisfied in cash	(1,000)
Loss on disposal	1,147

(Expressed in Renminbi unless otherwise indicated)

5 PROFIT/(LOSS) BEFORE TAXATION

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

(a) Finance income and finance costs

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Interest income on bank deposits	**(1,744)**	(4,509)
Change in fair value of derivative component of convertible loan	**—**	(681)
Finance income	**(1,744)**	(5,190)
Interest expense on bank loans	**1,416**	1,692
Foreign exchange loss	**5,995**	6,521
Finance costs	**7,411**	8,213
Net finance costs recognised in profit or loss	**5,667**	3,023

(b) Other items

		Six months ended 30 June	
		2014	2013
	Note	**RMB'000**	RMB'000
Cost of inventories*	11	**521,826**	396,136
Net impairment loss recognised for receivables	12(b)	**4,231**	28,769
Impairment loss for investments in unlisted equity securities		**458**	4,867
Depreciation		**26,193**	26,489
Amortisation		**1,644**	1,860
Operating lease charges		**10,273**	6,787

* *For the period ended 30 June 2014, cost of inventories includes RMB16,906,000 (30 June 2013: RMB16,252,000) relating to depreciation and operating lease charges, amounts of which are also included in the respective amounts disclosed in note 5(b) for each of these types of expenses.*

(Expressed in Renminbi unless otherwise indicated)

6 INCOME TAX

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

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Current tax		
Provision for PRC income tax	**10,639**	24,937
Provision for income tax from subsidiaries in other jurisdictions	**561**	—
	11,200	24,937
Deferred tax		
Origination and reversal of temporary differences	**(5,243)**	(17,059)
	5,957	7,878

Notes:

(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.

(ii) The Group's subsidiaries incorporated in the USA were subject to federal income tax at progressive rates from 15% to 35% and state income tax for the six months ended 30 June 2014 and 2013.

(iii) The Group's subsidiaries incorporated in Hong Kong were subject to Profits Tax rate of 16.5% for the six months ended 30 June 2014 and 2013.

(iv) The Group's subsidiaries incorporated in Macau were subject to Macau Complementary Tax. The provision for Macau Complementary Tax for the six months ended 30 June 2014 and 2013 is calculated at the rate of 12%, of which assessable profits of the first MOP300,000 is exempted from tax.

(v) The Group's subsidiaries incorporated in Peru were subject to income tax rates of 5% for the six months ended 30 June 2014 and 2013.

(vi) The PRC's statutory income tax rate is 25% for the six months ended 30 June 2014 and 2013.

6 INCOME TAX (Continued)

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

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
PRC income tax payable	**12,659**	21,032
Income tax payable from subsidiaries in other jurisdictions	**1,463**	1,164
	14,122	22,196

(c) Deferred tax recognised:

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

	Write-downs of inventories RMB'000	Impairment of receivables RMB'000	Unused tax losses RMB'000	Unrealised profit in inventories RMB'000	Impairment of investments in unlisted equity securities RMB'000	Capitalised borrowing cost RMB'000	Change in fair value of biological assets RMB'000	Total RMB'000
As at 1 January 2013	(3,910)	(4,462)	(9,969)	(2,955)	(1,245)	586	10,784	(11,171)
Charged/(credited) to profit or loss	372	(6,949)	(2,319)	(3,193)	(1,217)	(22)	(3,731)	(17,059)
Credited to foreign currency translation reserve	–	–	–	–	–	–	(146)	(146)
As at 30 June 2013	(3,538)	(11,411)	(12,288)	(6,148)	(2,462)	564	6,907	(28,376)
As at 1 January 2014	**(5,314)**	**(7,079)**	**(3,280)**	**(2,910)**	**(2,601)**	**541**	**13,880**	**(6,763)**
Charged/(credited) to profit or loss	**903**	**(867)**	**(3,160)**	**(555)**	**(115)**	**(23)**	**(1,426)**	**(5,243)**
Charged to foreign currency translation reserve	**–**	**–**	**–**	**–**	**–**	**–**	**127**	**127**
As at 30 June 2014	**(4,411)**	**(7,946)**	**(6,440)**	**(3,465)**	**(2,716)**	**518**	**12,581**	**(11,879)**

(Expressed in Renminbi unless otherwise indicated)

6 INCOME TAX (Continued)

(d) Reconciliation to the consolidated statement of financial position:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Deferred tax assets recognised on the consolidated statement of financial position	**24,978**	21,184
Deferred tax liabilities recognised on the consolidated statement of financial position	**(13,099)**	(14,421)
	11,879	6,763

(e) Deferred tax assets not recognised

No deferred tax assets have been recognised in respect of unused tax losses from certain subsidiaries because it is not probable that future taxable profits will be available against which they can utilise the related benefits. As at 30 June 2014, unused tax losses of RMBNil, RMB1,986,000, RMB3,670,000, RMB9,947,000, RMB6,093,000 and RMB1,663,000 (31 December 2013: RMB5,467,000, RMB3,252,000, RMB9,340,000, RMB52,462,000 and RMB45,367,000), if unused, will expire by 31 December 2014, 2015, 2016, 2017, 2018 and 2019 (31 December 2013: 2014, 2015, 2016, 2017 and 2018), respectively. Further, unused tax losses of RMB75,054,000 (31 December 2013: RMB43,201,000) do not expire under current tax legislation.

(f) Deferred tax liabilities not recognised

At 30 June 2014, deferred tax liabilities in respect of the dividend withholding tax relating to the undistributed profits of the Company's subsidiaries were not recognised as the Company controls the dividend policy of these subsidiaries. Based on the assessment made by management as at the end of each reporting period, it was determined that the undistributed profits of the Company's subsidiaries would not be distributed in the foreseeable future. The amounts of undistributed profit of the Company's subsidiaries are set out below:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Profits earned by PRC subsidiaries on or after 1 January 2008	**1,163,599**	1,147,965
Profits earned by Peru subsidiaries	**112,029**	109,523
Total	**1,275,628**	1,257,488

6 INCOME TAX (Continued)

(f) Deferred tax liabilities not recognised (Continued)

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

7 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

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

(i) Profit attributable to equity shareholders of the Company of RMB19,715,000 (for the six months period ended 30 June 2013: loss of RMB55,248,000).

(ii) Weighted average number of ordinary shares

	Six months ended 30 June	
	2014	2013
	'000	'000
Issued ordinary shares at 1 January	**1,481,824**	1,481,824
Effect of repurchase and cancellation of own shares (note 18(c))	**(5,506)**	—
Weighted average number of ordinary shares at 30 June	**1,476,318**	1,481,824

(b) Diluted earnings/(loss) per share

For the periods ended 30 June 2014 and 2013, the effect of the Company's outstanding share options was anti-dilutive.

(Expressed in Renminbi unless otherwise indicated)

8 PROPERTY, PLANT AND EQUIPMENT

	2014	2013
	RMB'000	RMB'000
Net book value, as at 1 January	**525,996**	458,399
Additions	**90,954**	108,407
Disposals (net book value)	**(15,444)**	(55,415)
Reclassification to investment property (net book value) (note 9)	**(35,153)**	—
Depreciation charge for the period	**(25,711)**	(26,489)
Exchange adjustments	**1,534**	(5,711)
Net book value, as at 30 June	**542,176**	479,191

As at 30 June 2014, property, plant and equipment with carrying amount of RMB52,059,000 (31 December 2013: Nil) were pledged for bank loans (note 16).

During the six months ended 30 June 2014, the Group leased out certain machineries under operating leases. The leases run for a period of three years with an option to renew the lease after the date at which time all terms are renegotiated. The minimum rental charge is RMB6,500,000 per annum with contingent rentals ranged from RMB1,500,000 to RMB3,000,000 per annum, which depends on the annual sales volume of the leasee. No contingent rentals were recognised by the Group for the six months ended 30 June 2014.

9 INVESTMENT PROPERTY

	2014	2013
	RMB'000	RMB'000
Net book value, as at 1 January	**—**	—
Reclassification from property, plant and equipment (note 8)	**35,153**	—
Reclassification from lease prepayment	**15,294**	—
Depreciation charge for the period	**(482)**	—
Net book value, as at 30 June	**49,965**	—

During the six months ended 30 June 2014, the Group leased out a land use right and properties in the PRC under operating leases. The leases run for a period of three years with an option to renew the lease after the date at which time all terms are renegotiated. The rental charge is RMB1,000,000 per annum. The leases do not include contingent rentals.

(Expressed in Renminbi unless otherwise indicated)

9 INVESTMENT PROPERTY (Continued)

The fair value of the Group's investment property as at 30 June 2014, valued by an independent valuation firm, is RMB53,813,000.

10 BIOLOGICAL ASSETS

(a) Reconciliation of carrying amount

	Standing Timber	
	2014	2013
	RMB'000	RMB'000
As at 1 January	**518,555**	479,247
Change in fair value less estimated costs to sell	**(5,979)**	(73,359)
Harvested timber transferred to inventories	**(16,275)**	(542)
Effect of movements in exchange rate	**2,995**	(4,701)
As at 30 June	**499,296**	400,645

As at 30 June 2014, the Group's biological assets represent the following concession rights:

- harvest standing timber in 46,347 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 years 2060, 2077 or 2078; and
- harvest standing timber in 3,706 hectares of natural forest in Yunnan Yingjiang for a period through the years 2041 or 2042.

During the six months ended 30 June 2014, 27,441 and 2,890 cubic meters of timbers in Peru and Yunnan, respectively were harvested.

(Expressed in Renminbi unless otherwise indicated)

10 BIOLOGICAL ASSETS (Continued)

(a) Reconciliation of carrying amount (Continued)

The fair values of the standing timber as at 30 June 2014 and 31 December 2013 were valued by an independent valuation firm engaged by the Group. The valuer applied the net present value approach whereby projected future net cash flows, based on the international timber log prices, were discounted according to the harvest plans for the standing timber to provide a current market value of the biological assets. The discount rates adopted for the Peru Yurimaguas, Peru Sepahua, Yunnan Ninglang and Yunnan Yingjiang forest were 12%, 14%, 11.5% and 11.5%, respectively.

(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 fair value measurement for standing timber has been categorised as Level 3 fair value (fair value measured using significant unobservable inputs). 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 period were determined by the valuer engaged by the Group. The valuation reports with analysis of changes in fair value measurement were prepared by the valuer were 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:

	2014	2013
	RMB'000	RMB'000
Balance at 1 January	**518,555**	479,247
Harvested timber transferred to inventories	**(16,275)**	(542)
Included in "Net change in fair value of biological assets"		
— Change in fair value (unrealised)	**(5,979)**	(73,359)
Included in other comprehensive income		
— Effect of movements in exchange rate	**2,995**	(4,701)
Balance at 30 June	**499,296**	400,645

During the six months ended 30 June 2014 and 2013, 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 unless otherwise indicated)

10 BIOLOGICAL ASSETS (Continued)

(b) Measurement of fair values (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
The cash flow projections include specific estimates for the periods as disclosed in note 10(a).	Standing timber in Peru Yurimaguas: • Estimated future timber market prices per stere (USD83–USD188) • Estimated yields per hectare (16–29 cubic meters) • Estimated harvest and transportation costs per stere (USD42–USD51) • Risk-adjusted discount rate (12%) Standing timber in Peru Sepahua: • Estimated future timber market prices per stere (USD83–USD188) • Estimated yields per hectare (19–42 cubic meters) • Estimated harvest and transportation costs per stere (USD29–USD46) • Risk-adjusted discount rate (14%) Standing timber in Yunnan Ninglang: • Estimated future timber market prices per stere (RMB403–RMB1,261) • Estimated yields per hectare (90–240 cubic meters) • Estimated harvest and transportation costs per stere (RMB349–RMB433) • Risk-adjusted discount rate (11.5%) Standing timber in Yunnan Yingjiang: • Estimated future timber market prices per stere (RMB400–RMB1,003) • Estimated yields per hectare (52–121 cubic meters) • Estimated harvest and transportation costs per stere (RMB360–RMB387) • Risk-adjusted discount rate (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).

(Expressed in Renminbi unless otherwise indicated)

11 INVENTORIES

	As at 30 June 2014 RMB'000	As at 31 December 2013 RMB'000
Raw materials	**92,467**	72,306
Work in progress	**72,606**	48,895
Finished goods	**337,876**	266,084
Spare parts and consumables	**24,454**	25,348
	527,403	412,633

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

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Carrying amount of inventories sold	**524,723**	393,508
(Reversal of write-down)/write-downs of inventories	**(2,897)**	2,628
	521,826	396,136

12 TRADE AND BILLS RECEIVABLES

	As at 30 June 2014 RMB'000	As at 31 December 2013 RMB'000
Trade debtors	**572,937**	568,747
Bills receivable	**115,432**	153,867
Less: allowance for doubtful debts (note 12(b))	**(34,038)**	(29,807)
	654,331	692,807

12 TRADE AND BILLS RECEIVABLES (Continued)

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

As at 30 June 2014, trade debtors amounted to RMB185,800,000 have been pledged to banks to secure banking facilities obtained by the Group (31 December 2013: nil) (note 16).

As at 30 June 2014, none of bills receivables have been pledged to banks to secure banking facilities obtained by the Group (31 December 2013: RMB13,000,000) (note 16).

(a) Ageing analysis

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

	As at 30 June 2014 RMB'000	As at 31 December 2013 RMB'000
Within 1 month	**236,847**	173,000
1 to 3 months	**133,144**	225,364
3 to 6 months	**136,504**	205,257
6 to 12 months	**140,748**	49,464
More than 12 months	**7,088**	39,722
	654,331	692,807

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

(Expressed in Renminbi unless otherwise indicated)

12 TRADE AND BILLS RECEIVABLES (Continued)

(b) Impairment loss of trade debtors and bills receivable

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

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

	2014	2013
	RMB'000	RMB'000
As at 1 January	**29,807**	19,004
Impairment loss recognised during the period/year	**13,634**	23,679
Reversal of impairment loss recognised during the period/year	**(9,403)**	(12,876)
As at 30 June/31 December	**34,038**	29,807

As at 30 June 2014, the Group's trade receivables of RMB54,239,000 (31 December 2013: RMB30,727,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of RMB34,038,000 as at 30 June 2014 were recognised (31 December 2013: RMB29,807,000).

(Expressed in Renminbi unless otherwise indicated)

12 TRADE AND BILLS RECEIVABLES (Continued)

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

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

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Neither past due nor impaired	**448,501**	532,995
Less than 3 months past due	**130,637**	73,620
More than 3 months but less than 12 months past due	**50,478**	53,161
More than 12 months past due	**4,514**	32,111
	185,629	158,892
	634,130	691,887

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

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2014 RMB'000	As at 31 December 2013 RMB'000
Financial assets at fair value through profit or loss	**32,500**	—

As at 30 June 2014, the Group held investment in a wealth management product issued by a bank in the PRC with principal amount of RMB32,500,000. The wealth management product will mature on 11 June 2015. Based on the agreement, the expected yield is ranged from 3.30% to 4.65% per annum, and the principal amount of the product will be fully paid back at maturity day.

(Expressed in Renminbi unless otherwise indicated)

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

The carrying amount of the Group's wealth management product is not materially different from its fair value as at 30 June 2014.

As at 30 June 2014, this wealth management product has been pledged to a bank to secure banking facilities obtained by the Group (note 16).

14 PLEDGED DEPOSITS

As at 30 June 2014, the deposits had been placed with banks as securities for the followings:

	As at 30 June 2014 RMB'000	As at 31 December 2013 RMB'000
Bank loans (note 16)	**73,000**	73,000
Others	**41,777**	24,878
	114,777	97,878

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

(Expressed in Renminbi unless otherwise indicated)

15 TRADE AND BILLS PAYABLES

	As at 30 June 2014 RMB'000	As at 31 December 2013 RMB'000
Trade payables	**191,037**	127,685
Bills payable	**39,359**	14,100
	230,396	141,785

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

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

	As at 30 June 2014 RMB'000	As at 31 December 2013 RMB'000
Due within 1 month or on demand	**156,097**	75,441
Due after 1 month but within 3 months	**46,647**	50,238
Due after 3 months but within 6 months	**12,046**	2,754
Due after 6 months but within 12 months	**15,606**	13,352
	230,396	141,785

(Expressed in Renminbi unless otherwise indicated)

16 BANK LOANS

	As at 30 June 2014 RMB'000	As at 31 December 2013 RMB'000
Current:		
— Secured (note (i))	**249,711**	112,454
— Unsecured	**38,829**	8,748
	288,540	121,202

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

	As at 30 June 2014 RMB'000	As at 31 December 2013 RMB'000
Pledged deposits (note 14)	**73,000**	73,000
Property, plant and equipment (note 8)	**52,059**	—
Lease prepayment	**19,987**	—
Trade debtors (note 12)	**185,800**	—
Bills receivable (note 12)	**—**	13,000
Financial assets at fair value through profit or loss (note 13)	**32,500**	—
	363,346	86,000

(ii) As at 30 June 2014 and 31 December 2013, no bank loan was subject to the fulfillment of covenant.

(iii) The unutilised banking facilities as at 30 June 2014 amounted to RMB485,153,000. (31 December 2013: RMB231,274,000).

(Expressed in Renminbi unless otherwise indicated)

17 SHARE-BASED PAYMENTS

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

	Note	**Six months ended 30 June** **2014** **RMB'000**	2013 RMB'000
Share-based payment transactions			
— Pre-IPO share option scheme	(a)	**—**	1,166
— Post-IPO share option scheme	(b)	**8,621**	5,358
		8,621	6,524

(a) Pre-IPO share option scheme

The Company adopted a share option scheme on 16 December 2008 (the "Pre-IPO Share Option Scheme"). On 17 December 2008 and 1 July 2010, 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 HKD1. Each option entitles the option holders to subscribe one ordinary share of the Company.

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 share options granted and accepted prior to the termination but not yet exercised shall continue to be valid and exercisable in accordance with the Pre-IPO Share Option Scheme.

(b) Post-IPO share option scheme

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

Pursuant to the board minutes of the Company passed on 4 January 2012 and 8 October 2013, share options were granted under the Post-IPO Share Option Scheme, 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. Each option entitles the option holders to subscribe to one ordinary share of the Company.

(Expressed in Renminbi unless otherwise indicated)

17 SHARE-BASED PAYMENTS (Continued)

(c) Details of the movements of the share options granted

(i) Share options granted on 17 December 2008 under the Pre-IPO Share Option Scheme (the "2008 Options"):

	Six months ended 30 June 2014		Year ended 31 December 2013	
	Weighted average exercise price HKD	**Number of options '000**	Weighted average exercise price HKD	Number of options '000
Outstanding at the beginning of the period/year	**2.35**	**15,328**	2.35	15,758
Forfeited during the period/year	**2.35**	**—**	2.35	(430)
Outstanding at the end of the period/year	**2.35**	**15,328**	2.35	15,328
Exercisable at the end of the period/year	**2.35**	**15,328**	2.35	15,328

The 2008 Options outstanding at 30 June 2014 had an exercise price of HKD2.35 per share (equivalent to RMB2.07 per share at the date of grant) (31 December 2013: HKD2.35 per share) and a weighted average remaining contractual life of 4.46 years (31 December 2013: 4.96 years).

(ii) Share options granted on 1 July 2010 under the Pre-IPO Share Option Scheme (the "2010 Options"):

	Six months ended 30 June 2014		Year ended 31 December 2013	
	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 period/year	**3.38**	**12,000**	3.38	12,000
Exercisable at the end of the period/year	**3.38**	**12,000**	3.38	8,400

The 2010 Options outstanding at 30 June 2014 had an exercise price of HKD3.38 per share (equivalent to RMB2.95 per share at the date of grant) (31 December 2013: HKD3.38 per share) and a weighted average remaining contractual life of 6 years (31 December 2013: 6.5 years).

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17 SHARE-BASED PAYMENTS (Continued)

(c) Details of the movements of the share options granted (Continued)

(iii) Share options granted on 4 January 2012 under the Post-IPO Share Option Scheme (the "2012 Options"):

	Six months ended 30 June 2014		Year ended 31 December 2013	
	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 period/year	**1.45**	**68,000**	1.45	68,000
Exercisable at the end of the period/year	**–**	**–**	–	–

The 2012 Options outstanding at 30 June 2014 had an exercise price of HKD1.45 per share (equivalent to RMB1.18 per share at the date of grant) (31 December 2013: HKD1.45 per share) and a weighted average remaining contractual life of 7.5 years (31 December 2013: 8 years).

(iv) Share options granted on 8 October 2013 under the Post-IPO Share Option Scheme (the "2013 Options"):

	Six months ended 30 June 2014		Year ended 31 December 2013	
	Weighted average exercise price HKD	**Number of options '000**	Weighted average exercise price HKD	Number of options '000
Outstanding at the beginning of the period/year	**1.61**	**31,500**	–	–
Granted during the period/year	**–**	**–**	1.61	31,500
Outstanding at the end of the period/year	**1.61**	**31,500**	1.61	31,500
Exercisable at the end of the period/year	**–**	**–**	–	–

The 2013 Options outstanding at 30 June 2014 had an exercise price of HKD1.61 per share (equivalent to RMB1.28 per share at the date of grant) (31 December 2013: HKD1.61 per share) and a weighted average remaining contractual life of 9.25 years (31 December 2013: 9.75 years).

(Expressed in Renminbi unless otherwise indicated)

18 SHARE CAPITAL

(a) Authorised:

	As at 30 June 2014 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 shares	Nominal value of fully paid shares	Nominal value of fully paid shares
		USD'000	RMB'000
As at 1 January 2013, 31 December 2013 and 1 January 2014	1,481,823,990	1,482	9,680
Repurchase and cancellation of own shares (Note 18 (c))	(13,586,000)	(14)	(84)
As at 30 June 2014	1,468,237,990	1,468	9,596

(c) Purchase of own shares:

During the 2014 interim period, the Company repurchased its own ordinary shares on The Stock Exchange of Hong Kong Limited as follows:

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

(Expressed in Renminbi unless otherwise indicated)

18 SHARE CAPITAL (Continued)

(c) Purchase of own shares: (Continued)

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

19 DIVIDENDS

No dividend has been proposed by the Company attributable to the six months ended 30 June 2014 and 2013.

During the six months ended 30 June 2014, the Company declared and paid a final dividend in respect of the previous financial year, of HKD0.025 per ordinary share, amounting HKD36,702,000 (equivalent to RMB31,053,000) (six months ended 30 June 2013: RMB28,837,000).

20 COMMITMENTS

(a) Capital commitments

Capital commitments outstanding at the end of reporting period not provided for in the interim financial report are as follows:

	As at 30 June 2014 RMB'000	As at 31 December 2013 RMB'000
Contracted for	**32,181**	22,335

(Expressed in Renminbi unless otherwise indicated)

20 COMMITMENTS (Continued)

(b) Operating lease commitments

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

	As at 30 June 2014 RMB'000	As at 31 December 2013 RMB'000
Within 1 year	**23,476**	19,136
After 1 year but within 3 years	**33,093**	32,328
After 3 years but within 5 years	**22,071**	22,082
After 5 years	**10,342**	15,278
	88,982	88,824

21 MATERIAL RELATED PARTY TRANSACTIONS

Remuneration for key management personnel of the Group is as follows:

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Short-term employee benefits	**4,009**	3,639
Post-employment benefits	**6**	—
Equity settled share-based payment expenses	**3,543**	3,918
	7,558	7,557