



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



INTERIM REPORT  
**2015**

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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

## REGISTERED OFFICE

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



**PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

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

**HEAD OFFICE IN THE PRC**

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

**PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

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

**HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

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

**WEBSITE**

[www.nature-home.com.hk](http://www.nature-home.com.hk)

**STOCK CODE**

2083

# CHAIRMAN'S STATEMENT

## BUSINESS REVIEW

For the six months ended 30 June 2015 (the "Period"), household-product market in the People's Republic of China (the "PRC") and global economy continued to encounter various challenges. In particular, the PRC household-product market has been affected by the domestic macro economy, keen market competition and the shifting consumption model. The loss attributable to equity shareholders of the Company for the six months ended 30 June 2015 amounted to approximately RMB135,857,000, comparing to the profit attributable to equity shareholders of the Company of approximately RMB19,715,000 recorded in the corresponding period of 2014. The loss is mainly attributable to (i) substantial decrease in fair value of the Group's biological assets for the six months ended 30 June 2015; (ii) the increase in distribution costs which include staff costs, rental expenses and advertising and promotion expenses for the six months ended 30 June 2015; and (iii) the increase in finance costs as a result of increase in bank loans and foreign exchange loss for the six months ended 30 June 2015. Despite of these, the Group maintained steady turnover growth during the Period. The Group achieved an increase of 16.9% in overall turnover when compared to the corresponding period last year. In respect of manufacturing and sales of wood products and trading of timber and wood products, the Group recorded an increase in sales of approximately 9.1% and 52.9%, respectively. For provision of trademarks and distribution network and forestry management, the Group recorded a decrease in sales of approximately 2.3% and 22.9% respectively. Moreover, a total of 11,783,000 square meters of our branded flooring products were sold during the Period (for the six months ended 30 June 2014: 10,088,000 square meters), representing an increase of 16.8% year-on-year.

The Group devoted continuous efforts to make strategic development in the PRC market of household products and service market in a bid to integrate its business of household products. In addition, the Group has been also actively seeking overseas investment opportunities to further develop into international market. During the Period, the Group has subscribed for 5,500,000 new shares in the share capital of ALNO AG ("ALNO" together with its subsidiaries, the "ALNO Group") at an amount of EUR5,775,000 (the "Subscription"). On the same date, the Company also purchased 1,375,000 existing shares in the issued share capital of ALNO from Whirlpool Germany GmbH ("Whirlpool") at a total consideration of EUR412,500 (the "Acquisition").

ALNO is listed on the Frankfurt Stock Exchange. The ALNO Group is principally engaged in the industrial development, designing, producing and selling of kitchen cabinets and furniture. Headquartered in Pfullendorf, Germany, the ALNO Group has around 6,000 commercial partners in 64 countries. The Company currently holds an aggregate of 6,875,000 shares, representing approximately 9.09% of the issued share capital of ALNO. The Company is the second largest shareholder of ALNO and Whirlpool remains the largest shareholder of ALNO as at the date of this report. For details of the Subscription and the Acquisition, please refer to the announcement of the Company dated 30 March 2015.

### 1. Manufacturing and sales of wood products

The Group's wood products are mainly comprised of floorings, wooden doors, wardrobes and cabinets. For the six months ended 30 June 2015, the sales for the Group's manufacturing and sale of wood products business was RMB574,513,000 (for the six months ended 30 June 2014: RMB526,776,000), representing an increase of 9.1%. Such increase is principally attributable to the continued growth of the Group's flooring business in the PRC and the overall increase in the Group's sales of flooring products.



### ***The business of manufacturing and sale of flooring products***

In terms of manufacturing and sale of flooring products business, the Group's flooring products mainly include laminated floorings and engineered floorings. In respect of its flooring store network, the Group has established a sound and extensive sales network in the PRC. The Group has also become a major PRC distributor of a number of renowned foreign brands of flooring products through entering into cooperative agreements with them. As at 30 June 2015, the number of flooring stores reached 3,225 (31 December 2014: 3,404) in total, of which, there were 1,660 "Nature" stores (31 December 2014: 1,799), 1,201 "Nature • No. 1 My Space" stores (31 December 2014: 1,227), 119 "Nature • Aesthetics" stores (31 December 2014: 131), and 122 foreign imported brand stores (31 December 2014: 124) and 123 other brand stores (31 December 2014: 123).

To facilitate the continuous growth of flooring product sales, the Group strived for expanding production capacity by constructing new plants. The laminated flooring factory in Zhongshan City of Guangdong Province (the "Zhongshan Laminated Flooring Factory") has commenced trial production and is expected to launch commercial production in the second half of 2015. The laminated floorings plant in Nanning City of Guangxi Province is also expected to commence its trial production in the second half of 2015.

### ***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. The business of wooden doors, wardrobes and cabinets has become one of the core businesses of the Group. Leveraging on the brand recognition of "Nature", the Group has established a number of sub-brands to further tap into the market of wooden doors, wardrobes and cabinets.

To facilitate the growth of wooden doors business, the Group has set up a production plant in Taizhou City, Jiangsu Province, the PRC. It is the largest production plant among the wooden doors business of the Group with advanced production equipment imported from overseas. The business of manufacturing and sale of wooden doors still recorded losses during the Period, which was mainly attributable to the high production cost and the underutilization of capacity. The Group will work to improve the performance of this business in the future. As at 30 June 2015, there were 560 (31 December 2014: 665) wooden door stores in total.

With respect to the business of wardrobes and cabinets, the Group still recorded losses for this segment due to unsatisfactory sales. To facilitate the business development, the Group has purchased a parcel of land and a production plant in Zhongshan City, Guangdong Province, the PRC to set up a production line of wardrobes and cabinets (the "Zhongshan Wardrobes and Cabinets Plant"). The Group also imported advanced production equipment from overseas to manufacture high quality wardrobes and cabinets products. The wardrobes and cabinets plant commenced its trial production in the second half of 2014 and is expected to commence commercial production in the second half of 2015. The Group will also strive for the expansion of various sales channels. Furthermore, the Group and ALNO China Holding Limited (a company owned 45% by ALNO) formed a joint venture, Wellmann China Company Limited in 2013, which supports the recruitment of franchisees to run kitchen shops in the PRC under the brand "Wellmann". The Group is currently the exclusive distributor of "Wellmann" branded kitchen cabinets in the PRC. We will invest further resources to develop the "Wellmann" brand in the PRC market. As at 30 June 2015, the Group owns 201 (31 December 2014: 240) wardrobes and cabinets stores in total.

## CHAIRMAN'S STATEMENT (CONTINUED)

### 2. Trademark and distribution network

The Group manufactures its products under the “Nature” brand manufactured by its own production plants and through its exclusive authorized manufacturers. Such 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 trademark and distribution network usage fees.

During the Period, the turnover generated from trademark and distribution network usage fees slightly decreased by 2.3% to RMB82,543,000 from approximately RMB84,486,000 in the corresponding period of 2014, which was principally attributable to the decrease in demand of solid wood flooring products manufactured by authorised manufacturers.

### 3. Trading of timber and wood products

The Group's subsidiaries located in the U.S. purchase flooring products from our self-owned production plants, authorized manufacturers and other flooring manufacturers. They then resell these products to customers in the overseas markets. The Group has further boosted its business development in the U.S., which drove a continued growth in the Group's turnover 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 RMB248,120,000 (for the six months ended 30 June 2014: approximately RMB162,260,000), representing a significant increase of 52.9%.

### 4. Forest Management

As at 30 June 2015, the Group owned the land use rights and forestry concessions of 8,154 hectares of forest assets in Yunnan Province, the PRC, and of 137,816 hectares of forest assets in Loreto Province, Peru. These forest assets contain several species of trees that are used in the production of premium solid wood flooring products. Through enhanced control on wood resources, the Group expects to ensure itself and its authorized manufacturers a stable supply of high quality wood.

## PROSPECT

The Group's self-owned “Nature” brand has been successfully positioned among consumers to represent high product quality, product safety as well as health and environmental awareness. The completed investment and construction for the business of floorings, wooden doors, wardrobes and cabinets, particularly the expected commencement of commercial production of our Zhongshan Laminated Flooring Factory and Zhongshan Wardrobes and Cabinets Plant in the second half of 2015, will enable the “Nature” brand to further enrich its offerings of household products. The Group has established cooperation with different well-known household interior designers to launch comprehensive household furnishing solutions, introducing the concept of integrating design, household decoration and household products to consumers, the Group will focus on the promotion and development of such integrated products in the second half of 2015. The Group will leverage on its brand recognition, consolidated business foundation and distribution networks, to further expand its customer base and strive for achieving steady sales growth.



The Group became the strategic investor of Zhejiang Yongyu Bamboo Joint-Stock Co., Ltd. and Kong Jian Zhi Hui Decoration and Refurbishment (Beijing) Co., Ltd. in 2014. We will also further explore strategic partnerships with each others through domestic and overseas investments after becoming the second largest shareholder of ALNO.

To coordinate with the development of O2O platform, the Group has opened “O2O Household Package Experience Stores” in Guangzhou and Hangzhou, the PRC to display different packages of household products, offering customers a new and open experience. The Group will focus on developing its O2O platform and expanding its business in overseas markets. The Group will also set the goal of household products integration, enhancement of its household brand and expansion its market shares in domestic and overseas market, with a combination of online and offline platforms to maximize its sales effectiveness as an integrated household brand.



# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Revenue

We generate revenue from four business segments: (1) manufacturing and sale of wood products, (2) trademark and distribution network; (3) trading of timber and wood products; and (4) forestry management.

Sale of self-produced wood products under the segment of 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 including wooden doors, wardrobes and cabinets 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.

Provision of trademark and distribution network usage fees is the fees for which we charged to authorised manufacturers in accordance with the terms of the relevant agreements with reference to the sales volume and sales amounts of our branded flooring products.

Sale of timber and wood products under the segment trading of timber and wood products represents 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 overseas markets.

Sale of self-harvested timber and wood products under the segment of forestry management represents the revenue generated from the timber and other wood products being harvested and manufactured under the forestry assets operations.

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

Revenue	Six months ended 30 June		Growth rate %
	2015 RMB'000	2014 RMB'000	
Manufacturing and sale of wood products	574,513	526,776	9.1
Trademark and distribution network usage fees	82,543	84,486	(2.3)
Trading of timber and wood products	248,120	162,260	52.9
Forestry management	2,217	2,876	(22.9)
Total	907,393	776,398	16.9

For the six months ended 30 June 2015, the Group recorded a revenue of approximately RMB907,393,000 representing an increase of 16.9% as compared with approximately RMB776,398,000 recorded in the corresponding period of 2014.



Revenue from manufacturing and sale of wood products increased by 9.1% to approximately RMB574,513,000 during the Period from approximately RMB526,776,000 in the corresponding period of 2014. It was mainly attributable to the increase in overall consumer demand on our branded wood products in the PRC.

Revenue from trademark and distribution network decreased by 2.3% to approximately RMB82,543,000 during the Period from approximately RMB84,486,000 in the corresponding period of 2014. The decrease was mainly attributable to the decrease in demand of solid wood flooring products manufactured by authorised manufacturers.

Revenue from trading of timber and wood products increased by 52.9% to approximately RMB248,120,000 during the Period from approximately RMB162,260,000 in the corresponding period of 2014. It was mainly due to the continued increase in demand of our flooring products in the U.S. through the increase of the distribution network.

Revenue from forestry management decreased by 22.9% to approximately RMB2,217,000 during the Period from approximately RMB2,876,000 in the corresponding period of 2014. It was mainly due to the decrease in timber and wood product being harvested and manufactured under the forestry assets operations.

### 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. Labour costs consist of salaries, wages and other benefits we paid to our production staff. Overhead costs primarily include utilities, depreciation and others.

Cost of sales for trademark and distribution network 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.

Cost of sales for forestry management consists primarily of the cost of timber and wood products under the forestry assets operations.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

<b>Cost of Sales</b>	<b>Six months ended 30 June</b>		Growth rate %
	<b>2015</b> RM'000	2014 RMB'000	
Manufacturing and sale of wood products	444,302	385,009	15.4
Trademark and distribution network usage fees	2,358	1,917	23.0
Trading of timber and wood products	207,314	133,973	54.7
Forestry management	3,376	2,841	18.8
<b>Total</b>	<b>657,350</b>	<b>523,740</b>	<b>25.5</b>

### Gross Profit/(Loss) and Gross Profit/(Loss) Margin

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

<b>Gross Profit/(Loss)</b>	<b>Six months ended 30 June</b>		Growth rate %
	<b>2015</b> RMB'000	2014 RMB'000	
Manufacturing and sale of wood products	130,211	141,767	(8.2)
Trademark and distribution network usage fees	80,185	82,569	(2.9)
Trading of timber and wood products	40,806	28,287	44.3
Forestry management	(1,159)	35	(3,411.4)
<b>Total</b>	<b>250,043</b>	<b>252,658</b>	<b>(1.0)</b>

	<b>Six months ended 30 June</b>	
	<b>2015</b> %	2014 %
<b>Gross Profit/(Loss) Margin</b>		
Manufacture and sale of wood products	22.7	26.9
Trademark and distribution network usage fees	97.1	97.7
Trading of timber and wood products	16.4	17.4
Forestry management	(52.3)	1.2
<b>Total</b>	<b>27.6</b>	<b>32.5</b>



For the six months ended 30 June 2015, the overall gross profit decreased by 1.0% to approximately RMB250,043,000 from approximately RMB252,658,000 in the corresponding period of 2014 and the gross profit margin decreased to 27.6% from 32.5% in the corresponding period of 2014.

The segment on manufacturing and sale of wood products contributed a gross profit of approximately RMB130,211,000 during the Period, representing an decrease of 8.2% from approximately RMB141,767,000 in the corresponding period of 2014. The gross profit margin decreased to 22.7% from 26.9% in the corresponding period of 2014. The decrease in gross profit and gross profit margin was mainly attributable to the decrease in profit margin on our wooden door and wardrobes products resulted from severe competition in the PRC market.

The segment on trademark and distribution network contributed a gross profit of approximately RMB80,185,000 during the Period, representing a decrease of 2.9% from approximately RMB82,569,000 in the corresponding period of 2014. The decrease was mainly attributable to all laminated products have been manufactured by us since the early of 2014 and the decrease in demand of solid wood flooring products manufactured by authorised manufacturers.

The segment on trading of timber and wood products contributed a gross profit of approximately RMB40,806,000 during the Period, representing an increase of 44.3% from approximately RMB28,287,000 in the corresponding period of 2014. The gross profit margin decreased to 16.4% from 17.4% in the corresponding period of 2014. The increase in gross profit and decrease gross profit margin were mainly due to the increase in demand of our flooring products with lower gross profit margin in the U.S.

The segment on forestry management made a gross loss of approximately RMB1,159,000 during the Period, comparing to the gross profit of approximately RMB35,000 in corresponding Period of 2014. The gross loss was mainly attributable to the increase in cost of timber being harvested on the Peruvian concessions.

### 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 RMB98,888,000 in current Period (six months ended 30 June 2014: negative RMB5,979,000) is represented by the decrease in fair value of our forest assets based on the market valuation conducted by a forest consulting services provider company (the "Independent Valuer"). The decrease was mainly attributable to the reduction in the intended levels of near-term harvest in the Peruvian concessions. For further details, please refer to the section of "Biological Assets".

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Independent Valuer has specialists in evaluating forests, plantations and wood processing facilities around the world. Their expertise includes resource mapping and remote sensing analysis, wood products and markets, forest and wood processing assets valuation, merger and acquisition due diligence, and bioenergy. While in current and previous employment, the valuation staff of the Independent Valuer have carried out over 500 valuation assignments in more than 20 countries. The valuation team's expertise includes the assessment of forest quantity and condition, the projection of its wood supply capability and estimation of associated cash flows. These provide the primary elements of forest value estimation, which extends to include treatments of land cost, risk and cost of capital. The Independent Valuer has undertaken projects in forest estate modelling and valuation in Oceania, Africa, South and Central America and China. They also remain involved in the development of standards for forest valuation. 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.

### Other Net Income

Other net income consists primarily of rental income from operating leases and government grants which are subject to the discretion of the relevant authorities. During the Period, other net income decreased by 31.4% to approximately RMB6,945,000 from approximately RMB10,128,000 in the corresponding period of 2014. The decrease in other net income was primarily attributable to less government grant being received during the Period.

### 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 during the Period was approximately RMB160,298,000, representing an increase of approximately 24.0% from approximately RMB129,278,000 in the corresponding period of 2014. The increase in distribution costs was primarily attributable to the increase in staff cost, rental expenses as well as the advertising and promotion expenses resulted from the increase of our product portfolio as well as 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 during the Period was approximately RMB97,169,000 representing an increase of approximately 13.6% from approximately RMB85,572,000 in the corresponding period of 2014. The increase was primarily attributable to the increase in staff cost and depreciation resulted from the continued expansion of product portfolio.

### Other Operating Expenses

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



## Net Finance Costs

Net finance costs represents the difference between finance income and finance costs. Finance income consists primarily of interest income on bank deposits and wealth management product. 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		Growth rate %
	2015 RMB'000	2014 RMB'000	
<b>Net finance costs</b>			
Finance income	3,118	1,744	78.8
Finance costs	(32,632)	(7,411)	340.3
Total	(29,514)	(5,667)	420.8

Finance income for the six months ended 30 June 2015 was increased by 78.8% to approximately RMB3,118,000 as compared to approximately RMB1,744,000 in the corresponding period of 2014, primarily attributable to the higher interest income from the wealth management product. Finance costs during the Period increased by 340.3% to approximately RMB32,632,000 as compared to approximately RMB7,411,000 in the corresponding period of 2014, was mainly attributable to the increase in finance costs resulted from more bank loans and the increase in net foreign exchange loss.

## Income Tax

Income tax 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		Growth rate %
	2015 RMB'000	2014 RMB'000	
<b>Income Tax Expense/(Credit)</b>			
Current	7,294	11,200	(34.9)
Deferred	(7,632)	(5,243)	45.6
Total	(338)	5,957	(105.7)

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Income tax credit was approximately RMB338,000 for the six months ended 30 June 2015, representing a decrease of 105.7% from the income tax expense of approximately RMB5,957,000 in the corresponding period of 2014, which was the total effect of the current income tax to approximately RMB7,294,000 and the deferred tax credit to approximately RMB7,632,000. The decrease in income tax was attributable to decrease in current income tax resulted from lower profitability of certain subsidiaries and the increase in amount of deferred tax assets being recognized in the Period.

### Loss Attributable to Equity Shareholders of the Company for the Period

Resulting from the factors mentioned above, the loss attributable to equity shareholders of the Company for the six months ended 30 June 2015 was approximately RMB135,857,000 comparing to the profit attributable to equity shareholders of the Company of approximately RMB19,715,000 in the corresponding period of 2014.

## CASH FLOW AND LIQUIDITY

### Cash Flow

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

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Net cash (used in)/generated from operating activities	(130,815)	55,335
Net cash used in investing activities	(70,048)	(108,948)
Net cash generated from financing activities	51,064	85,472
Net (decrease)/increase in cash and cash equivalents	(149,799)	31,859
Cash and cash equivalents at the beginning of period	472,749	399,133
Effect of foreign exchange rate changes	(818)	855
Cash and cash equivalents at the end of the period	322,132	431,847



## Liquidity

### Net current assets and working capital sufficiency

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

	As at 30 June 2015 RMB'000	As at 31 December 2014 RMB'000
<b>Current assets</b>		
Inventories	540,092	543,991
Trade and bills receivables	918,716	713,201
Prepayment, deposit and other receivables	184,897	172,553
Financial assets at fair value through profit and loss	52,640	32,500
Pledged deposits	122,623	133,654
Cash and cash equivalents	322,132	472,749
	<b>2,141,100</b>	2,068,648
<b>Current liabilities</b>		
Trade and bills payables	359,946	272,018
Deposit received, accruals and other payables	246,331	260,836
Bank loans	469,213	394,206
Income tax payables	13,460	20,096
	<b>1,088,950</b>	947,156
<b>Net current assets</b>	<b>1,052,150</b>	1,121,492

As at 30 June 2015, net current assets totalled approximately RMB1,052,150,000, representing a decrease of 6.2% from approximately RMB1,121,492,000 as at 31 December 2014. The current ratios as at 30 June 2015 and 31 December 2014 were 2.0 and 2.2, respectively. The decrease in net current assets and current ratios are principally attributable to the operating loss and the increase in bank loans for the acquisition of the equity securities and property, plant and equipment for the Period.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Trade and Bills Receivables Analysis

As at 30 June 2015, trade and bills receivables was increased by 28.8% to approximately RMB918,716,000 from approximately RMB713,201,000 as at 31 December 2014. The table below sets out trade and bills receivables as at the end of the dates indicated.

	<b>As at 30 June 2015 RMB'000</b>	As at 31 December 2014 RMB'000
Trade debtors	740,011	652,760
Bills receivable	211,547	91,122
Less: allowance for doubtful debts	(32,842)	(30,681)
	<b>918,716</b>	713,201

### Ageing analysis

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

	<b>As at 30 June 2015 RMB'000</b>	As at 31 December 2014 RMB'000
Within 1 month	393,120	288,306
1 to 3 months	177,200	210,447
3 to 6 months	148,748	141,551
6 to 12 months	167,557	53,077
More than 12 months	32,091	19,820
Total	<b>918,716</b>	713,201

Trade debtors and bills receivable are usually due within 30–80 days from the date of billing. The increase in trade and bills receivables was mainly attributable to the increase in sales and bills receivable, such increase in bills receivable enables the Group to make future settlement of trade creditors so as to improve the liquidity of the Group.



## BIOLOGICAL ASSETS

### (a) Reconciliation of carrying amount

	Standing Timber	
	2015 RMB'000	2014 RMB'000
As at 1 January	361,258	518,555
Change in fair value less estimated costs to sell	(98,888)	(5,979)
Harvested timber transferred to inventories	(3,598)	(16,275)
Effect of movements in exchange rate	205	2,995
As at 30 June	258,977	499,296

As at 30 June 2015, the Group's biological assets represent the following concession rights:

- harvest standing timber in 46,346 hectares of natural forest in Peru Yurimaguas for a period up to 2045;
- harvest standing timber in 91,470 hectares of natural forest in Peru Sepahua for a period up to 2042;
- harvest standing timber in 4,436 hectares of natural forest in Yunnan Ninglang for a period through the years 2060, 2077 or 2078; and
- harvest standing timber in 3,718 hectares of natural forest in Yunnan Yingjiang for a period through the years 2041 or 2042.

The fair values of the standing timber as at 30 June 2015 and 31 December 2014 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%, 12%, 11.5% and 11.5%, respectively.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### (b) Measurement of fair values

#### (i) Fair value hierarchy

The following table presents the fair value of the Group's biological assets measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement.

The 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 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:

	2015 RMB'000	2014 RMB'000
Balance at 1 January	361,258	518,555
Harvested timber transferred to inventories	(3,598)	(14,005)
Included in "Net change in fair value of biological assets"		
— Change in fair value (unrealised)	(98,888)	(144,349)
Included in other comprehensive income		
— Effect of movements in exchange rate	205	1,057
Balance at 30 June/31 December	258,977	361,258

During the six months ended 30 June 2015 and 2014, 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).	<p>Standing timber in Peru Yurimaguas:</p> <ul style="list-style-type: none"> <li>• Estimated future timber market prices per stere (USD156–USD258)</li> <li>• Estimated yields per hectare (7–14 cubic meters)</li> <li>• Estimated harvest and transportation costs per stere (USD116.7)</li> <li>• Risk-adjusted discount rate (12%)</li> </ul> <p>Standing timber in Peru Sepahua:</p> <ul style="list-style-type: none"> <li>• Estimated future timber market prices per stere (USD83–USD258)</li> <li>• Estimated yields per hectare (18.5–22.5 cubic meters)</li> <li>• Estimated harvest and transportation costs per stere (USD42.5)</li> <li>• Risk-adjusted discount rate (12%)</li> </ul> <p>Standing timber in Yunnan Ninglang:</p> <ul style="list-style-type: none"> <li>• Estimated future timber market prices per stere (RMB400–RMB1,200)</li> <li>• Estimated yields per hectare (90–240 cubic meters)</li> <li>• Estimated harvest and transportation costs per stere (RMB231.5–RMB411.5)</li> <li>• Risk-adjusted discount rate (11.5%)</li> </ul> <p>Standing timber in Yunnan Yingjiang:</p> <ul style="list-style-type: none"> <li>• Estimated future timber market prices per stere (RMB580–RMB1,050)</li> <li>• Estimated yields per hectare (115 cubic meters)</li> <li>• Estimated harvest and transportation costs per stere (RMB312–RMB332)</li> <li>• Risk-adjusted discount rate (11.5%)</li> </ul>	<p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> <li>• the estimated timber prices per stere were higher/(lower);</li> <li>• the estimated yields per hectare were higher/(lower);</li> <li>• the estimated harvest and transportation costs were lower/(higher); or</li> <li>• the risk-adjusted discount rates were lower/(higher).</li> </ul>

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### (c) Net change in fair value

The decrease in fair value of biological assets during the six months ended 30 June 2015 was mainly attributable to reduction in the intended levels of near-term harvest in the Peruvian concessions:

- (i) A suspension of harvesting in the Yurimaguas concession for the period from May to December 2015; and
- (ii) A restriction in harvesting in the Sepahua resource to a more limited fraction of the available resource starting from May 2015.

### (d) 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:

Type of right	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 allowed to use the forestry land for related purposes including plantation, cultivation and ecological tourism etc. 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 logging permit for its forestry land located in Yingjiang, Yunnan is valid through December 2014 and the Group had applied for the renewal of logging permit for the year 2015. 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.

### (e) The selection of technique on valuations and work done

The manner in which assets are represented in a company's accounts is guided by a set of standards that individually relate to the various asset types. The standard which is specifically relevant to the forest assets is IAS41. This has been developed for the reporting of biological assets.

At the original release of the standard, it provided guidance on the methods of valuation that should be employed. In a subsequent initiative, the International Accounting Standards Board has prepared International Financial Reporting Standard 13 (Fair Value). It is intended that this will provide the over-arching specification on how fair value is to be determined across multiple asset classes.

IFRS13's requirements are largely consistent with wider sets of standards developed and observed within the valuation profession.

It is the universally promulgated view that the valuer should begin by considering the three main methods of valuation — Comparable Sales, the Expectation method and the Cost approach. In practice, limitations become apparent in applying either the first of these or the third. It has correspondingly become most common practice to narrow the method of valuing large forest holdings to the Expectation Approach. This involves developing cashflow projections for the subject resources and then discounting these at an appropriate cost of capital (the "discount rate"). The procedure provides a net present value (NPV) for the resource.

In practice, the method is not exclusively confined to the expectation approach; one source of the discount rate is from Implied Discount Rates (IDRs) derived from other forest transaction evidence. IDRs represent a unit of comparison as demonstrated within the Sales Comparison approach.

The Independent Valuer observes the valuation technique that it has applied being widely demonstrated in valuing forest assets internationally. Most importantly, the technique is employed by those buying and selling forest assets. This ensures that it can be confidently declared to provide a basis for assessing "market value".

#### ***At 30 June 2015***

The valuation as at 30 June 2015 is an update of the exercise conducted at 31 December 2014. As such, there has been no field inspection of the forest assets. The Independent Valuer has relied on information provided by the forest managers from which to assess the updated status of the resources and associated infrastructure.

The valuation is based on a discounted cashflow approach. This has set the framework for the valuation update:

- First, revision to any unit inputs to the cashflow derivation where these are known to have changed. These include such items as prices, costs of production and management costs.
- Second, revising the projected forest harvesting strategy where evidence and management intentions suggest changes are warranted.
- Third, advancing six months further along the projected cashflows from the previous full valuation.



### At 31 December 2014

The Independent Valuer conducted a field inspection of the forest concession assets located in Peru in October 2014. The exercise included an examination of the forest condition and review of associated infrastructure. The Independent Valuer also inspected the Group's processing factories. In respect of the forests located in Yunnan Province, the PRC, The Independent Valuer undertook the field inspection in November 2014. The inspection included example forest blocks that demonstrated the main species and example terrain conditions. The Independent Valuer also visited the local Forest Bureaus and the processing factories where the forests are located.

## (f) 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 2015 Changes on discount rate		At 30 June 2014 Changes on discount rate	
	(2%)	2%	(2%)	2%
	Change in value (USD millions)		Change in value (USD millions)	
<b>Peru Yurimaguas</b>	2.6	(1.9)	2.8	(2.1)
<b>Peru Sepahua</b>	3.5	(2.6)	4.7	(3.7)

With changes in key assumptions and variables:

	At 30 June 2015 Adjustment to based value		At 30 June 2014 Adjustment to based value	
	(10%)	10%	(10%)	10%
	Change in value (USD millions) Adjustment to based value		Change in value (USD millions) Adjustment to based value	
<b>Peru Yurimaguas</b>				
Log price	(3.3)	3.3	(3.6)	3.6
Direct harvesting cost including transportation cost	1.5	(1.5)	1.5	(1.5)
<b>Peru Sepahua</b>				
Log price	(3.6)	3.6	(6.0)	6.0
Total cost including harvesting and transportation cost	1.6	(1.6)	1.6	(1.6)



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

With different discount rate:

	At 30 June 2015		At 30 June 2014	
	Changes on discount rate		Changes on discount rate	
	(1%)	1%	(1%)	1%
	Change in value (RMB millions)		Change in value (RMB millions)	
<b>Yunnan Ninglang</b>	3.0	(3.5)	12	(10.5)
<b>Yunnan Yingjiang</b>	1.7	(1.8)	3.1	(2.9)

With changes in key assumptions and variables:

	At 30 June 2015		At 30 June 2014	
	Adjustment to based value		Adjustment to based value	
	(10%)	10%	(10%)	10%
	Change in value (RMB millions) Adjustment to based value		Change in value (RMB millions) Adjustment to based value	
<b>Yunnan Ninglang</b>				
Log price	(5.3)	5.3	(20.2)	20.2
Harvesting cost	1.2	(1.2)	5.0	(5.0)
Transportation cost	0.7	(0.7)	2.7	(2.7)
<b>Yunnan Yingjiang</b>				
Log price	(16.0)	16.0	(18.0)	18.0
Harvesting cost	6.0	(6.0)	6.7	(6.7)
Transportation cost	2.3	(2.3)	1.9	(1.9)



## CAPITAL MANAGEMENT

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

	<b>At 30 June 2015 RMB'000</b>	At 31 December 2014 RMB'000
Bank loans and bill payable	551,150	451,445
Less: Cash and cash equivalent	(322,132)	(472,749)
Pledged deposits	(122,623)	(133,654)
Adjusted net liabilities/(assets)	106,395	(154,958)
Total equity attributable to owners of the Company	2,265,882	2,402,712
Adjusted gearing ratios	0.05	(0.06)

Our adjusted gearing ratios, which are derived by dividing adjusted net debt/(assets) by adjusted capital attributable to owners of the Company, were 0.05 and negative 0.06 as at 30 June 2015 and 31 December 2014, respectively. Adjusted net debt/(assets) is defined as total debt which includes bills payable, and bank loans and less cash and cash equivalents and pledged deposits.

## CAPITAL EXPENDITURE

For the six months ended 30 June 2015, the capital expenditure used for the purchases of property, plant and equipment was RMB37,157,000 (for the six months ended 30 June 2014: RMB91,072,000).

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### BANK LOANS

(a) An analysis of secured and unsecured bank loans are as follows:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
<b>Current:</b>		
– Secured (note (i))	278,809	258,787
– Unsecured	190,404	135,419
	<b>469,213</b>	394,206
<b>Non-current:</b>		
– Secured (note (i))	20,700	9,000
<b>Total</b>	<b>489,913</b>	403,206

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

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Pledged deposits	73,000	73,000
Property, plant and equipment	21,452	22,162
Lease prepayments	71,482	71,775
Trade receivables and bills receivable	185,800	205,800
Financial assets at fair value through profit and loss	52,640	32,500
	<b>404,374</b>	405,237

(ii) As at 30 June 2015 and 31 December 2014, no bank loan was subject to the fulfillment of covenants.

(iii) The unutilized banking facilities as at 30 June 2015 amounted to RMB212,125,000 (31 December 2014: RMB485,733,000).



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

	At 30 June 2015		At 31 December 2014	
	Effective interest rate %	Carrying amount RMB'000	Effective interest rate %	Carrying amount RMB'000
<b>Variable rate instruments</b>				
Bank loans	2.03%	158,213	2.18%	162,206
<b>Fixed rate instruments</b>				
Bank loans	5.19%	331,700	5.50%	241,000
		489,913		403,206

## COMMITMENTS AND CONTINGENT LIABILITIES

### (a) Capital commitments

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

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Contracted for	35,090	52,888
Authorised but not contracted for	5,400	—
	40,490	52,888

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### (b) Operating lease commitments

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

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Within 1 year	27,200	27,059
After 1 year but within 3 years	31,563	38,138
After 3 years but within 5 years	20,998	25,517
After 5 years	7,128	15,545
	<b>86,889</b>	106,259

### FOREIGN CURRENCY RISK

The Group's principal activities are carried out in the PRC. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government. The Group is exposed to currency risk primarily arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate and is primarily from the USD denominated liabilities recognized by the subsidiaries in Peru. The currencies giving rise to this risk are primarily USD, Hong Kong Dollars ("HK\$"), Macau Pataca ("MOP"), Peruvian Nuevo Sol ("PEN") and Euro ("EUR"). As at 30 June 2015, the cash and cash equivalents held by the Group were primarily in RMB, HK\$ and USD, representing 73.3%, 2.4% and 20.2% (31 December 2014: 78.8%, 4.0% and 15.0%) of total amounts, respectively. The rest of the amounts were held in MOP, PEN and EUR. On the other hand, as at 30 June 2015, our bank loans were in RMB, HK\$, USD and EUR, representing 67.7%, 30.4%, 0.4% and 1.5% (31 December 2014: 62.0%, 36.9%, 0.2% and 0.9%) 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 2015, the Group had 3,637 employees (at 31 December 2014: 3,504). Relevant staff cost for the six months ended 30 June 2015 was approximately RMB128,243,000 (including share option expenses of approximately RMB3,071,000) while our staff cost was approximately RMB108,095,000 (including share option expenses of approximately RMB8,622,000) in the corresponding period of 2014. 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 2015.

### SUBSEQUENT EVENTS

No significant events took place subsequent to 30 June 2015.

### USE OF PROCEEDS FROM THE GLOBAL OFFERING

In May 2011, the Company's shares were listed on the main board of the Stock Exchange. A total of 388,265,000 shares were issued at HK\$2.95 per share for a total of approximately HK\$1,145 million. The net proceeds raised from the abovementioned global offering of the Company, which are approximately RMB873.5 million, are and will be used in accordance with the purposes disclosed in the prospectus of the Company dated 16 May 2011. During the period from the date of listing of the Company's shares on the Stock Exchange to 30 June 2015, approximately RMB758.2 million raised from the global offering of the Company was used for the purposes and approximately in the amounts set out below:

- (a) Approximately RMB200.9 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 2015, approximately RMB115.3 million raised from the global offering remained unused.

### FUTURE PLANS FOR MATERIAL INVESTMENTS

There was no specific plan for material investments and acquisition of material capital assets as at 30 June 2015.

## OTHER INFORMATION

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

As at 30 June 2015, 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:

Name of Director	Number of shares held		Total	Percentage of shareholding
	Personal Interest	Corporate Interest		
Mr. Se Hok Pan	25,900,000 1,500,000 (Note 1)	679,168,000 (Note 2)	706,568,000	48.12%
	27,400,000			
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)	679,168,000 (Note 2)	680,668,000	46.36%
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:

- These interests represent the options granted to the directors pursuant to the terms of the share option schemes 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.
- Amongst these 679,168,000 shares, 678,768,000 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.
- All interests stated are long positions.



## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2015, 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	678,768,000 (Note 1)	46.23%
Team One Investments Limited	Interest in controlled corporations	678,768,000 (Note 1)	46.23%
Trader World Limited	Interest in controlled corporations	678,768,000 (Note 1)	46.23%
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.



## OTHER INFORMATION (CONTINUED)

Save as disclosed above, the Directors are not aware that there is any party who, as at 30 June 2015, 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.

## OTHER INFORMATION (CONTINUED)



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*

<b>Vesting period</b>	<b>Maximum cumulative percentage of options vested</b>
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*

<b>Vesting period</b>	<b>Maximum cumulative percentage of options vested</b>
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%

## OTHER INFORMATION (CONTINUED)

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 2015 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
<b>Director of the Company</b>							
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
<b>Former Director of the Company</b>							
Nam Cheung Ming	17/12/2008	17/12/2008– 16/12/2018	HK\$2.35	1,887,640	—	—	1,887,640
<b>Employees</b>							
Employees	17/12/2008	17/12/2008– 16/12/2018	HK\$2.35	10,860,290	—	612,080	10,248,210
	1/7/2010	1/7/2010– 30/6/2020	HK\$3.38	3,500,000	—	—	3,500,000
Total				27,002,610	—	612,080	26,390,530

No option under the Pre-IPO Share Option Scheme has been granted or cancelled during the six months ended 30 June 2015. 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 2015 under the Share Option Scheme are as follows:

Category of participants	Date of Grant	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
<b>Directors of the Company</b>					
Se Hok Pan	4 January 2012	1,500,000	—	—	1,500,000
Liang Zhihua	4 January 2012	15,000,000	—	—	15,000,000
Un Son I	4 January 2012	1,500,000	—	—	1,500,000
She Jian Bin	4 January 2012	1,500,000	—	—	1,500,000
Teoh Chun Ming	4 January 2012	1,500,000	—	—	1,500,000
Li Kwok Cheung, Arthur	4 January 2012	1,000,000	—	—	1,000,000
Zhang Sen Lin	4 January 2012	1,000,000	—	—	1,000,000
Chan Siu Wing, Raymond	4 January 2012	1,000,000	—	—	1,000,000
Ho King Fung, Eric	4 January 2012	1,000,000	—	—	1,000,000
<b>Employees</b>					
Employees	4 January 2012	43,000,000	—	—	43,000,000
	8 October 2013	29,100,000	—	600,000	28,500,000
Total		97,100,000	—	600,000	96,500,000

## OTHER INFORMATION (CONTINUED)

Save as disclosed above, no option has been granted under the Share Option Scheme during the six months ended 30 June 2015. No option has been cancelled or lapsed during the six months ended 30 June 2015.

### 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 2015.

### 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 2015.

### 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 2015 and this report.



### 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.

## OTHER INFORMATION (CONTINUED)

### 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*)

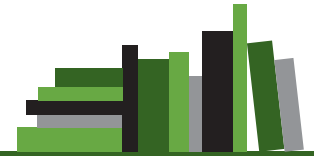
#### Non-executive Director

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 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## **INTERIM DIVIDEND**

The Board did not declare any interim dividend for the six months ended 30 June 2015.

## **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 2014 of the Company are as follows:

Mr. Chan Siu Wing, Raymond, an independent non-executive director of the Company, was appointed as an independent non-executive director of China Kingstone Mining Holdings Limited (stock code:1380) whose shares are listed on the Stock Exchange, on 16 July 2015. Mr. Chan has also been appointed as an independent non-executive of National Agricultural Holdings Limited (stock code: 1236) with effect from 11 September 2015.

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 2014 of the Company.



# REVIEW REPORT



## **Review report to the board of directors of Nature Home Holding Company Limited**

*(Incorporated in the Cayman Islands with limited liability)*

### **INTRODUCTION**

We have reviewed the interim financial report set out on pages 42 to 76 which comprises the consolidated statement of financial position of Nature Home Holding Company Limited as of 30 June 2015 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 2015 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

27 August 2015

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2015—unaudited  
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2015 RMB'000	2014 RMB'000
<b>Revenue</b>	3	907,393	776,398
Cost of sales		(657,350)	(523,740)
<b>Gross profit</b>		250,043	252,658
Other net income	4(a)	6,945	10,128
Net change in fair value of biological assets	10	(98,888)	(5,979)
Distribution costs		(160,298)	(129,278)
Administrative expenses		(97,169)	(85,572)
Other operating expenses	4(b)	(7,805)	(9,611)
<b>(Loss)/profit from operations</b>		(107,172)	32,346
Finance income		3,118	1,744
Finance costs		(32,632)	(7,411)
<b>Net finance costs</b>	5(a)	(29,514)	(5,667)
<b>(Loss)/profit before taxation</b>	5	(136,686)	26,679
Income tax	6(a)	338	(5,957)
<b>(Loss)/profit for the period</b>		(136,348)	20,722
<b>Attributable to:</b>			
Equity shareholders of the Company		(135,857)	19,715
Non-controlling interests		(491)	1,007
<b>(Loss)/profit for the period</b>		(136,348)	20,722
<b>(Loss)/earnings per share (RMB):</b>			
Basic and diluted	7	(0.093)	0.013

The notes on pages 49 to 76 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 20.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME



For the six months ended 30 June 2015—unaudited  
(Expressed in Renminbi)

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
<b>(Loss)/profit for the period</b>	<b>(136,348)</b>	20,722
<b>Other comprehensive income for the period (after tax effect)</b>		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of entities not using RMB as functional currency	443	10,080
Available for sale securities: net movement in fair value reserve	11,608	—
<b>Total comprehensive (loss)/income for the period</b>	<b>(124,297)</b>	30,802
<b>Attributable to:</b>		
Equity shareholders of the Company	(123,691)	29,612
Non-controlling interests	(606)	1,190
<b>Total comprehensive (loss)/income for the period</b>	<b>(124,297)</b>	30,802

The notes on pages 49 to 76 form part of this interim financial report.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015—unaudited  
(Expressed in Renminbi)

		<b>At 30 June</b>	At
		<b>2015</b>	31 December
	Note	<b>RMB'000</b>	2014
			RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	8	636,970	604,118
Investment properties		48,385	49,139
Intangible assets		17,301	21,255
Lease prepayments		138,163	139,201
Biological assets	10	258,977	361,258
Investments in equity securities	9	92,823	33,351
Deposits, prepayments and other receivables		64,623	82,596
Deferred tax assets	6(e)	30,750	28,459
		<b>1,287,992</b>	1,319,377
<b>Current assets</b>			
Inventories	11	540,092	543,991
Trade and bills receivables	12	918,716	713,201
Deposits, prepayments and other receivables		184,897	172,553
Financial assets at fair value through profit or loss	13	52,640	32,500
Pledged deposits	14	122,623	133,654
Cash and cash equivalents	15	322,132	472,749
		<b>2,141,100</b>	2,068,648
<b>Current liabilities</b>			
Trade and bills payables	16	359,946	272,018
Deposits received, accruals and other payables		246,331	260,836
Bank loans	17	469,213	394,206
Income tax payables	6(c)	13,460	20,096
		<b>1,088,950</b>	947,156
<b>Net current assets</b>		<b>1,052,150</b>	1,121,492
<b>Total assets less current liabilities</b>		<b>2,340,142</b>	2,440,869

The notes on pages 49 to 76 form part of this interim financial report.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)



At 30 June 2015 — unaudited  
(Expressed in Renminbi)

	Note	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
<b>Non-current liabilities</b>			
Bank loans	17	20,700	9,000
Deferred tax liabilities	6(e)	13,522	12,186
<b>Total non-current liabilities</b>		<b>34,222</b>	21,186
<b>NET ASSETS</b>		<b>2,305,920</b>	2,419,683
<b>CAPITAL AND RESERVES</b>			
Share capital	19	9,596	9,596
Reserves		2,256,286	2,393,116
<b>Total equity attributable to equity shareholders of the Company</b>		<b>2,265,882</b>	2,402,712
<b>Non-controlling interests</b>		<b>40,038</b>	16,971
<b>TOTAL EQUITY</b>		<b>2,305,920</b>	2,419,683

The notes on pages 49 to 76 form part of this interim financial report.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015—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
<b>As at 1 January 2014</b>	9,680	1,171,469	171,343	(47,000)	50,126	1,147,464	2,503,082	10,445	2,513,527
<b>Changes in equity for the six months ended 30 June 2014</b>									
Profit for the period	—	—	—	—	—	19,715	19,715	1,007	20,722
Other comprehensive income	—	—	—	9,897	—	—	9,897	183	10,080
<b>Total comprehensive income</b>	—	—	—	9,897	—	19,715	29,612	1,190	30,802
Dividend approved in respect of the previous year (note 20)	—	(31,053)	—	—	—	—	(31,053)	—	(31,053)
Equity settled share-based payment transactions (note 18)	—	—	—	—	8,621	—	8,621	—	8,621
Purchase of own shares									
– par value paid	(84)	—	—	—	—	—	(84)	—	(84)
– premium paid	—	(15,665)	—	—	—	—	(15,665)	—	(15,665)
Disposal of a subsidiary	—	—	(1,400)	—	—	1,400	—	—	—
<b>As at 30 June 2014</b>	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 76 form part of this interim financial report.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2015—unaudited  
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company										
	Share capital	Share premium	Capital redemption reserve	Statutory surplus reserve	Foreign currency translation reserve	Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>As at 1 January 2015</b>	9,596	1,126,254	84	177,825	(43,684)	—	66,644	1,065,993	2,402,712	16,971	2,419,683
<b>Changes in equity for the six months ended 30 June 2015</b>											
Loss for the period	—	—	—	—	—	—	—	(135,857)	(135,857)	(491)	(136,348)
Other comprehensive income	—	—	—	—	558	11,608	—	—	12,166	(115)	12,051
Total comprehensive income	—	—	—	—	558	11,608	—	(135,857)	(123,691)	(606)	(124,297)
Dividend approved in respect of the previous year (note 20)	—	(16,210)	—	—	—	—	—	—	(16,210)	—	(16,210)
Equity settled share-based payment transactions (note 18)	—	—	—	—	—	—	3,071	—	3,071	—	3,071
Share option lapsed during the period	—	—	—	—	—	—	(628)	628	—	—	—
Contribution from non-controlling interests holders	—	—	—	—	—	—	—	—	—	23,673	23,673
<b>As at 30 June 2015</b>	9,596	1,110,044	84	177,825	(43,126)	11,608	69,087	930,764	2,265,882	40,038	2,305,920

The notes on pages 49 to 76 form part of this interim financial report.



## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2015—unaudited  
(Expressed in Renminbi)

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
<b>Operating activities</b>		
Cash (used in)/generated from operations	(116,885)	74,641
Income tax paid	(13,930)	(19,306)
<b>Net cash (used in)/generated from operating activities</b>	<b>(130,815)</b>	<b>55,335</b>
<b>Investing activities</b>		
Payment for the purchase of property, plant and equipment	(37,157)	(91,072)
Other net cash flows used in investing activities	(32,891)	(17,876)
<b>Net cash used in investing activities</b>	<b>(70,048)</b>	<b>(108,948)</b>
<b>Net cash generated from financing activities</b>	<b>51,064</b>	<b>85,472</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(149,799)</b>	<b>31,859</b>
<b>Cash and cash equivalents as at 1 January</b>	<b>472,749</b>	<b>399,133</b>
<b>Effect of foreign exchanges rates changes</b>	<b>(818)</b>	<b>855</b>
<b>Cash and cash equivalents as at 30 June</b>	<b>322,132</b>	<b>431,847</b>

The notes on pages 49 to 76 form part of this interim financial report.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT – UNAUDITED



(Expressed in Renminbi unless otherwise indicated)

## 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 27 August 2015.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for the newly adopted accounting policies and the accounting policies changes that are expected to be reflected in the 2015 annual financial statements. Details of the newly adopted accounting policy 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 2014 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 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 40 to 41.

The financial information relating to the financial year ended 31 December 2014 that is included in the interim financial report as being comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. The Company’s auditor has reported on those financial statements and the auditors’ report was unqualified.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT – UNAUDITED (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

### 2 NEWLY ADOPTED ACCOUNTING POLICY AND CHANGES IN ACCOUNTING POLICIES

#### (a) Newly adopted accounting policy

##### *Investment in available-for-sale equity securities*

Investment in available-for-sale equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets.

At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve.

#### (b) Changes in accounting policy

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group.

- *Annual Improvements to IFRSs 2010-2012 Cycle*
- *Annual Improvements to IFRSs 2011-2013 Cycle*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT – UNAUDITED (CONTINUED)



(Expressed in Renminbi unless otherwise indicated)

### 3 REVENUE AND SEGMENT REPORTING

#### (a) Revenue

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

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 2015, the Group reported revenue of RMB2,110,280,000 (twelve months ended 30 June 2014: RMB1,698,370,000), and gross profit of RMB618,695,000 (twelve months ended 30 June 2014: RMB584,368,000).

#### (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 revenue 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.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT – UNAUDITED (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

### 3 REVENUE 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		Forestry management		Total	
	Six months ended 30 June									
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Revenue from external customers	574,513	526,776	82,543	84,486	248,120	162,260	2,217	2,876	907,393	776,398
Inter-segment revenue	25,863	10,702	—	—	13,692	18,099	2,880	2,567	42,435	31,368
<b>Reportable segment revenue</b>	<b>600,376</b>	<b>537,478</b>	<b>82,543</b>	<b>84,486</b>	<b>261,812</b>	<b>180,359</b>	<b>5,097</b>	<b>5,443</b>	<b>949,828</b>	<b>807,766</b>
<b>Reportable segment result</b>	<b>10,454</b>	<b>55,528</b>	<b>3,912</b>	<b>23,753</b>	<b>20,633</b>	<b>4,303</b>	<b>(104,578)*</b>	<b>(15,244)*</b>	<b>(69,579)</b>	<b>68,340</b>
Depreciation and amortisation for the period	(20,878)	(14,932)	—	—	(1,626)	(434)	(2,280)	(2,801)	(24,784)	(18,167)
Net impairment losses for trade receivables (recognised)/ reversed during the period	1,682	(541)	—	—	(3,843)	(3,690)	—	—	(2,161)	(4,231)

\* The amount included net change in fair value of biological assets recognised in profit or loss for the period.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT – UNAUDITED (CONTINUED)



(Expressed in Renminbi unless otherwise indicated)

### 3 REVENUE AND SEGMENT REPORTING (Continued)

#### (c) Reconciliations of reportable segment revenues and profits

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
<b>Revenue</b>		
Reportable segment revenue	949,828	807,766
Elimination of inter-segment revenue	(42,435)	(31,368)
Consolidated revenue	907,393	776,398
<b>(Loss)/profit</b>		
Reportable segment result	(69,579)	68,340
Elimination of inter-segment results	(14,816)	(14,351)
Reportable segment (loss)/profit derived from external customers	(84,395)	53,989
Other net income	6,945	10,128
Other operating expenses	(7,805)	(9,611)
Depreciation and amortisation	(9,679)	(9,670)
Net finance costs	(29,514)	(5,667)
Unallocated head office and corporate expenses	(12,238)	(12,490)
<b>Consolidated (loss)/profit before taxation</b>	<b>(136,686)</b>	26,679

#### (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 properties, 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 properties and biological assets, the location of the operation to which they are allocated, in the case of intangible assets.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT – UNAUDITED (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

### 3 REVENUE AND SEGMENT REPORTING (Continued)

#### (d) Geographic information (Continued)

	Revenue from external customers		Specified non-current assets	
	Six months ended 30 June		At 30 June	At 31 December
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
The PRC, Hong Kong and Macau	750,606	649,477	850,597	825,143
Peru	41,579	21,251	247,573	349,770
USA	115,208	105,670	1,626	58
	907,393	776,398	1,099,796	1,174,971

### 4 OTHER NET INCOME/OTHER OPERATING EXPENSES

#### (a) Other net income

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Government grants	2,142	7,757
Rental income from operating leases		
– investment properties	500	303
– others (note 8)	4,103	1,934
Others	200	134
	6,945	10,128

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT – UNAUDITED (CONTINUED)



(Expressed in Renminbi unless otherwise indicated)

### 4 OTHER NET INCOME/OTHER OPERATING EXPENSES (Continued)

#### (b) Other operating expenses

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Net loss on disposal of property, plant and equipment	294	36
Impairment loss for investments in unlisted equity securities	49	458
Loss on disposal of a subsidiary	—	1,147
Donations	5,250	1,121
Harvesting expenses	1,507	6,299
Others	705	550
	<b>7,805</b>	<b>9,611</b>

### 5 (LOSS)/PROFIT BEFORE TAXATION

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

#### (a) Finance income and finance costs

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Interest income	(3,118)	(1,744)
Finance income	(3,118)	(1,744)
Interest expense on bank loans	10,820	1,416
Net foreign exchange loss	21,812	5,995
Net finance costs	<b>32,632</b>	<b>7,411</b>
Net finance costs recognised in profit or loss	<b>29,514</b>	<b>5,667</b>



## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT – UNAUDITED (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

### 5 (LOSS)/PROFIT BEFORE TAXATION (CONTINUED)

#### (b) Other items

	Note	Six months ended 30 June	
		2015 RMB'000	2014 RMB'000
Cost of inventories	11	654,992	521,826
Net impairment loss recognised for receivables	12(b)	2,161	4,231
Impairment loss for investments in unlisted equity securities		49	458
Depreciation		32,113	26,193
Amortisation		2,350	1,644
Operating lease charges		11,371	10,273

### 6 INCOME TAX

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

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
<b>Current tax</b>		
Provision for PRC income tax	7,167	10,639
Provision for income tax of subsidiaries in other jurisdictions	127	561
	7,294	11,200
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(7,632)	(5,243)
	(338)	5,957

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT – UNAUDITED (CONTINUED)



(Expressed in Renminbi unless otherwise indicated)

### 6 INCOME TAX (Continued)

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

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 2015 and 2014.
- (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 2015 and 2014.
- (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 2015 and 2014 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 2015 and 2014.
- (vi) The PRC’s statutory income tax rate is 25% for the six months ended 30 June 2015 and 2014.

#### (b) Income tax in the consolidated statement of other comprehensive income

	2015		
	Before-tax amount RMB’000	Tax expense RMB’000	Net-of-tax amount RMB’000
Available for sale securities:			
net movement in fair value reserve	18,282	(6,674)	11,608

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

	At 30 June 2015 RMB’000	At 31 December 2014 RMB’000
PRC income tax payable	11,183	17,944
Income tax payable of subsidiaries in other jurisdictions	2,277	2,152
	13,460	20,096

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT — UNAUDITED (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

### 6 INCOME TAX (Continued)

#### (d) Deferred tax recognised:

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

	Write-downs of inventories	Impairment of receivables	Unused tax losses	Unrealised profit in inventories	Impairment of investments in unlisted equity securities	Capitalised borrowing cost	Change in fair value of biological assets	Change in fair value of investment in equity securities	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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)
As at 1 January 2015	(5,427)	(8,285)	(8,923)	(2,592)	(3,232)	496	11,690	—	(16,273)
Charged/(credited) to profit or loss	198	387	(1,808)	(1,056)	(12)	1	(5,342)	—	(7,632)
Charged to reserve	—	—	—	—	—	—	—	6,674	6,674
Charged to foreign currency translation reserve	—	—	—	—	—	—	3	—	3
As at 30 June 2015	(5,229)	(7,898)	(10,731)	(3,648)	(3,244)	497	6,351	6,674	(17,228)

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT – UNAUDITED (CONTINUED)



(Expressed in Renminbi unless otherwise indicated)

### 6 INCOME TAX (Continued)

#### (e) Reconciliation to the consolidated statement of financial position:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Deferred tax assets recognised on the consolidated statement of financial position	30,750	28,459
Deferred tax liabilities recognised on the consolidated statement of financial position	(13,522)	(12,186)
	<b>17,228</b>	16,273

#### (f) 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 the end of the reporting period, unused tax losses that:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Expire by		
31 December 2015	1,986	1,986
31 December 2016	3,670	3,670
31 December 2017	9,947	9,947
31 December 2018	6,093	6,093
31 December 2019	21,999	21,999
31 December 2020	9,739	—
Sub-total	<b>53,434</b>	43,695
Unexpire under current tax legislation	<b>97,543</b>	75,079
Total	<b>150,977</b>	118,774

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT – UNAUDITED (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

### 6 INCOME TAX (Continued)

#### (g) Deferred tax liabilities not recognised

At 30 June 2015, 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 2015 RMB'000	At 31 December 2014 RMB'000
Profits earned by PRC subsidiaries on or after 1 January 2008	1,164,190	1,144,070
Profits earned by Peru subsidiaries	75,032	107,848
<b>Total</b>	<b>1,239,222</b>	<b>1,251,918</b>

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 (LOSS)/EARNINGS PER SHARE

#### (a) Basic (loss)/earnings per share

The calculation of the basic (loss)/earnings per share is based on the loss attributable to equity shareholders of the Company of RMB135,857,000 (six months ended 30 June 2014: profit of RMB19,715,000) and the weighted average number of ordinary shares in issue of 1,468,238,000 (six months ended 30 June 2014: 1,476,318,000).

#### (b) Diluted (loss)/earnings per share

For the periods ended 30 June 2015 and 2014, the effect of the Company's outstanding share options was anti-dilutive.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT – UNAUDITED (CONTINUED)



(Expressed in Renminbi unless otherwise indicated)

### 8 PROPERTY, PLANT AND EQUIPMENT

	2015 RMB'000	2014 RMB'000
Net book value, as at 1 January	604,118	525,996
Additions	74,965	90,954
Disposals (net book value)	(5,900)	(15,444)
Reclassification to investment properties (net book value)	—	(35,153)
Depreciation charge for the period	(31,359)	(25,711)
Exchange adjustments	(4,854)	1,534
Net book value, as at 30 June	636,970	542,176

As at 30 June 2015, property, plant and equipment with carrying amount of RMB21,452,000 (31 December 2014: RMB22,162,000) were pledged for bank loans (note 17).

As at 30 June 2015, 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 lessee. No contingent rentals were recognised by the Group for the six months ended 30 June 2015.

### 9 INVESTMENTS IN EQUITY SECURITIES

	Equity securities		Total RMB'000
	Listed RMB'000	Unlisted RMB'000	
Balance as at 1 January 2015	—	33,351	33,351
Addition (note (i))	41,388	—	41,388
Transfer (note (ii))	25,044	(25,044)	—
Change in fair value recognised in			
other comprehensive income	18,282	—	18,282
Impairment loss recognised	—	(49)	(49)
Effect of movements in exchange rate	(149)	—	(149)
Balance as at 30 June 2015	84,565	8,258	92,823

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT – UNAUDITED (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

### 9 INVESTMENTS IN EQUITY SECURITIES (Continued)

The following investments in listed equity securities were recognised as available-for-sale equity securities, the accounting policy for available-for-sale equity securities is described in note 2(a).

- (i) During the six months ended 30 June 2015, the Company acquired 6,875,000 shares, representing approximately 9.09% of the enlarged issued share capital of ALNO AG (“ALNO”), and became the third largest shareholder of ALNO. ALNO is listed on the Frankfurt Stock Exchange and is principally engaged in the development, building and sale of kitchen furniture and accessories.
- (ii) During the six months ended 30 June 2015, Zhejiang Yongyu Bamboo Joint-stock Company Limited, a 14.15% equity investment of the Group, was listed on the National Equities Exchange and Quotations in the PRC. The investment was transferred as available-for-sale equity security during the period ended 30 June 2015.
- (iii) The fair value measurement for investment in listed equity securities has been categorised as Level 1 fair value: unadjusted quoted price in active markets for identical assets or liabilities at the measurement date, as defined in IFRS 13, *Fair value measurement*.

During the six months ended 30 June 2015, there were no transfers between Level 2 and Level 3, or transfer into or out of Level 1.

### 10 BIOLOGICAL ASSETS

#### (a) Reconciliation of carrying amount

	Standing Timber	
	2015 RMB'000	2014 RMB'000
As at 1 January	361,258	518,555
Change in fair value less estimated costs to sell	(98,888)	(5,979)
Harvested timber transferred to inventories	(3,598)	(16,275)
Effect of movements in exchange rate	205	2,995
As at 30 June	258,977	499,296

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT – UNAUDITED (CONTINUED)



(Expressed in Renminbi unless otherwise indicated)

### 10 BIOLOGICAL ASSETS (Continued)

#### (a) Reconciliation of carrying amount (Continued)

As at 30 June 2015, the Group's biological assets represent the following concession rights:

- harvest standing timber in 46,346 hectares of natural forest in Peru Yurimaguas for a period up to 2045;
- harvest standing timber in 91,469.8 hectares of natural forest in Peru Sepahua for a period up to 2042;
- harvest standing timber in 4,436 hectares of natural forest in Yunnan Ninglang for a period through the years 2060, 2077 or 2078; and
- harvest standing timber in 3,718 hectares of natural forest in Yunnan Yingjiang for a period through the years 2041 or 2042.

The fair values of the standing timber as at 30 June 2015 and 31 December 2014 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%, 12%, 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 reviewed and approved by the management.



## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT – UNAUDITED (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

### 10 BIOLOGICAL ASSETS (Continued)

#### (b) Measurement of fair values (Continued)

##### (ii) Level 3 fair values

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

	2015 RMB'000	2014 RMB'000
Balance at 1 January	361,258	518,555
Harvested timber transferred to inventories	(3,598)	(14,005)
<b>Included in “Net change in fair value of biological assets”</b>		
– Change in fair value (unrealised)	(98,888)	(144,349)
<b>Included in other comprehensive income</b>		
– Effect of movements in exchange rate	205	1,057
Balance at 30 June/31 December	<b>258,977</b>	361,258

During the six months ended 30 June 2015 and 2014, 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.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT – UNAUDITED (CONTINUED)



(Expressed in Renminbi unless otherwise indicated)

## 10 BIOLOGICAL ASSETS (Continued)

### (b) Measurement of fair value (continued)

#### (ii) Level 3 fair values (continued)

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

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
The cash flow projections include specific estimates for the periods as disclosed in note 10(a).	<p>Standing timber in Peru Yurimaguas:</p> <ul style="list-style-type: none"> <li>Estimated future timber market prices per stere (USD156–USD258)</li> <li>Estimated yields per hectare (7–14 cubic meters)</li> <li>Estimated harvest and transportation costs per stere (USD116.7)</li> <li>Risk-adjusted discount rate (12%)</li> </ul> <p>Standing timber in Peru Sepahua:</p> <ul style="list-style-type: none"> <li>Estimated future timber market prices per stere (USD83–USD258)</li> <li>Estimated yields per hectare (18.5–22.5 cubic meters)</li> <li>Estimated harvest and transportation costs per stere (USD42.5)</li> <li>Risk-adjusted discount rate (12%)</li> </ul> <p>Standing timber in Yunnan Ninglang:</p> <ul style="list-style-type: none"> <li>Estimated future timber market prices per stere (RMB400–RMB1,200)</li> <li>Estimated yields per hectare (90–240 cubic meters)</li> <li>Estimated harvest and transportation costs per stere (RMB231.5–RMB411.5)</li> <li>Risk-adjusted discount rate (11.5%)</li> </ul> <p>Standing timber in Yunnan Yingjiang:</p> <ul style="list-style-type: none"> <li>Estimated future timber market prices per stere (RMB580–RMB1,050)</li> <li>Estimated yields per hectare (115 cubic meters)</li> <li>Estimated harvest and transportation costs per stere (RMB312–RMB332)</li> <li>Risk-adjusted discount rate (11.5%)</li> </ul>	<p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> <li>the estimated timber prices per stere were higher/(lower);</li> <li>the estimated yields per hectare were higher/(lower);</li> <li>the estimated harvest and transportation costs were lower/(higher); or</li> <li>the risk-adjusted discount rates were lower/(higher).</li> </ul>

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT – UNAUDITED (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

### 10 BIOLOGICAL ASSETS (Continued)

#### (c) Net change in fair value

The decrease in fair value of biological assets during the six months ended 30 June 2015 was mainly attributable to reduction in the intended levels of near-term harvest in the Peruvian concessions:

- (i) A suspension of harvesting in the Yurimaguas concession for the period from May to December 2015; and
- (ii) A restriction in harvesting in the Sepahua resource to a more limited fraction of the available resource starting from May 2015.

### 11 INVENTORIES

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Raw materials	84,710	109,749
Work in progress	59,706	43,503
Finished goods	363,155	363,065
Spare parts and consumables	32,521	27,674
	<b>540,092</b>	543,991

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	
	2015 RMB'000	2014 RMB'000
Carrying amount of inventories sold	654,764	524,723
Reversal of write-down/(write-downs) of inventories	228	(2,897)
	<b>654,992</b>	521,826

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT – UNAUDITED (CONTINUED)



(Expressed in Renminbi unless otherwise indicated)

### 12 TRADE AND BILLS RECEIVABLES

	<b>At 30 June 2015 RMB'000</b>	<b>At 31 December 2014 RMB'000</b>
Trade debtors	740,011	652,760
Bills receivable	211,547	91,122
Less: allowance for doubtful debts (note 12(b))	(32,842)	(30,681)
	<b>918,716</b>	713,201

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

As at 30 June 2015, trade debtors amounted to RMB185,800,000 have been pledged to banks to secure banking facilities obtained by the Group (31 December 2014: RMB185,800,000) (note 17).

As at 30 June 2015, none of bills receivables have been pledged to banks to secure banking facilities obtained by the Group (31 December 2014: RMB20,000,000) (note 17).

#### (a) Ageing analysis

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

	<b>At 30 June 2015 RMB'000</b>	<b>At 31 December 2014 RMB'000</b>
Within 1 month	393,120	288,306
1 to 3 months	177,200	210,447
3 to 6 months	148,748	141,551
6 to 12 months	167,557	53,077
More than 12 months	32,091	19,820
	<b>918,716</b>	713,201

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT – UNAUDITED (CONTINUED)

(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:

	<b>2015</b> <b>RMB'000</b>	2014 RMB'000
As at 1 January	<b>30,681</b>	29,807
Impairment loss recognised during the period/year	<b>18,844</b>	18,698
Reversal of impairment loss recognised during the period/year	<b>(16,683)</b>	(17,824)
As at 30 June/31 December	<b>32,842</b>	30,681

As at 30 June 2015, the Group's trade receivables of RMB42,798,000 (31 December 2014: RMB33,989,000) 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 RMB32,842,000 as at 30 June 2015 were recognised (31 December 2014: RMB30,681,000).

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT – UNAUDITED (CONTINUED)



(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:

	<b>At 30 June 2015 RMB'000</b>	<b>At 31 December 2014 RMB'000</b>
Neither past due nor impaired	552,122	585,851
Less than 3 months past due	147,543	69,072
More than 3 months but less than 12 months past due	189,016	45,590
More than 12 months past due	20,079	9,380
	<b>356,638</b>	124,042
	<b>908,760</b>	709,893

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.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT – UNAUDITED (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

### 13 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>At 30 June 2015 RMB'000</b>	At 31 December 2014 RMB'000
Financial assets at fair value through profit or loss	<b>52,640</b>	32,500

As at 30 June 2015, the Group held investment in a structured deposit product issued by a bank in the PRC with principal amount of RMB52,640,000. Such product is a wealth management product, which will mature on 11 April 2016. Based on the agreement, the expected yield is ranged from 2.75% to 4.10% per annum which is linked to London Gold Fixing Price (published by the London Bullion Market Association) during the investment period. The principal amount of the product will be fully paid back at maturity day.

The carrying amount of the Group's wealth management product is not materially different from its fair value as at 30 June 2015.

As at 30 June 2015, this wealth management product has been pledged to a bank to secure banking facilities obtained by the Group (note 17).

### 14 PLEDGED DEPOSITS

As at 30 June 2015, the deposits had been placed with banks as securities for the followings:

	<b>At 30 June 2015 RMB'000</b>	At 31 December 2014 RMB'000
Bank loans (note 17)	<b>73,000</b>	73,000
Others	<b>49,623</b>	60,654
	<b>122,623</b>	133,654

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.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT – UNAUDITED (CONTINUED)



(Expressed in Renminbi unless otherwise indicated)

### 15 CASH AND CASH EQUIVALENT

	<b>At 30 June 2015 RMB'000</b>	<b>At 31 December 2014 RMB'000</b>
Cash in hand	682	590
Deposits with banks and other financial institutions	311,487	472,159
Cash in transit	9,963	—
	<b>322,132</b>	<b>472,749</b>

Note: As at 30 June 2015, USD1,630,000 (equivalent to RMB9,963,000) of cash was being remitted to subsidiaries in the PRC and Hong Kong through financial institutions. The cash was received by the subsidiaries in July 2015. The cash being remitted was included in cash in transit as at 30 June 2015.

### 16 TRADE AND BILLS PAYABLES

	<b>At 30 June 2015 RMB'000</b>	<b>At 31 December 2014 RMB'000</b>
Trade payables	298,709	223,779
Bills payable	61,237	48,239
	<b>359,946</b>	<b>272,018</b>

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



## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT – UNAUDITED (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

### 16 TRADE AND BILLS PAYABLES (Continued)

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

	<b>At 30 June 2015 RMB'000</b>	<b>At 31 December 2014 RMB'000</b>
Due within 1 month or on demand	197,874	152,730
Due after 1 month but within 3 months	105,990	84,241
Due after 3 months but within 6 months	32,192	18,480
Due after 6 months but within 12 months	9,422	15,369
1 to 2 years	14,468	1,198
	<b>359,946</b>	<b>272,018</b>

### 17 BANK LOANS

	<b>At 30 June 2015 RMB'000</b>	<b>At 31 December 2014 RMB'000</b>
<b>Current:</b>		
– secured (note (i))	278,809	258,787
– unsecured	190,404	135,419
	<b>469,213</b>	<b>394,206</b>
<b>Non-current:</b>		
– secured (note (i))	20,700	9,000
	<b>489,913</b>	<b>403,206</b>

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT – UNAUDITED (CONTINUED)



(Expressed in Renminbi unless otherwise indicated)

### 17 BANK LOANS (Continued)

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

	<b>At 30 June 2015 RMB'000</b>	<b>At 31 December 2014 RMB'000</b>
Pledged deposits (note 14)	73,000	73,000
Property, plant and equipment (note 8)	21,452	22,162
Lease prepayments	71,482	71,775
Trade debtors (note 12)	185,800	205,800
Financial assets at fair value through profit or loss (note 13)	52,640	32,500
	<b>404,374</b>	<b>405,237</b>

- (ii) As at 30 June 2015 and 31 December 2014, no bank loan was subject to the fulfillment of covenant.
- (iii) The unutilised banking facilities as at 30 June 2015 amounted to RMB212,125,000 (31 December 2014: RMB485,733,000).

### 18 SHARE-BASED PAYMENTS

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

	<b>Six months ended 30 June</b>	
	<b>2015 RMB'000</b>	<b>2014 RMB'000</b>
Share-based payment transactions	3,071	8,621

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT – UNAUDITED (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

### 18 SHARE-BASED PAYMENTS (Continued)

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

	Six months ended 30 June			
	2015		2014	
	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	1.78	124,103	1.78	126,828
Lapsed during the period	1.98	(1,212)	2.35	(325)
Outstanding at the end of the period	1.78	122,891	1.78	126,503
Exercisable at the end of the period	1.83	94,391	2.81	27,002

### 19 SHARE CAPITAL

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
1 January 2014	1,481,823,990	1,482	9,680
Repurchase and cancellation of own shares	(13,586,000)	(14)	(84)
As at 30 June 2014, 1 January 2015 and 30 June 2015	1,468,237,990	1,468	9,596

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT – UNAUDITED (CONTINUED)



(Expressed in Renminbi unless otherwise indicated)

### 20 DIVIDENDS

No dividend has been proposed by the Company attributable to the six months ended 30 June 2015 and 2014.

During the six months ended 30 June 2015, the Company declared and paid a final dividend in respect of the previous financial year, of HKD0.014 per ordinary share, amounting to HKD20,555,000 (equivalent to RMB16,210,000) (six months ended 30 June 2014: RMB31,053,000).

### 21 COMMITMENTS

#### (a) Capital commitments

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

	<b>At 30 June 2015 RMB'000</b>	At 31 December 2014 RMB'000
Contracted for	35,090	52,888
Authorised but not contracted for	5,400	—
	<b>40,490</b>	52,888

#### (b) Operating lease commitments

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

	<b>At 30 June 2015 RMB'000</b>	At 31 December 2014 RMB'000
Within 1 year	27,200	27,059
After 1 year but within 3 years	31,563	38,138
After 3 years but within 5 years	20,998	25,517
After 5 years	7,128	15,545
	<b>86,889</b>	106,259

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT – UNAUDITED (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

### 22 MATERIAL RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Short-term employee benefits	4,471	4,009
Post-employment benefits	13	6
Equity settled share-based payment expenses	213	3,543
	<b>4,697</b>	<b>7,558</b>