ANNUAL REPORT 2015

Design
Factory
Customer

大自然家居
Nature

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

CONTENTS

CORPORATE INFORMATION

Board of Directors

Executive Directors

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

Non-executive Directors

Mr. Homer Sun
Mr. Teoh Chun Ming

Independent non-executive Directors

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

Alternate Director

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Corporate Governance Committee

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

Executive Committee

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

Company Secretary

Mr. Lai Kwok Keung, Alex

Authorised Representatives

Mr. Se Hok Pan
Mr. Lai Kwok Keung, Alex

Auditors

KPMG

Principal Bankers

Industrial and Commercial Bank of China
Shunde Rural Commercial Bank
Standard Charted Bank (Hong Kong) Limited

Registered Office

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Head Office in the PRC

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Foshan City
Guangdong Province
PRC

Principal Share Registrar and Transfer Office

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Website

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Stock Code

2083

Business Review

For the year ended 31 December 2015 (the "Year"), the economic growth of the People's Republic of China (the "PRC") slowed down, household-product market in the PRC encountered various challenges, and global economy faced various uncertainties. The loss attributable to equity shareholders of the Company for the Year amounted to approximately RMB267,742,000. The loss is mainly attributable to (i) the substantial decrease in fair value of the Group's biological assets for the Year; (ii) the increase in operating costs which include staff costs, rental expenses, advertising and promotion expenses and impairment losses recognised for assets for the Year; and (iii) the increase in finance costs as a result of increase in bank loans and foreign exchange loss for the Year. Nevertheless, the Group continued to strive to expand its market share in the Chinese flooring and household-product market. By constantly strengthening internal management and resources integration, the Group maintained steady turnover in the Year. The Group achieved an increase of 1.7% in overall turnover when compared to last year. For manufacturing and sales of wood products, the Group recorded a decrease in sales of 2.6%. In respect of trading of timber and wood products, and management of forestry, the Group recorded an increase in sales of approximately 18.9% and a decrease in sales of approximately 28.4%, respectively. For provision of trademarks and distribution network, the Group recorded an increase in sales of approximately 1.9%.

In addition, the Group has also been actively seeking overseas investment opportunities to further develop into international market. During the Year, 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 year ended 31 December 2015, the sales for the Group's manufacturing and sale of wood products business was RMB1,371,540,000 (For the year ended 31 December 2014: RMB1,408,479,000), representing a decrease of 2.6%. Such decrease was attributable to the combined effect on the decrease in the Group's sales of flooring products and the increase in the Group's sales of wooden doors and wardrobes 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, solid floorings and engineered floorings. In respect of its flooring sales and distribution 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. As at 31 December 2015, the number of flooring stores reached 3,538 (31 December 2014: 3,404) in total, of which, there were 1,622 "Nature" stores (31 December 2014: 1,799), 1,505 "Nature • No. 1 My Space" stores (31 December 2014: 1,227), 114 "Nature • Aesthetics" stores (31 December 2014: 131), 165 foreign imported brand stores (31 December 2014: 124) and 132 other brand stores (31 December 2014: 123).

To facilitate the continuous growth of flooring product sales, the Group constructed new plants in Zhongshan City of Guangdong Province which has launched commercial production in 2015 and Nanning City of Guangxi Province which is expected to launch commercial production in the first half of 2016.

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. Now, the Group is gradually moving towards the goal of integration of household products. 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 such sub-brands as "Nature Wooden Door" and "Nature Windsor Castle" to further tap into the markets of wooden doors, wardrobes and cabinets. The Group has set up a production plant in Taizhou City, Jiangsu Province, the PRC (the "Taizhou Plant"). 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 in the Year, but with the gradual increase in the production capacity of the Taizhou Plant, it is expected to further reduce the production cost. As at 31 December 2015, there were 570 (31 December 2014: 665) wooden door stores in total.

With respect to the business of wardrobes and cabinets, there were 219 (31 December 2014: 240) wardrobe and cabinet stores as at 31 December 2015. The Group still recorded losses for this segment due to unsatisfactory sales in the Year. 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 has commenced commercial production in the second half of 2015. 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.

2. *Provision of trademark and distribution network*

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

During the Year, the turnover generated from trademark and distribution network usage fees increased by 1.9% to RMB203,177,000 from approximately RMB199,466,000 in 2014.

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., and opened up more sales channels, which drove a growth in the Group's turnover for the trading of wood flooring products in the U.S.. In the Year, revenue from the Group's trading business of timber and wood products was approximately RMB431,166,000 (31 December 2014: approximately RMB362,672,000), representing an increase of 18.9%.

4. Forestry management

As at 31 December 2015, the Group owned the land use rights and forestry concessions of 8,141 hectares of forest assets in Yunnan Province, the PRC, and of 137,502 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

Looking to 2016, the PRC and global markets and economy are expected to face many uncertain factors, so the Group is still facing severe challenges. Nevertheless, 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. We believe that the "Nature" brand will continue to bring us competitive advantages.

In terms of the development of products and business, completion of the investment in and construction of the business of floorings, wooden doors, wardrobes and cabinets, will enable the Group to continue to maintain its core strengths in the business of floorings, wooden doors, wardrobes and cabinets. Based on the diversification strategy of household products, the Group has launched the new "Nature + DFC (design + factory + customer)" business model, to provide one-stop home decoration services including design, construction, furnishing and household appliances configuration, etc. for customers through a combination of online and offline sales service channels. The Group has opened DFC experience stores in Guangzhou, Hangzhou, Kunming and Beijing Cities, the PRC, which are committed to providing consumers with integrated green home decoration solutions.

With respect to strategic investment cooperation, we will further explore opportunities of strategic partnerships with each others through domestic and overseas investments after becoming the second largest shareholder of ALNO in 2015. We will continue to seek investment opportunities that can bring synergic effect to the Group.

In the aspect of environmental protection and sustainable development, the Group is committed to providing high quality and safe products to consumers, and has been organizing different environmental protection activities such as tree planting campaign. We believe that environmental protection is the basis for sustainable development of the Group. In the future, the Group will continue to fulfill its social responsibilities and make its contribution to environmental protection.

By integrating resources, the Group will continue to expand its business in overseas markets, and focus on developing sales platform based on "Nature + DFC". The Group will also set the goal of household products and decoration services integration, enhancement of its household brand and relevant service level and expansion of its market shares in domestic and overseas markets, with a combination of online and offline platforms to maximize its sales effectiveness as an integrated household brand. Relying on our brand recognition, solid business foundation and distribution network, the Group is confident of maximizing the strengths of its products and brand. The Group will strive to gain higher market share by expanding the customer base and enriching its products and services to its customer.

Financial Review

Revenues

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

"Manufacturing and sale of wood products" represent the revenues generated from the sales of laminated flooring, engineered flooring and other wood products, including wooden doors, wardrobes and cabinets, that we manufacture at our own factories, and are measured at the fair value of the consideration received or receivable, net of returns and trade discounts.

"Provision of trademark and distribution network" represent the fees for which we charge authorised manufacturers in connection with their rights to label all the products they manufacture with our trademark brands and sell those products exclusively and directly to the distributors in our distribution network. The fees are charged with reference to the sales volume and sales amounts of our branded flooring products.

"Trading of timber and wood products" represent the revenues 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.

"Forestry management" represent revenues generated from the timber and other wood products being harvested and manufactured under the forestry assets operations.

Sets forth below are the revenues generated from our business segments for the years indicated:

	2015 **RMB'000**	2014 RMB'000	Growth rate %
Revenues			
Manufacturing and sale of wood products	**1,371,540**	1,408,479	(2.6)
Provision of trademark and distribution network	**203,177**	199,466	1.9
Trading of timber and wood products	**431,166**	362,672	18.9
Forestry management	**6,209**	8,668	(28.4)
Total	**2,012,092**	1,979,285	1.7

For the year ended 31 December 2015, the Group generated revenues of approximately RMB2,012,092,000, representing an increase of 1.7%, as compared with approximately RMB1,979,285,000 in 2014.

Revenues from manufacturing and sale of wood products slightly decreased by 2.6% to approximately RMB1,371,540,000 in 2015 compared to approximately RMB1,408,479,000 in 2014. This decrease was mainly attributable to the decrease in consumer demand for our branded wood products in the PRC.

Revenues from provision of trademark and distribution network slightly increased by 1.9% to approximately RMB203,177,000 in 2015 compared to approximately RMB199,466,000 in 2014. The increase was mainly attributable to the increase in demand for solid wood flooring products manufactured by authorized manufacturers.

Revenues from trading of timber and wood products increased by 18.9% to approximately RMB431,166,000 in 2015 compared to approximately RMB362,672,000 in 2014. The increase was mainly attributable to the continued increase in demand for our flooring products in the U.S.

Revenues from forestry management decreased by 28.4% to approximately RMB6,209,000 in 2015 compared to approximately RMB8,668,000 in 2014. The decrease was mainly attributable to the decrease in timber and wood products 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. Labor costs consist of salaries, wages and other benefits we paid to our production staff. Overhead costs primarily include utilities, depreciation and others.

Cost of sales for provision of trademark and distribution network consists primarily of 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 harvesting and manufactory cost of timber and wood products under forestry assets operations.

Set forth below is the cost of sales for each business segment for the years indicated:

	2015 RMB'000	2014 RMB'000	Growth rate %
Cost of Sales			
Manufacturing and sale of wood products	**1,073,304**	1,029,705	4.2
Provision of trademark and distribution network	**5,432**	4,773	13.8
Trading of timber and wood products	**357,211**	301,310	18.6
Forestry management	**7,687**	23,874	(67.8)
Total	**1,443,634**	1,359,662	6.2

Gross Profit

Set forth below are our gross profit by business segments for the years as indicated:

	2015 RMB'000	2014 RMB'000	Growth rate %
Gross Profit			
Manufacturing and sale of wood products	**298,236**	378,774	(21.3)
Provision of trademark and distribution network	**197,745**	194,693	1.6
Trading of timber and wood products	**73,955**	61,362	20.5
Forestry management	**(1,478)**	(15,206)	90.3
Total	**568,458**	619,623	(8.3)

For the year ended 31 December 2015, the overall gross profit decreased by 8.3% to approximately RMB568,458,000 compared to approximately RMB619,623,000 in 2014 and the gross profit margin also decreased to 28.3% compared to 31.3% in 2014.

The segment of manufacturing and sale of wood products contributed a gross profit of approximately RMB298,236,000 in 2015, representing a decrease of 21.3%, compared to approximately RMB378,774,000 in 2014. The gross profit margin decreased to 21.7% compared to 26.9% in 2014. The decrease in gross profit and gross profit margin were mainly attributable to the decrease in profit margin of our flooring products resulted from severe competition in the PRC market.

The segment of provision of trademark and distribution network contributed a gross profit of approximately RMB197,745,000 in 2015, representing an increase of 1.6%, compared to approximately RMB194,693,000 in 2014. The increase was mainly attributable to the increase in demand of solid wood flooring products manufactured by authorized manufacturers.

The segment of trading of timber and wood products contributed a gross profit of approximately RMB73,955,000 in 2015, representing an increase of 20.5%, compared to approximately RMB61,362,000 in 2014. The gross profit margin increased to 17.2% compared to 16.9% in 2014. The increase was mainly attributable to the increase in demand of our flooring products in the U.S..

The segment of forestry management made a gross loss of approximately RMB1,478,000 in 2015, representing a decrease of 90.3%, compared to gross loss of approximately RMB15,206,000 in 2014. The decrease in gross loss was mainly attributable to the decrease 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 with our forest assets. Net change in fair value of biological assets increased significantly to approximately negative RMB225,928,000 in 2015 compared to negative RMB144,349,000 in 2014. The change was primarily due to 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 Peru and the PRC concessions. For further details, please refer to the section of "Biological Assets".

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 costs, 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 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 year, other net income increased by 79.1% to approximately RMB29,695,000 in 2015 compared to approximately RMB16,579,000 in 2014. The increase in other net income was primarily attributable to increase in rental income and change in fair value of financial assets at fair value through profit or loss.

Distribution Costs

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

Distribution costs was approximately RMB342,561,000 in 2015, representing an increase of 11.3%, compared to approximately RMB307,659,000 in 2014. The increase in distribution costs was primarily attributable to the increase in staff cost, advertising and promotion expenses and decoration allowance to distributors resulted from the increase in number of new retail stores.

Administrative Expenses

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

Administrative expenses was approximately RMB189,401,000 in 2015, representing a decrease of 2.2%, compared to approximately RMB193,596,000 in 2014.

Other Operating Expenses

Other operating expenses mainly consist of impairment loss of other property, plant and equipment and donations.

Net Finance Costs

Net finance costs represent 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.

Finance income decreased by 3.6% to approximately RMB4,944,000 in 2015 compared to approximately RMB5,128,000 in 2014. It was primarily attributable to the decrease in interest rate on saving accounts.

Finance costs increased by 170.4% to approximately RMB66,966,000 in 2015 compared to approximately RMB24,764,000 in 2014. It was mainly attributable to the increase in bank loans and net foreign exchange loss.

Income Tax

Income tax represents the combination of our current income tax and deferred income tax.

Income tax was approximately RMB20,898,000 in 2015, representing a decrease of 38.1% compared to approximately RMB33,766,000 in 2014, which was the total effect of the current income tax of approximately RMB20,250,000 and the deferred tax expense of approximately RMB648,000. The decrease in income tax was mainly attributable to increase in loss before taxation in 2015.

Loss Attributable to Equity Shareholders of the Company

Resulting from the factors mentioned above, the loss attributable to equity shareholders of the Company was approximately RMB267,742,000 in 2015, compared to approximately RMB75,356,000 in 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 cash flow statement.

	2015 RMB'000	2014 RMB'000
Net cash generated from operating activities	**111,340**	166,542
Net cash used in investing activities	**(155,409)**	(248,993)
Net cash generated from financing activities	**170,473**	156,283
Net increase in cash and cash equivalents	**126,404**	73,832
Cash and cash equivalents at the beginning of the year	**472,749**	399,133
Effect of foreign exchange rate changes	**3,672**	(216)
Cash and cash equivalents at the end of the year	**602,825**	472,749

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 years indicated.

	2015 RMB'000	2014 RMB'000
Current assets		
Inventories	**467,064**	543,991
Trade and bills receivables	**791,919**	713,201
Deposits, prepayments and other receivables	**165,978**	172,553
Financial assets at fair value through profit or loss	**54,392**	32,500
Pledged deposits	**111,499**	133,654
Cash and cash equivalents	**602,825**	472,749
Total current assets	**2,193,677**	2,068,648
Current liabilities		
Trade and bills payables	**284,150**	272,018
Deposits received, accruals and other payables	**249,031**	260,836
Bank loans	**541,918**	394,206
Current taxation	**11,106**	20,096
Total current liabilities	**1,086,205**	947,156
Net current assets	**1,107,472**	1,121,492

As at 31 December 2015, net current assets was approximately RMB1,107,472,000, representing a decrease of 1.3% compared to approximately RMB1,121,492,000 as at 31 December 2014. The current ratios as at 31 December 2015 and 31 December 2014 were 2.0 and 2.2, respectively. The decrease in net current assets was principally attributable to the combined effect of increase in cash and cash at bank and increase in bank loans.

Trade and Bills Receivables Analysis

As at 31 December 2015, trade and bills receivables increased by 11.0% to approximately RMB791,919,000 compared to approximately RMB713,201,000 as at 31 December 2014. The table below sets out trade and bills receivables as at the end of the years indicated.

	2015 **RMB'000**	2014 RMB'000
Trade debtors	**583,476**	652,760
Bills receivables	**243,092**	91,122
Less: allowance for doubtful debts	**(34,649)**	(30,681)
	791,919	713,201

Ageing analysis

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

	2015 **RMB'000**	2014 RMB'000
Within 1 month	**268,049**	288,306
1 to 3 months	**161,773**	210,447
3 to 6 months	**201,298**	141,551
6 to 12 months	**134,735**	53,077
More than 12 months	**26,064**	19,820
Total	**791,919**	713,201

Trade and bills receivables are usually due within 30–180 days from the date of billing. The increase in trade and bills receivables was mainly attributable to increase in bills receivables from property developers.

Biological Assets

(a) Reconciliation of carrying amount

	2015 RMB'000	2014 RMB'000
As at 1 January	**361,258**	518,555
Change in fair value less estimated costs to sell	**(225,928)**	(144,349)
Harvested timber transferred to inventories	**(11,182)**	(14,005)
Effect of movements in exchange rate	**10,284**	1,057
As at 31 December	**134,432**	361,258

As at 31 December 2015, the Group's biological assets represent the following concession rights:

- harvest standing timber in 46,345 hectares of natural forest in Peru Yurimaguas for a period up to 2045;
- harvest standing timber in 91,157 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 or 2078; and
- harvest standing timber in 3,705 hectares of natural forest in Yunnan Yingjiang for a period through the years 2041 or 2042.

During the year ended 31 December 2015, 16,807 and nil cubic meters of timbers in Peru and Yunnan, respectively were harvested (2014: 38,659 cubic meters and 16,394 cubic meters). The fair values of the standing timber as at 31 December 2015 and 31 December 2014 were valued by the Independent Valuer. 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.

(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
As at 1 January	**361,258**	518,555
Harvested timber transferred to inventories	**(11,182)**	(14,005)
Included in "Net change in fair value of biological assets"		
— change in fair value (unrealised)	**(225,928)**	(144,349)
Included in other comprehensive income		
— effect of movements in exchange rate	**10,284**	1,057
As at 31 December	**134,432**	361,258

During the years ended 31 December 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).	Standing timber in Peru Yurimaguas: • Estimated future timber market prices per stere (USD130–USD232) • Estimated yields per hectare (7–14 cubic meters) • Estimated harvest and transportation costs per stere (USD89) • Risk-adjusted discount rate (12%) Standing timber in Peru Sepahua: • Estimated future timber market prices per stere (USD83–USD258) • Estimated yields per hectare (3–14 cubic meters) • Estimated harvest and transportation costs per stere (USD76) • Risk-adjusted discount rate (12%) Standing timber in Yunnan Ninglang: • Estimated future timber market prices per stere (RMB460–RMB1,260) • Estimated yields per hectare (187 cubic meters) • Estimated harvest and transportation costs per stere (RMB343) • Risk-adjusted discount rate (11.5%) Standing timber in Yunnan Yingjiang: • Estimated future timber market prices per stere (RMB460–RMB1,000) • Estimated yields per hectare (76 cubic meters) • Estimated harvest and transportation costs per stere (RMB370) • Risk-adjusted discount rate (11.5%)	The estimated fair value would increase/(decrease) if: • the estimated timber prices per stere were higher/(lower); • the estimated yields per hectare were higher/(lower); • the estimated harvest and transportation costs were lower/(higher); or • the risk-adjusted discount rates were lower/(higher).

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

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

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 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 the relevant authority of the 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.

(d) 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 31 December 2015 and 31 December 2014

The Independent Valuer conducted field inspections of the forest concession assets located in Sepahua, Peru in November 2015 and Yurimaguas and Sepahua, Peru in October 2014. The exercises 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 field inspections in December 2015 and November 2014. The inspections 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.

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

(i) The forests located in Peru at 31 December 2015

With different discount rate:

	31 December 2015 Changes on discount rate		31 December 2014 Changes on discount rate	
	(2%)	**2%**	(2%)	2%
	Change in value (USD millions)		Change in value (USD millions)	
Peru Yurimaguas	**0.1**	**(0.1)**	3.3	(2.5)
Peru Sepahua	**4.6**	**(3.4)**	5.3	(4.0)

With changes in key assumptions and variables:

	31 December 2015 Adjustment to based value		31 December 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	
Peru Yurimaguas				
Log price	**(0.1)**	**0.1**	(4.1)	4.1
Direct harvesting cost including transportation cost	**0.1**	**(0.1)**	1.8	(1.8)
Peru Sepahua				
Log price	**(4.5)**	**4.5**	(7.2)	7.2
Total cost including harvesting and transportation cost	**3.7**	**(3.7)**	3.2	(3.2)

(ii) The forests located in Yunnan Province, the PRC at 31 December 2015

With different discount rate:

	31 December 2015 Changes on discount rate (1%)	**1%**	31 December 2014 Changes on discount rate (1%)	1%
	Change in value (RMB millions)		Change in value (RMB millions)	
Yunnan Ninglang	**0.8**	**(0.7)**	2.9	(3.5)
Yunnan Yingjiang	**0.1**	**(0.1)**	2.0	(1.9)

With changes in key assumptions and variables:

	31 December 2015 Adjustment to based value (10%)	**10%**	31 December 2014 Adjustment to based value (10%)	10%
	Change in value (RMB millions) Adjustment to based value		Change in value (RMB millions) Adjustment to based value	
Yunnan Ninglang				
Log price	**(1.1)**	**1.1**	(5.1)	5.1
Harvesting cost	**0.2**	**(0.2)**	1.1	(1.1)
Transportation cost	**0.1**	**(0.1)**	0.7	(0.7)
Yunnan Yingjiang				
Log price	**(1.5)**	**1.5**	(16.0)	16.0
Harvesting cost	**0.9**	**(0.9)**	5.8	(5.8)
Transportation cost	**0.1**	**(0.1)**	2.4	(2.4)

Capital Management

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

	2015 RMB'000	2014 RMB'000
Bank loans and bill payables	**650,255**	451,445
Less: Cash and cash equivalent	**(602,825)**	(472,749)
Pledged deposits	**(111,499)**	(133,654)
Adjusted net assets	**(64,069)**	(154,958)
Total equity attributable to owners of the Company	**2,160,187**	2,402,712
Adjusted gearing ratios	**(0.03)**	(0.06)

Our adjusted gearing ratios, which are derived by dividing adjusted net assets by adjusted equity attributable to owners of the Company, were negative 0.03 and negative 0.06 as at 31 December 2015 and 31 December 2014, respectively. Adjusted net assets is defined as total debt which includes bills payable, interest bearing loans and borrowings and less cash and cash equivalents and pledged deposits.

Capital Expenditure

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

	2015 RMB'000	2014 RMB'000
Property, plant and equipment	**115,110**	174,031
Lease prepayment	**13,468**	65,077
Other financial assets	**2,250**	31,077
Available-for-sale listed equity investment	**43,369**	—
Interest in an associate	**19**	—
Intangible assets	**660**	7,085
Total	**174,876**	277,270

Bank Loans

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

	2015 RMB'000	2014 RMB'000
Current:		
— secured (note (i))	**357,093**	258,787
— unsecured	**184,825**	135,419
	541,918	394,206
Non-current:		
— secured (note (i))	**35,040**	9,000
	576,958	403,206

Notes:

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

	2015 RMB'000	2014 RMB'000
Pledged deposits	**73,000**	73,000
Property, plant and equipment	**20,885**	22,162
Lease prepayments	**71,225**	71,775
Trade debtors and bills receivables	**215,800**	205,800
Financial assets at fair value through profit or loss	**54,392**	32,500
	435,302	405,237

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

(iii) The unutilised banking facilities as at 31 December 2015 amounted to RMB208,817,000 (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:

	2015		2014	
	Effective interest rate %	**Carrying amount RMB'000**	Effective interest rate %	Carrying amount RMB'000
Variable rate instruments				
Bank loans	**2.85%**	**216,958**	2.18%	162,206
Fixed rate instruments				
Bank loans	**6.27%**	**360,000**	5.50%	241,000
		576,958		403,206

Commitments and Contingent Liabilities

(a) Capital commitments

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

	2015 RMB'000	2014 RMB'000
Contracted for	**20,471**	52,888

(b) Operating lease commitments

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

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

	2015 **RMB'000**	2014 RMB'000
Within 1 year	**22,310**	27,059
After 1 year but within 3 years	**35,792**	38,138
After 3 years but within 5 years	**6,213**	25,517
After 5 years	**4,373**	15,545
Total	**68,688**	106,259

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

Foreign Currency Risk

The Group's principal activities are carried out in mainland China. RMB is not a freely convertible currency and the remittance of funds out of mainland China 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 United States Dollars denominated liabilities recognized by the subsidiaries in Peru. The currencies giving rise to this risk are primarily United States Dollars ("US$"), Hong Kong Dollars ("HK$"), Macau Pataca ("MOP"), Peruvian Nuevo Sol ("PEN") and Euro ("EUR"). As at 31 December 2015, the cash and cash equivalents held by the Group were primarily in RMB, HK$ and US$, representing 83.0%, 1.8% and 13.3% (2014: 78.8%, 4.0% and 15.0%) of total amounts, respectively. The rest of the amounts were held in MOP, PEN and EUR. On the other hand, as at 31 December 2015, our bank loans were in RMB, HK$, US$ and EUR, representing 68.5%, 27.4%, 0.1% and 4.0% (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 31 December 2015, the Group had 3,054 employees (at 31 December 2014: 3,504). Relevant staff costs was approximately RMB239,450,000 (including share option expenses of approximately RMB3,263,000) in 2015 compared to approximately RMB234,548,000 (including share option expenses of approximately RMB16,885,000) in 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, associates or joint ventures for the year ended 31 December 2015.

Subsequent Events

No significant events took place subsequent to 31 December 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 year, from the date of listing of the Company's shares on the Stock Exchange to 31 December 2015, approximately RMB785 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 RMB103.7 million was used for strengthen the distribution network;

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

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

As at 31 December 2015, approximately RMB88.5 million raised from the global offering remains unused.

Future Plans for Material Investments

There was no specific plan for material investments and acquisition of material capital assets as at 31 December 2015.

Executive Directors

Mr. Se Hok Pan (佘學彬), age 56, is the Chairman of the Company and was appointed a Director on 27 July 2007. Mr. Se is a co-founder of the Group. Mr. Se is responsible for formulating overall strategies, planning and business development of the Company, managing and supervising the financial management functions, human resources and sales and marketing of the Company and is instrumental to our growth and business expansion since our establishment in 2004. Mr. Se began his career in the flooring products industry in 1995 and has over 20 years of experience in the flooring products industry. Mr. Se holds important positions in influential industry associations. He is currently the vice president of China Forestry Industry Association (中國林業產業協會), and one of the drafters of the China National Standards for Solid Wood Flooring (中國實木地板國家標準) which came into effect in 2009. Mr. Se is also a member of the Gansu Provincial Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議甘肅省委員會) and the vice president of the Industry and Commerce Association of Macau (澳門工商聯會). From 1995 to 2001, Mr. Se served as a general manager at Shunde Daliang Yingbin Wood Furniture Mall (順德市大良區盈彬木器傢俬城). From July 2001 to September 2004, Mr. Se served as a president at Guangdong Yingbin-Nature Wood Industry Co., Ltd. (廣東盈彬大自然木業有限公司). Mr. Se has received numerous high profile awards such as the "Robert A. Mundell World Executive Awards (2004)", "China Forestry Industry Annual Person (2009)" (中國林業產業年度人物) as recognized by China National Forest Products Association (中國林產工業協會) and China Forestry Industry Association (中國林業產業協會) and "The Most Influential Figures in the 15-Year Development of China's Flooring Industry (2010)" (中國地板行業輝煌十五年最具影響力人物獎). Mr. Se is the spouse of Ms. Un Son I, the younger brother of Mr. She Jian Bin and the brother-in-law of Mr. Liang Zhihua. Mr. Se is a director of Freewings Development Co., Ltd., the controlling shareholder of the Company.

Mr. Liang Zhihua (梁志華), age 52, is the President of the Company. Mr. Liang was appointed a Director and the President of the Company with effect from 1 January 2014. Mr. Liang is also a director of certain operating subsidiaries of the Group. Mr. Liang is responsible for the overall management of human resources, the production plants and manufacturing facilities of the Group, such as overseeing the execution of management policies and processes of the production plants of the Group, coordinating the sharing of facilities, raw materials and other resources between production plants, organizing regular plant safety inspections, and development and production of new products. Mr. Liang joined the Group in 2006 and has since held various managerial positions in the general affairs, human resources and production departments as well as the President's Office of the Group. He has ten years of experience in the flooring products industry. Mr. Liang is the brother-in-law of Mr. She Jian Bin, Mr. Se Hok Pan and Ms. Un Son I.

Ms. Un Son I (袁順意), age 50, is a Vice President of the Company and the General Manager of the Supply Chain Management Department of the Group. Ms. Un was appointed a Director on 27 July 2007. Ms. Un is a co-founder of the Group. Ms. Un is responsible for networking and development of relationship with suppliers, procurement control, logistics management and asset management and control to ensure the supply chain operates efficiently. She is also responsible for the overall management of internal audit of the Group. Ms. Un has over 20 years of experience in the flooring products industry. Ms. Un is a member of China-ASEAN Organization (中國東盟協會) and vice president of the Industry and Commerce Association of Macau (澳門工商聯會). From 1995 to 2001, Ms. Un served as a deputy general manager and a procurement manager at Shunde Daliang Yingbin Wood Furniture Mall (順德市大良區盈彬木器傢俬城). From July 2001 to September 2004, Ms. Un was a director of president office, a director of human resources and a director of the procurement center at Guangdong Yingbin-Nature Wood Industry Co., Ltd. (廣東盈彬大自然木業有限 公司). Ms. Un was awarded as one of the "100 Outstanding Female Entrepreneurs of China" (中國百名傑出女企業家). Ms. Un is the spouse of Mr. Se Hok Pan and the sister-in-law of Mr. She Jian Bin and Mr. Liang Zhihua. Ms. Un is a director of Freewings Development Co., Ltd., a controlling shareholder of the Company.

Mr. She Jian Bin (佘建彬), age 58, is a Vice President of the Company. Mr. She was appointed a Director on 8 May 2008. Mr. She is responsible for the overall management of the sales and distribution network of the Group and participation of the Group's marketing activities. Mr. She has approximately 28 years of experience in the timber industry and the flooring products industry. Mr. She was a purchasing manager of wood at P.T. Sumber Laris Jaya Manufacturer Timber Industry from 1988 to 1994 and worked at Shunde Daliang Yingbin Wood Furniture Mall (順德市大良區盈彬木器傢俬城) for its production, sales and distribution management from 1995 to 2001. During the period between July 2001 and September 2004, Mr. She served as a director of the sales center at Guangdong Yingbin-Nature Wood Industry Co., Ltd. (廣東盈彬大自然木業有限公司). Mr. She has received "15 Prosperous Years of the China Flooring Industry — Promotion of Industry Development Award" (中國地板行業輝煌十五年傑出行業建設推動獎) in 2010. Mr. She joined the Group in 2004 and has since held various managerial positions in sales and distribution. Mr. She is the elder brother of Mr. Se Hok Pan and the brother-in-law of Ms. Un Son I and Mr. Liang Zhihua.

Non-executive Directors

Mr. Homer Sun (孫弘), age 45, is a Non-executive Director of the Company. Mr. Sun joined the Board on 8 May 2008. Mr. Sun is currently the Chief Investment Officer of Morgan Stanley Private Equity Asia and leads the China investments for Morgan Stanley Private Equity Asia. Mr. Sun is also a Managing Director of Morgan Stanley Asia Limited and a member of the China Management Committee which is comprised of Morgan Stanley Asia Limited's most senior business leaders within China. He is currently the Non-Executive Director of Sihuan Pharmaceutical Holdings Group Limited (stock code: 460), Tianhe Chemicals Group Limited (stock code: 1619), China XD Plastics Company Limited (a company listed on the NASDAQ stock exchange, ticker: CXDC), Noah Education Holdings Ltd. (a company which was previously listed on the New York Stock Exchange) and Renfang Medical Holdings Ltd.. Mr. Sun was a non-executive director of China Shanshui Cement Group Limited (stock code: 691), a company listed on the Stock Exchange, from 14 June 2008 to 15 October 2013. Mr. Sun was a non-executive director of Yongye International, Inc. (a company which was previously listed on the NASDAQ stock exchange). Mr. Sun joined Morgan Stanley Asia Limited in 2000 prior to which he was a corporate attorney specializing in mergers and acquisitions with Simpson Thacher & Bartlett in New York and Hong Kong from 1996 to 2000. Mr. Sun received a B.S.E. in Chemical Engineering, magna cum laude, from the University of Michigan in 1993 and a J.D, cum laude, from the University of Michigan Law School in 1996.

Mr. Teoh Chun Ming (張振明), age 46, is a Non-executive Director of the Company. Mr. Teoh joined the Group in 2008 and was appointed as the Chief Financial Officer and the Company Secretary on 1 September 2008 and 26 March 2009, respectively. Mr. Teoh was also the Authorised Representative of the Company for the purpose of the Listing Rules and the Companies Ordinance. Mr. Teoh held the positions of Chief Financial Officer, Company Secretary and Authorised Representative of the Company until his appointment as a Non-executive Director of the Company on 1 July 2012. Mr. Teoh is also the investor relations officer of the Company. Mr. Tech is currently an independent non-executive director of EPI (Holdings) Limited (stock code: 689), a company listed on the Stock Exchange and the chief financial officer and company secretary of Joyer Auto HK Company Limited. Mr. Teoh has over 20 years of accounting and finance experience. Prior to joining the Group, Mr. Teoh held senior positions in accounting and finance in various companies listed on the Stock Exchange. Mr. Teoh obtained a master's degree in professional accounting from the Hong Kong Polytechnic University in 2005. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and a member of the Institute of Chartered Accountants in England and Wales.

Independent Non-executive Directors

Professor Li Kwok Cheung, Arthur (李國章), age 71, was appointed as an Independent Non-executive Director on 4 May 2011. Professor Li is currently the deputy chairman and non-executive director of The Bank of East Asia, Limited (Stock Code: 23) and an independent non-executive director of Shangri-La Asia Limited (Stock Code: 69), both being companies listed on the Stock Exchange, and a non-executive director of BioDiem Ltd. in Australia, a company which was delisted from the Australian Securities Exchange in November 2013. Professor Li is also the Chairman and a director of Digital Broadcasting Hong Kong Limited since 20 August 2013. Professor Li was appointed a Member of the Executive Council of Hong Kong Special Administrative Region ("HKSAR"), the Chairman of the Council for Sustainable Development of HKSAR and the Chairman of the Council of the University of Hong Kong on 1 July 2012, 1 March 2015 and 1 January 2016 respectively. Professor Li was an independent non-executive director of The Wharf (Holdings) Limited (Stock Code: 4), a company listed on the Stock Exchange, from 1 July 2012 to 16 August 2013, a non-executive director of AFFIN Holdings Berhad (symbol: 5185), a company listed on Bursa Malaysia, from 21 May 2008 to 31 December 2014, and a director of CaixaBank, S.A. (symbol: CABK), a company listed on the Spanish Stock Exchange, from November 2014 to December 2015. Professor Li is also a member of the National Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議全國委員會). Professor Li served as Professor of Surgery (Founding Chair) in the Department of Surgery of The Chinese University of Hong Kong from 1982 to 2005. In addition, Professor Li was the Dean of the Faculty of Medicine of The Chinese University of Hong Kong from 1992 to 1996 and the Vice-Chancellor of the university from 1996 to 2002. Professor Li was a non-executive director of Glaxo Wellcome plc. from 1997 to 2000. In 2002, Professor Li became Secretary for Education and Manpower as well as a member of the Executive Council of the Hong Kong Special Administrative Region Government and his term ended in June 2007. Prior to 2002, Professor Li was a non-executive director of The Bank of East Asia, Limited, China Mobile Limited, Henderson Cyber Limited and The Wharf (Holdings) Limited. During the same period of time, Professor Li was also the non-executive chairman of Corus and Regal Hotels plc. Professor Li resigned from all these positions in 2002 when he assumed his role as Secretary for Education and Manpower in Hong Kong. Professor Li obtained his medical degree from University of Cambridge in 1969.

Mr. Zhang Sen Lin (張森林), age 68, was appointed as an Independent Non-executive Director on 4 May 2011. Mr. Zhang is currently the consultant to the Chinese National Forest Products Industry Association (中國林產工業協會). Mr. Zhang has over 21 years of experience in forestry. Mr. Zhang was previously the president of Chinese National Forest Products Industry Association (中國林產工業協會), an independent director of Guangdong Yihua Timber Industry Co., Ltd. (廣東宜華木業股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 600978). Mr. Zhang was also an independent director of Sichuan Shengda Forestry Industry Co., Ltd. (四川升達林業產業股份有限公司) (Stock Code: 002259) from 2008 to 2012 and an independent director of Guangdong Weihua Corporation (廣東威華股份有限公司) from 2008 to 2013, both companies being listed on the Shenzhen Stock Exchange. Mr. Zhang also served as the deputy factory manager and acting factory manager of Jiangxi Timber Mill (江西木材廠) and manager of Jiangxi Province Forestry Industry Company (江西省林業工業公司). Mr. Zhang graduated from Nanjing Forestry University (南京林業大學), majoring in forestry industry and qualified as a professor level senior engineer. Mr. Zhang also studied pulp and paper-making technology and management in Georgia Institute of Technology and modern business management from University of Houston in the United States.

Mr. Chan Siu Wing, Raymond (陳兆榮), age 51, was appointed as an Independent Non-executive Director with effect from 4 May 2011. Mr. Chan is currently an independent non-executive director of Quali-Smart Holdings Limited (Stock Code: 1348) and Hong Kong Finance Group Limited (Stock Code: 1273), all of them being companies listed on the Main Board of the Stock Exchange. Mr. Chan also holds the position of independent non-executive director of Phoenitron Holdings Limited (formerly known as Cardlink Technology Group Limited) (Stock Code: 8066), a company listed on the Growth Enterprise Market of the Stock Exchange. Mr. Chan was an executive director of ENM Holdings Limited (Stock Code: 128) between 2008 and 2014, an independent non-executive director of China Kingstone Mining Holdings Limited (Stock Code: 1380) from July 2015 to December 2015 and an independent non-executive director of National Agricultural Holdings Limited (Stock Code: 1236) from September 2015 to March 2016, all of them being companies listed on the Main Board of the Stock Exchange. Mr. Chan has over 22 years of experience in the field of accounting, taxation, finance and trust. Mr. Chan holds a Bachelor of Economics degree from the University of Sydney. Mr. Chan is a certified public accountant of the Hong Kong Institute of Certified Public Accountants and a founding member of the Macau Society of Certified Practising Accountants.

Mr. Ho King Fung, Eric (何敬豐), age 39, was appointed as an Independent Non-executive Director on 4 May 2011. Mr. Ho is a solicitor of the Hong Kong Special Administrative Region and the chairman and executive director of Ample Hope Limited. In Macau, Mr. Ho is also the chairman of P&W Money Changer Limited and Jing Yang Company Limited, and an executive director of Mascargo (Macau) Company Limited. Mr. Ho is a non-executive director of EPI (Holdings) Limited (Stock Code: 689), since 4 April 2013 and subsequently the non-executive chairman since 30 July 2013. Mr. Ho is also a non-executive director of AGTech Holdings Limited (Stock Code: 8279) since 23 May 2013. Both EPI (Holdings) Limited and AGTech Holdings Limited are companies listed on the Stock Exchange. Mr. Ho joined JP Morgan in 2000 as an analyst and worked as a trainee solicitor at Linklaters between 2003 and 2005 and as an associate between 2005 and 2006. Between 2007 and 2010, Mr. Ho worked at Deutsche Bank AG, Hong Kong Branch and his last position held was vice president and head of Hong Kong and Macau Origination. Mr. Ho was a non-executive director of United Energy Group Limited (Stock Code: 467), a company listed on the Stock Exchange, between 2011 and 2012. He is a committee member of the Chinese People's Political Consultative Conference of Beijing (中國人民政治協商會議北京市委員會) and the president of Money Exchangers' Association of Macao. Mr. Ho was also awarded China's Top 10 Economic Talents (十大中華經濟英才) in 2009. Mr. Ho graduated from the University of New South Wales, Australia with Bachelor of Commerce (Finance) and Bachelor of Laws degrees.

Alternate Director

Mr. Law Wing Cheung, Ryan (羅永祥), age 41, was appointed as an alternate director to Mr. Homer Sun, a non-executive director of the Company since 26 March 2013. Mr. Law is a Managing Director of Morgan Stanley Asia Limited. He is currently the Non-Executive Director of Noah Education Holdings Ltd. (a company which was previously listed on the New York Stock Exchange) and Renfang Medical Holdings Ltd.. Mr. Law focuses on private equity transactions for Morgan Stanley Private Equity Asia in China. Mr. Law joined Morgan Stanley in 1998 and worked in Morgan Stanley's Investment Banking Division and Morgan Stanley Principal Investments for 10 years before departing in 2008. Prior to rejoining Morgan Stanley in 2012, Mr. Law was with Mount Kellett Capital and founded GCL Capital. Mr. Law has been focusing on private equity transactions in China since 2006. Mr. Law received a Bachelor of Arts degree in Economics from the University of Chicago.

Senior Management

Mr. Yang Weiming (楊偉明), age 51, is the Chief Operating Officer of the Group. He is responsible for the day-to-day management of the Group's business operation. Mr. Yang obtained a bachelor's degree in the Forest Product Engineering Department in the Northeast Forestry University (東北林業大學林產工業系) in 1987 and was granted the title of Wood Processing Engineer (木材加工工程師職稱) in 1992. Mr. Yang served as the factory manager of the Laminated Flooring Manufactory of our Group in 2004 and the General Manager of the Laminated Flooring Department in 2006, and then took up various positions in the Marketing Department. Prior to his appointment as Chief Operating Officer of the Group, he was the General Manager of the Wooden door business Department of the Group. He has extensive experience in production and marketing management.

Mr. Lai Kwok Keung, Alex (黎國強), aged 46, is the Chief Financial Officer and Company Secretary of the Company. Mr. Lai joined the Group on 4 January 2016. Mr. Lai is responsible for developing the financial strategies of the Group. Mr. Lai is also participate in the formulation of major investment plans of the Group, provide financial advice for the Group and oversees the Group's company secretarial matters.

Mr. Lai has over 20 years of accounting and finance experience. Mr. Lai held senior positions in accounting, finance, company secretary and audit in various companies. Prior to joining the Group, he was the Chief Financial Officer and Company Secretary of a property development company. Mr. Lai was a senior internal audit manager at companies listed on The Stock Exchange of Hong Kong Limited and the New York Stock Exchange and a senior manager at an international accounting firm. Mr. Lai graduated with a bachelor's degree in Business Administration from The University of Hong Kong in 1993. Mr. Lai is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

Mr. Lin Hao (林皓), age 44, is the General Manager of the Flooring Department of the Group. Mr. Lin is responsible for the operational and sales management of the flooring business. Mr. Lin has over 11 years of experience in sales and marketing. Mr. Lin joined our Group in 2008 and had served as the assistant to the Chairman and director of brand management centre of our Group. Before joining our Group, Mr. Lin was a director of the brand center, a director of the sales center and a vice president of the brand committee of Guangdong Yingbin-Nature Wood Industry Co., Ltd. (廣東盈彬大自然木業有限公司) from August 2001 to December 2007. Mr. Lin graduated from the Faculty of Chinese of the Jianghan University (江漢大學) in 1992.

CORPORATE GOVERNANCE REPORT

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

During the year ended 31 December 2015, the Company has complied with the applicable code provisions of the Code.

Board of Directors

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

The Board of the Company currently consists of ten directors, namely Mr. Se Hok Pan (Chairman), Mr. Liang Zhihua (President), Ms. Un Son I and Mr. She Jian Bin as executive directors, Mr. Homer Sun (with Mr. Law Wing Cheung, Ryan as his alternate) and Mr. Teoh Chun Ming as non-executive directors and Professor Li Kwok Cheung, Arthur, Mr. Zhang Sen Lin, Mr. Chan Siu Wing, Raymond and Mr. Ho King Fung, Eric as independent non-executive Directors. The Board has a balance of skills and experience appropriate for the requirements of the business of the Company.

The biographies of the Directors which include relationships between Board members are set out on pages 27 to 31 of this annual report.

Each of the executive directors, namely Mr. Se Hok Pan, Mr. Liang Zhihua, Ms. Un Son I and Mr. She Jian Bin has entered into a service contract with the Company for a fixed period of three years from 1 January 2014. Each of the independent non-executive directors, namely Professor Li Kwok Cheung, Arthur, Mr. Zhang Sen Lin, Mr. Chan Siu Wing, Raymond and Mr. Ho King Fung, Eric was appointed under a formal letter of appointment with the Company for a fixed term of three years commencing on 4 May 2014. Mr. Homer Sun (a non-executive director) was appointed under a formal letter of appointment with the Company with no fixed term. Mr. Teoh Chun Ming (a non-executive director) was appointed under a formal letter of appointment with the Company for a term of three years commencing on 1 July 2015. Notwithstanding the above, all Directors, including the non-executive directors, are subject to retirement by rotation at least once every three years in accordance with the Listing Rules and the articles of association of the Company. A retiring director is eligible for re-election.

The remuneration of the Directors is determined with reference to their duties, responsibilities and experience, and to prevailing market conditions. Details of the remuneration of the Directors for 2015 are set out in note 7 to the financial statements.

During the year ended 31 December 2015, the Company has four independent non-executive directors, which number exceeds the minimum requirement of the Listing Rules that the number of independent non-executive directors must represent at least one-third of the Board.

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

Directors have access to the services of the Company Secretary to ensure that the Board procedures are followed. The Company Secretary of the Company is Mr. Lai Kwok Keung, Alex, who was appointed as the Company Secretary of the Company on 4 January 2016. Mr. Lai is also the Chief Financial Officer of the Group. Mr. Tsang Chun Yiu was the Company Secretary of the Company and he resigned as the Company Secretary with effect from 1 December 2015. Mr. Tsang has attained not less than 15 hours of relevant professional training during the year ended 31 December 2015.

Directors' Attendance Records

Board meetings are held at least four times a year at approximately quarterly intervals and on other occasions when necessary. Details of directors' attendance at the meetings of the Board, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee held during the year ended 31 December 2015 are set out in the following table:

	Number of meetings attended/held during the year ended 31 December 2015				
Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Corporate Governance Committee**
Executive Directors					
Mr. Se Hok Pan *(Chairman)*	4/4	—	—	1/1	1/1
Mr. Liang Zhihua *(President)*	4/4	—	—	—	—
Ms. Un Son I	4/4	—	—	—	—
Mr. She Jian Bin	4/4	—	—	—	—
Non-executive Directors					
Mr. Homer Sun	3/4 (Note)	—	—	—	—
Mr. Teoh Chun Ming	4/4	—	—	—	1/1
Independent non-executive Directors					
Professor Li Kwok Cheung, Arthur	2/4	—	1/1	—	—
Mr. Zhang Sen Lin	4/4	1/1	1/1	—	—
Mr. Chan Siu Wing, Raymond	4/4	1/1	—	1/1	—
Mr. Ho King Fung, Eric	3/4	1/1	1/1	1/1	1/1

Note: Amongst these three Board meetings, Mr. Homer Sun attended one Board meeting by himself and the remaining two Board meetings were attended by his alternate, Mr. Law Wing Cheung, Ryan.

In 2015, the Company convened and held one shareholders' general meeting, being the 2015 annual general meeting held on 28 May 2015. Mr. Se Hok Pan, Ms Un Son I, Mr. Zhang Sen Lin and Mr. Chan Siu Wing, Raymond attended the 2015 annual general meeting.

Directors' Induction and Professional Development

On appointment to the Board, each Director receives a comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

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

The Directors are requested to provide the Company with their respective training record pursuant to the new requirement of the Code on continuous professional development. During the year ended 31 December 2015, all Directors have participated in appropriate continuous professional development activities by way of attending training sessions, conferences and seminars or reading materials relevant to the Company's business, directors' duties and responsibilities, corporate governance and recent amendments to the Listing Rules.

Board Committees

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

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

Audit Committee

Membership

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

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

Responsibilities and work done

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

The work performed by the Audit Committee during year ended 31 December 2015 is as follows:

- reviewed the annual report and the annual results announcement of the Company for the year ended 31 December 2014;
- reviewed the interim report and the interim results announcement of the Company for the six months ended 30 June 2015;
- reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function;
- reviewed the risk management and internal control systems of the Group;
- reviewed the effectiveness of the Company's internal audit function; and
- reviewed the updated terms of reference of the Audit Committee.

Remuneration Committee

Membership

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

Responsibilities and work done

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

The work performed by the Remuneration Committee during the year ended 31 December 2015 is as follows:

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

For the year ended 31 December 2015, the remuneration payable to senior management (excluding directors) fell within the following bands:

Nil to RMB1,000,000	2
RMB1,000,001 to RMB2,000,000	1

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

Nomination Committee

Membership

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

Responsibilities and work done

The Nomination Committee is responsible for reviewing and assessing the composition of the Board and the independence of the independent non-executive Directors and making recommendations to the Board on appointment or re-appointment of Directors. In recommending candidates for appointment to the Board, the Nomination Committee will consider candidates on merit against objective criteria and with due regards to the benefits of diversity on the Board. Diversity of the Board will be considered from a number of perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, and length of services and time to be devoted as a director. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. As there has been no change to the Board composition during the year ended 31 December 2015, the Board has not dealt with or considered nomination of director during the year.

The work performed by the Nomination Committee during the year ended 31 December 2015 is as follows:

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

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

Corporate Governance Committee

Membership

The Corporate Governance Committee currently has three members, namely Mr. Se Hok Pan (Chairman), Mr. Ho King Fung, Eric and Mr. Teoh Chun Ming. Mr. Se Hok Pan is the Chairman and an executive director of the Company. Mr. Ho King Fung, Eric is an independent non-executive director and Mr. Teoh Chun Ming is a non-executive director of the Company.

Responsibilities and work done

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

The work performed by the Corporate Governance Committee during the year ended 31 December 2015 is as follows:

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

— reviewed the Company's compliance with the Code; and

— reviewed the corporate governance report in the 2014 annual report.

Executive Committee

Membership

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

Responsibilities and work done

The principal responsibilities of the Executive Committee include (i) implementing the business plan and company strategies as approved by the Board and developing specific implementation plan; and (ii) monitoring and overseeing the implementation of the budget as approved by the Board. During the year ended 31 December 2015, the Executive Committee has duly performed its responsibilities and contributed to the business development of the Group.

Model Code for Securities Transactions by Directors

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. All directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code throughout the year ended 31 December 2015.

External Auditors

KPMG are appointed as the external auditors of the Company upon the recommendation of the Audit Committee.

For the year ended 31 December 2015, the fees paid to KPMG for the audit and interim review of the financial statements of the Group are RMB3.5 million.

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

Accountability and Audit

The Directors are responsible for overseeing the preparation of the financial statements which give a true and fair view of the state of affairs of the Group and of the results and cash flow during the reporting period. A statement from the auditors about their reporting responsibilities on the financial statements is set out on page 53 of this annual report. In preparing the financial statements for the year ended 31 December 2015, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis.

The Board acknowledges that it is responsible for maintaining effective and adequate risk management and internal control systems and reviewing their effectiveness. The Company also has an internal audit function which carries out the analysis and independent appraisal of the adequacy and effectiveness of the Group's risk management and internal control systems on an ongoing basis.

The Board has further reviewed the effectiveness of the risk management and internal control systems as well as the internal audit function of the Group effective during the year ended 31 December 2015, the practice of which is conducted at least on an annual basis, to ensure that a sound system is maintained and operated by the management in compliance with the agreed procedures and standards. The review covered all material controls, including financial, operational and compliance controls. The Board considers that the risk management and internal control systems of the Group are effective and adequate. In particular, the Board considered the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

Shareholders

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

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

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

The Board recognizes the importance of good communications with all shareholders. The Company's annual general meeting is a valuable forum for the Board to communicate directly with the shareholders. During the year ended 31 December 2015, the Company convened and held the 2015 annual general meeting on 28 May 2015. The Chairman of the Board as well as Chairmen of the Audit, Remuneration, Nomination and Corporate Governance Committees (or their duly appointed delegates) together with the external auditor were present to answer shareholders' questions. An annual general meeting circular which sets out relevant information of the proposed resolutions was distributed to all shareholders at least 20 clear business days before the annual general meeting. For the 2015 annual general meeting of the Company, the Chairman of the meeting demanded that all resolutions proposed at the meeting to be passed by poll. The procedures for conducting a poll were explained at the meeting. A total of seven ordinary resolutions, including considering the audited financial statements and the Reports of the Directors and Auditors for the year ended 31 December 2014 and approving the declaration of the final dividend for the year ended 31 December 2014, the re-election of directors, the re-appointment of the external auditors of the Company and the granting of general mandates to the directors to repurchase and to issue shares of the Company were passed at the 2015 annual general meeting. The results of the poll were published on the websites of the Company and the Stock Exchange. The 2016 annual general meeting of the Company will be held at Xiamen Suites I-II, 3/F Prince Hotel, Harbour City, Kowloon, Hong Kong on 3 June 2016 at 2:30 p.m..

During the year ended 31 December 2015, there has not been any change in the Company's memorandum and articles of association. The Company's memorandum and articles of association are available on the websites of the Company and the Stock Exchange.

The board of directors of the Company (the "Board") is pleased to present its report together with the audited financial statements of the Company and its subsidiaries (collectively, the "Group"), for the year ended 31 December 2015.

Principal Activities

The Company is an investment holding company. The principal activities of the Group are the manufacturing and sale of wood products, the provision of trademarks and distribution network, the trading of timber and wood products and the forestry management. The principal activities of the Company's major subsidiaries are set out in Note 15 to the financial statements.

Business Review

General

For the review of the business of the Group, the key financial performance indicators of the Group and an indication of likely future development in the Group's business, please refer to the section headed "Management Discussion and Analysis" on pages 4 to 26 of this report.

Principal risks and uncertainties facing the Group

The Group's principal business activities are mainly affected by the volatility and uncertainty of macro-economic conditions in Mainland China. The Group is also exposed to a variety of financial risks.

The financial risks of the Group include currency risk, interest rate risk, credit risk, liquidity risk and commodity price risk. These financial risks, and the related risk management policies and practices used by the Group are discussed in note 30 headed "Financial Risk Management and Fair Values" to the consolidated financial statements of this annual report.

Environmental policies and performance

In the aspect of environmental protection and sustainable development, the Group is committed to providing high quality and safe products to consumers, and has been organizing different environmental protection activities such as tree planting campaign. We believe that environmental protection is the basis for sustainable development of the Group. In the future, the Group will continue to fulfill its social responsibilities and make its contribution to environmental protection.

The Group continues to update the requirements of the relevant environmental laws and regulations applicable to it to ensure compliance. The Group does not produce material waste nor emit material quantities of pollutants during its production process. During the year under review, the Group has complied with the relevant environmental laws and regulations applicable to it in all material respects, including permit requirements.

Compliance with Laws and Regulations

The Group continues to update the requirement of the relevant laws and regulations in various countries, particularly in the PRC and Hong Kong, applicable to it to ensure compliance. Substantially a majority of the Group's assets are located in the PRC and the Group's revenue is mainly derived from operations in the PRC. During the year ended 31 December 2015, the Group complied with the relevant laws and regulations in various countries applicable to it in all material respects.

Account of the Group's key relationships

(i) Employees

The Group offers a comprehensive range of staff facilities and fringe benefits to attract, retain and motivate employees. Key personnel have been part of the management team since the inception of business.

(ii) Customers

We have successfully positioned our brand with consumers to represent high product quality and product safety as well as health and environmental awareness, which also reflect our core values. With the launch of our new "Nature + DFC" business model, we are dedicated to provide green home decoration solutions and services to our customers. The Group regards the safety of our products, high quality of service and interest of customers as our top priorities.

(iii) Distributors

The Group branded products are sold primarily to retail consumers in Mainland China through an extensive nationwide distribution network of exclusive distributors and retail stores. Out nationwide distribution network comprised over 4,000 retail stores. Our distribution network is closely managed and supported by our sales team with extensive experience in the industry. The Group recognizes the importance of building up a close and long-term business relationship with our distributors.

Final Dividend

The Board did not recommend any payment of final dividend for the year ended 31 December 2015.

Share Capital

Details of the Company's share capital are set out in Note 28 to the financial statements.

Purchase, Sale or Redemption of Securities

During the year ended 31 December 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Directors

The directors of the Company during the year were:

Executive Directors

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

In accordance with Article 84 of the articles of association of the Company, Mr. Se Hok Pan, Ms. Un Son I, Mr. Homer Sun and Mr. Chan Siu Wing, Raymond shall retire by rotation at the forthcoming annual general meeting and they, being eligible, offer themselves for re-election.

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

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

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

As at 31 December 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 Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") were as follows:

	Number of shares held			
Name of Director	**Personal Interest**	**Corporate Interest**	**Total**	**Percentage of shareholding**
Mr. Se Hok Pan	22,600,000 1,500,000 (Note 1) 24,100,000	679,168,000 (Note 2)	703,268,000	47.90%
Mr. Liang Zhihua	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 3)	Nil	4,677,900	0.32%
Professor Li Kwok Cheung, Arthur	1,000,000 (Note 1)	Nil	1,000,000	0.07%
Mr. Zhang Sen Lin	1,000,000 (Note 1)	Nil	1,000,000	0.07%
Mr. Chan Siu Wing, Raymond	1,000,000 (Note 1)	Nil	1,000,000	0.07%
Mr. Ho King Fung, Eric	1,000,000 (Note 1)	Nil	1,000,000	0.07%

Notes:

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

2. Amongst these 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.

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

4. All interest stated are long positions.

Equity-linked agreements

Other than the Pre-IPO Share Option Scheme and the Share Option Scheme as disclosed below, no equity-linked agreements were entered into by the Company during the year.

Share Option Schemes

Details of the Company's share option schemes are set out in Note 26 to the financial statements.

Pre-IPO Share Option Scheme

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

As at 31 December 2015, the maximum number of shares that may be issued pursuant to the options granted and outstanding under the Pre-IPO Share Option Scheme is 25,356,260 shares, representing approximately 1.73% of the issued share capital of the Company as at the date of this report.

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

For options granted on 17 December 2008

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

For options granted on 1 July 2010

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

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

The exercise price per share for options granted under the Pre-IPO Share Option Scheme was determined by the Board with reference to the then fair market price per share as determined by an independent valuer appointed by the Company, which shall be subject to adjustment in the event of any alteration to the capital structure of the Company. The consideration payable for the acceptance of each grant of options under the Pre-IPO Share Option Scheme was HK$1.00 (or the equivalent amount in RMB). Details of the share options movements during the year ended 31 December 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
Director of the Company							
Liang Zhihua (also the President)	17/12/2008	17/12/2008–16/12/2018	HK$2.35	576,780	—	—	576,780
	1/7/2010	1/7/2010–30/6/2020	HK$3.38	7,000,000	—	—	7,000,000
Teoh Chun Ming	17/12/2008	17/12/2008–16/12/2018	HK$2.35	1,677,900	—	—	1,677,900
	1/7/2010	1/7/2010–30/6/2020	HK$3.38	1,500,000	—	—	1,500,000
Former Director of the Company							
Nam Cheung Ming	17/12/2008	17/12/2008–16/12/2018	HK$2.35	1,887,640	—	—	1,887,640
Employees							
Employees	17/12/2008	17/12/2008–16/12/2018	HK$2.35	10,860,290	—	1,646,350	9,213,940
	1/7/2010	1/7/2010–30/6/2020	HK$3.38	3,500,000	—	—	3,500,000
Total				27,002,610	—	1,646,350	25,356,260

No option under the Pre-IPO Share Option Scheme has been granted or cancelled during the year ended 31 December 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 purpose of which is to incentivize and reward eligible persons for their contribution to the Group and to align their interests with that of the Company so as to encourage them to work towards enhancing the value of the Company. The rules of the Share Option Scheme were subsequently amended pursuant to a resolution of the Board on 28 November 2011. The Share Option Scheme shall be valid and effective for a period of 10 years commencing on the Listing Date, after which period no further options will be granted but the provisions of the Share Option Scheme will remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto. Eligible persons under the Share Option Scheme include, among others, employees, directors, customers, business or joint venture partners, advisors, consultant, contractor, suppliers, agents or service providers of the Group and their respective full-time employees.

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

As at 31 December 2015, the total number of shares which may be issued on the exercise of options to be granted under the Share Option Scheme is 123,977,739, representing approximately 8.44% of the issued share capital of the Company as at the date of this report. In addition, no options shall be granted under the Share Option Scheme to any eligible person which, if exercised, would result in such eligible person becoming entitled to subscribe for such number of shares as, when aggregated with the total number of shares already issued or to be issued to him under all options granted to him (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of offer, exceeds 1% of the shares in issue at such date.

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

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

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

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

(iii) the nominal value of the shares.

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

Details of the share options movements during the year ended 31 December 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 year	Exercised during the year	Lapsed during the year	Granted during the year	No. of shares involved in the options outstanding at year end
Directors						
Se Hok Pan	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
Employees						
Employees	4 January 2012	43,000,000	—	—	—	43,000,000
	8 October 2013	29,100,000	—	6,300,000	—	22,800,000
Total		97,100,000	—	6,300,000	—	90,800,000

Notes:

1. For options granted on 4 January 2012, they shall be vested and become exercisable upon the third anniversary of the date of grant. Vested options shall be exercisable until the expiry of a ten-year period from the date of grant. Grantees of such options are entitled to exercise the options at an exercise price of HK$1.45 per share.

2. For options granted on 8 October 2013, they shall be vested and become exercisable upon the third anniversary of the date of grant. Vested options shall be exercisable until the expiry of a ten-year period from the date of grant. Grantees of such options are entitled to exercise the options at an exercise price of HK$1.61 per share.

During the year ended 31 December 2015, no option has been granted under the Share Option Scheme. No option has been cancelled or lapsed during the year ended 31 December 2015.

Rights to Acquire the Company's Securities

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

Directors' Interests in Transactions, Arrangements and Contracts of Significance

No transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, its holding company or any of its subsidiaries or fellow subsidiaries was a party and in which a director of the Company and/or any of its connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Interests in Competing Business

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

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2015.

Permitted Indemnity Provision

Pursuant to the Articles of Association of the Company, the Directors, secretary and other officers of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they may incur or sustain in the execution of their duty. The Company has taken out and maintained directors' and officers' liability insurance throughout the year, which provides appropriate cover the certain legal actions brought against its directors and officers.

Substantial Shareholders

As at 31 December 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.

Save as disclosed above, the Directors are not aware that there is any party who, as at 31 December 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.

Pre-Emptive Rights

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

Five Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 137 to 138 of this annual report.

Bank and Other Loans

Particulars of bank and other loans of the Group as at 31 December 2015 are set out in Note 25 to the financial statements.

Major Customers and Suppliers

The percentage of revenue attributable to the Group's five largest customers was less than 30% of the Group's total revenue for the year ended 31 December 2015. Purchases of raw materials attributable to the Group's five largest suppliers amounted to less than 30% of the Group's total cost of sales for the year ended 31 December 2015.

Emolument Policy

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

Employee Retirement Benefits

During the year ended 31 December 2015, the Company has complied, in all material respects, with relevant PRC labour laws and regulations, including contributing to employee retirement benefit schemes, medical and social security insurance schemes and housing provident fund. In Hong Kong, the Company has participated in a mandatory provident fund scheme for its employees in Hong Kong in accordance with applicable Hong Kong laws and regulations.

Donation

During the year ended 31 December 2015, the Group made a charitable donation amounting to RMB5,450,000.

Sufficiency of Public Float

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

Audit Committee

The Audit Committee has reviewed the accounting principles and policies adopted by the Group and discussed the Group's internal controls and financial reporting matters with the management. The Audit Committee has reviewed the audited financial statements of the Group for the financial year ended 31 December 2015.

Auditors

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

On behalf of the Board

Se Hok Pan
Chairman

Hong Kong, 29 March 2016

KPMG

Independent auditor's report to the shareholders of Nature Home Holding Company Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Nature Home Holding Company Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 55 to 136, which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015 and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants

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

29 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2015
(Expressed in Renminbi)

	Note	2015 RMB'000	2014 RMB'000
Revenue	3	**2,012,092**	1,979,285
Cost of sales		**(1,443,634)**	(1,359,662)
Gross profit		**568,458**	619,623
Other income	4(a)	**29,695**	16,579
Net change in fair value of biological assets	14	**(225,928)**	(144,349)
Distribution costs		**(342,561)**	(307,659)
Administrative expenses		**(189,401)**	(193,596)
Other operating expenses	4(b)	**(26,610)**	(10,438)
Loss from operations		**(186,347)**	(19,840)
Finance income		**4,944**	5,128
Finance costs		**(66,966)**	(24,764)
Net finance costs	5(a)	**(62,022)**	(19,636)
Loss before taxation	5	**(248,369)**	(39,476)
Income tax	6(a)	**(20,898)**	(33,766)
Loss for the year		**(269,267)**	(73,242)
Attributable to:			
Equity shareholders of the Company		**(267,742)**	(75,356)
Non-controlling interests		**(1,525)**	2,114
Loss for the year		**(269,267)**	(73,242)
Loss per share (RMB):			
Basic and diluted	9	**(0.182)**	(0.051)

The notes on pages 63 to 136 form part of these financial statements. Details of dividends payable to equity shareholders of the Company are set out in note 29(i).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015
(Expressed in Renminbi)

	Note	2015 RMB'000	2014 RMB'000
Loss for the year		**(269,267)**	(73,242)
Other comprehensive income for the year	10		
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of the financial statements of entities not using RMB as functional currency		**34,569**	3,375
Available-for-sale securities: net movement in the fair value reserve		**5,969**	—
Total comprehensive income for the year		**(228,729)**	(69,867)
Attributable to:			
Equity shareholders of the Company		**(229,830)**	(72,040)
Non-controlling interests		**1,101**	2,173
Total comprehensive income for the year		**(228,729)**	(69,867)

The notes on pages 63 to 136 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015
(Expressed in Renminbi)

	Note	2015 RMB'000	2014 RMB'000
Non-current assets			
Investment properties	11	**47,630**	49,139
Other property, plant and equipment	11	**643,617**	604,118
Intangible assets	12	**16,268**	21,255
Lease prepayments	13	**137,119**	139,201
Biological assets	14	**134,432**	361,258
Interest in an associate		**19**	—
Other non-current financial assets	16	**90,295**	33,351
Deposits, prepayments and other receivables	19	**60,992**	82,596
Deferred tax assets	27(c)	**20,963**	28,459
		1,151,335	1,319,377
Current assets			
Inventories	17	**467,064**	543,991
Trade and bills receivables	18	**791,919**	713,201
Deposits, prepayments and other receivables	19	**165,978**	172,553
Financial assets at fair value through profit or loss	20	**54,392**	32,500
Pledged deposits	21	**111,499**	133,654
Cash and cash equivalents	22	**602,825**	472,749
		2,193,677	2,068,648
Current liabilities			
Trade and bills payables	23	**284,150**	272,018
Deposits received, accruals and other payables	24	**249,031**	260,836
Bank loans	25	**541,918**	394,206
Current taxation	27(a)	**11,106**	20,096
		1,086,205	947,156
Net current assets		**1,107,472**	1,121,492
Total assets less current liabilities		**2,258,807**	2,440,869

The notes on pages 63 to 136 form part of these financial statements.

At 31 December 2015
(Expressed in Renminbi)

	Note	2015 RMB'000	2014 RMB'000
Non-current liabilities			
Bank loans	25	**35,040**	9,000
Deferred tax liabilities	27(c)	**11,054**	12,186
		46,094	21,186
NET ASSETS		**2,212,713**	2,419,683
CAPITAL AND RESERVES			
Share capital	28	**9,596**	9,596
Reserves	29	**2,150,591**	2,393,116
Total equity attributable to equity shareholders of the Company		**2,160,187**	2,402,712
Non-controlling interests		**52,526**	16,971
TOTAL EQUITY		**2,212,713**	2,419,683

Approved and authorised for issue by the board of directors on 29 March 2016.

Se Hok Pan
Chairman and Executive Director

Liang Zhihua
President and Executive Director

The notes on pages 63 to 136 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company										
	Share capital RMB'000 (Note 28)	Share premium RMB'000 (Note29(d))	Capital redemption reserve RMB'000 (Note 29(e))	Statutory surplus reserve RMB'000 (Note29(a))	Exchange reserve RMB'000 (Note 29(b))	Fair value reserve RMB'000 (Note29(f))	Other reserves RMB'000 (Note29(c))	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2015	9,596	1,126,254	84	177,825	(43,684)	—	66,644	1,065,993	2,402,712	16,971	2,419,683
Changes in equity for 2015											
Loss for the year	—	—	—	—	—	—	—	(267,742)	(267,742)	(1,525)	(269,267)
Other comprehensive income	—	—	—	—	31,943	5,969	—	—	37,912	2,626	40,538
Total comprehensive income	—	—	—	—	31,943	5,969	—	(267,742)	(229,830)	1,101	(228,729)
Dividends approved in respect of the previous year (note 29(i))	—	(15,958)	—	—	—	—	—	—	(15,958)	—	(15,958)
Transfer to statutory surplus reserve	—	—	—	5,370	—	—	—	(5,370)	—	—	—
Equity settled share-based transactions (note 26)	—	—	—	—	—	—	3,263	—	3,263	—	3,263
Share options forfeited during the year (note 26)	—	—	—	—	—	—	(1,273)	1,273	—	—	—
Contribution from a non-controlling interests holder	—	—	—	—	—	—	—	—	—	34,454	34,454
As at 31 December 2015	9,596	1,110,296	84	183,195	(11,741)	5,969	68,634	794,154	2,160,187	52,526	2,212,713

The notes on pages 63 to 136 form part of these financial statements.

For the year ended 31 December 2015
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company									
	Share capital RMB'000 (Note 28)	Share premium RMB'000 (Note 29(d))	Capital redemption reserve RMB'000 (Note 29(e))	Statutory surplus reserve RMB'000 (Note 29(a))	Exchange reserve RMB'000 (Note 29(b))	Other reserves RMB'000 (Note 29(c))	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2014	9,680	1,171,469	—	171,343	(47,000)	50,126	1,147,464	2,503,082	10,445	2,513,527
Changes in equity for 2014										
Loss for the year	—	—	—	—	—	—	(75,356)	(75,356)	2,114	(73,242)
Other comprehensive income	—	—	—	—	3,316	—	—	3,316	59	3,375
Total comprehensive income	—	—	—	—	3,316	—	(75,356)	(72,040)	2,173	(69,867)
Purchase of own shares										
— par value paid	(84)	—	—	—	—	—	—	(84)	—	(84)
— premium paid	—	(15,665)	—	—	—	—	—	(15,665)	—	(15,665)
— transfer between reserves	—	(84)	84	—	—	—	—	—	—	—
Dividends approved in respect of the previous year (note 29(i))	—	(29,466)	—	—	—	—	—	(29,466)	—	(29,466)
Transfer to statutory surplus reserve	—	—	—	6,482	—	—	(6,482)	—	—	—
Equity settled share-based transactions (note 26)	—	—	—	—	—	16,885	—	16,885	—	16,885
Share options forfeited during the year (note 26)	—	—	—	—	—	(367)	367	—	—	—
Contribution from a non-controlling interests holder	—	—	—	—	—	—	—	—	5,000	5,000
Dividends declared to non-controlling interests holder	—	—	—	—	—	—	—	—	(647)	(647)
As at 31 December 2014	9,596	1,126,254	84	177,825	(43,684)	66,644	1,065,993	2,402,712	16,971	2,419,683

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2015
(Expressed in Renminbi)

	Note	2015 RMB'000	2014 RMB'000
Operating activities			
Loss before taxation		**(248,369)**	(39,476)
Adjustments for:			
Net change in fair value of biological assets	14	**225,928**	144,349
Net finance costs		**62,022**	19,636
Equity settled share-based payment transactions		**3,263**	16,885
Depreciation of property, plant and equipment		**67,983**	56,167
Amortisation of lease prepayments in respect of land use rights		**2,082**	1,645
Net loss on disposal of other property, plant and equipment		**739**	5,484
Amortisation of intangible assets		**2,597**	2,451
Impairment losses for available-for-sale unlisted equity securities (reversed)/recognised		**(2,030)**	2,522
Net loss on disposal of a subsidiary	4(b)	**—**	1,147
Impairment loss of other property, plant and equipment		**14,795**	—
Change in fair value of financial assets at fair value through profit or loss		**(1,752)**	—
Changes in working capital:			
Decrease/(increase) in inventories		**88,109**	(117,353)
Increase in trade and bills receivables		**(78,718)**	(20,394)
Decrease in deposits, prepayments and other receivables		**8,728**	3,722
Increase in trade and bills payables		**12,132**	130,233
(Decrease)/increase in deposits received, accruals and other payables		**(16,929)**	4,960
Cash generated from operations		**140,580**	211,978
The People's Republic of China (the "PRC") income tax paid		**(25,615)**	(44,190)
Non-PRC income tax paid		**(3,625)**	(1,246)
Net cash generated from operating activities		**111,340**	166,542

The notes on pages 63 to 136 form part of these financial statements.

For the year ended 31 December 2015
(Expressed in Renminbi)

	Note	2015 RMB'000	2014 RMB'000
Investing activities			
Interest received		**4,944**	5,128
Proceeds from disposal of other property, plant and equipment and intangible assets		**14,523**	22,627
Payment for acquisition of other property, plant and equipment		**(115,110)**	(174,031)
Payment for acquisition of intangible assets		**(660)**	(7,085)
Lease prepayments for land use rights		**(13,468)**	(65,077)
Net cash inflow from acquisition of a subsidiary		**—**	522
Payment for acquisition of other financial assets		**(45,619)**	(31,077)
Payment for interest in an associate		**(19)**	—
Net cash used in investing activities		**(155,409)**	(248,993)
Financing activities			
Proceeds from bank loans		**470,527**	320,541
Repayment of bank loans		**(296,775)**	(38,537)
Collection of deposits placed with banks for loans and borrowings		**133,654**	97,878
Dividends paid		**(15,958)**	(29,466)
Interest paid	5(a)	**(23,790)**	(12,230)
Purchase of own shares		**—**	(15,749)
Deposits placed with banks for loans and borrowings		**(111,499)**	(133,654)
Purchase of financial assets at the fair value through profit or loss		**(20,140)**	(32,500)
Payment of capital from non-controlling interests		**34,454**	—
Net cash generated from financing activities		**170,473**	156,283
Net increase in cash and cash equivalents		**126,404**	73,832
Cash and cash equivalents at 1 January		**472,749**	399,133
Effect of foreign exchange rate changes		**3,672**	(216)
Cash and cash equivalents at 31 December	22	**602,825**	472,749

The notes on pages 63 to 136 form part of these financial statements.

1 Significant Accounting Policies

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2015 comprise the Company and its subsidiaries and the Group's interest in an associate.

As at 31 December 2015, the Company's current liabilities exceeded its current assets by RMB302,804,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern and, therefore, that the Company may be unable to realise its assets and discharge its liabilities in the normal course of business. Most of the PRC subsidiaries of the Company are generating positive profits and the Company is able to control the timing of dividend distribution of these PRC subsidiaries in order to improve the liquidity position. Accordingly, the financial statement of the Company has been prepared on a going concern basis. Should the Company be unable to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts and to provide for any further liabilities which might arise. The effect of these adjustments has not been reflected in the financial statement of the Company.

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

- biological assets (see note 1(k));
- financial assets at fair value through profit or loss (see note 1(n)(i)); and
- available-for-sale equity securities (see note 1(f))

1 Significant Accounting Policies (Continued)

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

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

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

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

(c) *Changes in accounting policies*

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

- Amendments to IAS 19, Employee benefits: Defined benefit plans: Employee contributions
- Annual Improvements to IFRSs 2010–2012 Cycle
- Annual Improvements to IFRSs 2011–2013 Cycle

These amendments do not have an impact on the Group's financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(Expressed in Renminbi unless otherwise indicated)

1 Significant Accounting Policies (Continued)

(d) Subsidiaries and non-controlling interests

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

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

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

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

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss.

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

1 Significant Accounting Policies (Continued)

(e) Associates

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

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

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

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

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(n)).

(Expressed in Renminbi unless otherwise indicated)

1 Significant Accounting Policies (Continued)

(f) Investments in equity securities

The Group's and the Company's policies for investments in equity securities, other than investments in subsidiaries and associates, are as follows:

Investments in 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. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. 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. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 1(l)).

When the investments are derecognised or impaired (see note 1(l)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the group commits to purchase/sell the investments or they expire.

(g) Investment properties

Investment properties are properties held to earn rental income and/or for capital appreciation. Investment properties are accounted for using the cost model and stated in the statement of financial position at cost less accumulated depreciation, amortisation and impairment losses (see note 1(l)). The cost of investment property, less its estimated residual value and accumulated impairment losses, is depreciated or amortised using the straight-line method over its estimated useful life.

The estimated useful lives of investment properties are as follows:

• Land use right	45 years
• Buildings	30 years

1 Significant Accounting Policies (Continued)

(h) Other property, plant and equipment

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

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(t)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values, if any, using the straight-line basis over their estimated useful lives, and is recognised in profit or loss. Land in Peru is not amortised.

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

- Buildings and plant — 20–30 years
- Machinery and equipment — 5–10 years
- Motor vehicles — 5 years
- Office equipment and furniture — 3–5 years
- Leasehold improvements are depreciated over the shorter of their estimated useful lives, being 3 years from the date of completion, and the unexpired terms of the lease.

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

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

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

(Expressed in Renminbi unless otherwise indicated)

1 Significant Accounting Policies (Continued)

(i) Intangible assets

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

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

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

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

Both the period and the method of amortisation are reviewed annually.

(j) Lease prepayments

Lease prepayments represent cost of land use rights paid to the PRC government authorities. Land use rights are stated at cost less accumulated amortisation and impairment losses (see note 1(l)). Amortisation is recognised in profit or loss on a straight-line basis over the respective period of rights which are 34 to 50 years.

(k) Biological assets

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

1 Significant Accounting Policies (Continued)

(l) Impairment of assets

(i) Impairment of interest in an associate, available-for-sale unlisted equity securities and other receivables

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

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

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

- For interest in an associate accounted for under the equity method in the consolidated financial statements (see note 1(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(l)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(l)(ii).
- For unlisted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for unlisted equity securities carried at cost are not reversed.
- For trade and other receivables carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

1 Significant Accounting Policies (Continued)

(l) Impairment of assets (Continued)

(i) Impairment of interest in an associate, available-for-sale unlisted equity securities and other receivables (Continued)

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

For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

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

(ii) Impairment of other assets

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

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

1 Significant Accounting Policies (Continued)

(l) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

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

- **Calculation of recoverable amount**

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

- **Recognition of impairment losses**

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

- **Reversals of impairment losses**

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

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

(iii) Interim financial reporting and impairment

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

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

(Expressed in Renminbi unless otherwise indicated)

1 Significant Accounting Policies (Continued)

(l) Impairment of assets (Continued)

(iii) Interim financial reporting and impairment (Continued)

Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

(m) Inventories

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

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

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

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

(n) Financial instruments

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

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

Financial assets at fair value through profit or loss are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. Any income earned on these financial assets is recognised in profit or loss.

(ii) Non-derivative financial assets and financial liabilities

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

(i) Trade and other receivables

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

1 Significant Accounting Policies (Continued)

(n) *Financial instruments (Continued)*

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

(ii) Cash and cash equivalents

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

(iii) Interest-bearing borrowings

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

(iv) Trade and other payables

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

(o) *Employee benefits*

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

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

(ii) Share-based payments

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

(Expressed in Renminbi unless otherwise indicated)

1 Significant Accounting Policies (Continued)

(o) Employee benefit (Continued)

(ii) Share-based payments (Continued)

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

(p) Income tax

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

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

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

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

(Expressed in Renminbi unless otherwise indicated)

1 Significant Accounting Policies (Continued)

(p) *Income tax (Continued)*

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

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

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

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

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

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

  - the same taxable entity; or

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

(q) *Financial guarantees issued, provisions and contingent liabilities*

(i) Financial guarantees issued

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

(Expressed in Renminbi unless otherwise indicated)

1 Significant Accounting Policies (Continued)

(q) Financial guarantees issued, provisions and contingent liabilities (Continued)

(i) Financial guarantees issued (Continued)

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

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

(ii) Other provisions and contingent liabilities

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

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

(r) Revenue recognition

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

(Expressed in Renminbi unless otherwise indicated)

1 Significant Accounting Policies (Continued)

(r) Revenue recognition (Continued)

(i) Sale of goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

(ii) Trademark and distribution network usage fees

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

(iii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset.

(iv) Interest income

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

(v) Government grants

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

(s) Translation of foreign currencies

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

1 Significant Accounting Policies (Continued)

(s) Translation of foreign currencies (Continued)

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

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

(t) Borrowing costs

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

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

(u) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

(v) Related parties

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

1 Significant Accounting Policies (Continued)

(v) Related parties (Continued)

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

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

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

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

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

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

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

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

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the group's parent.

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

(w) Segment reporting

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

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

(Expressed in Renminbi unless otherwise indicated)

2 Significant Accounting Judgements and Estimates

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

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

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

(i) Depreciation

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

(ii) Impairments

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

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

(iii) Net realisable value of inventories

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

2 Significant Accounting Judgements and Estimates (Continued)

(iv) Income taxes

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

(v) Fair value of biological assets

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

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, trading of timber and wood products and forestry management.

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

	2015	2014
	RMB'000	RMB'000
Manufacturing and sale of wood products	**1,371,540**	1,408,479
Provision of trademark and distribution network	**203,177**	199,466
Trading of timber and wood products	**431,166**	362,672
Forestry management	**6,209**	8,668
	2,012,092	1,979,285

The Group's customer base is diversified and none of the customers of the Group with whom transactions exceeded 10% of the Group's aggregate revenue for the year ended 31 December 2015 (2014: Nil). Details of concentrations of credit risk arising from customers are set out in note 30(a).

(Expressed in Renminbi unless otherwise indicated)

3 Revenue and Segment Reporting (Continued)

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

(b) *Segment reporting*

The Group manages its business by different lines of businesses and geographical locations. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following four (2014: four) reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Manufacturing and sale of wood products: this segment manufactures and sells wood products.
- Provision of trademark and distribution network: this segment generates fees income from products manufactured by authorised manufacturers which sell products under the Group's trademarks and distribution network.
- Trading of timber and wood products: this segment trades timber and wood products.
- Forestry management: this segment operates forestry assets including harvest and sale of timber and wood products.

(i) Segment results, assets and liabilities

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

Segment assets include all tangible, intangible assets and current assets with the exception of cash and cash equivalents, pledged deposits, interest in an associate, other non-current financial assets, deferred tax assets and other corporate assets. Segment liabilities include trade creditors, accruals and bills payables attributable to the individual segments managed directly by the segments.

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, impairment of other property, plant and equipment and net impairment losses reversed/(recognised) for trade receivables 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.

3 Revenue and Segment Reporting (Continued)

(b) *Segment reporting (Continued)*

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2015 and 2014 is set out below:

	Manufacturing and sale of wood products		Provision of trademark and distribution network		Trading of timber and wood products		Forestry management		Total	
	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 (note 3(a))	**1,371,540**	1,408,479	**203,177**	199,466	**431,166**	362,672	**6,209**	8,668	**2,012,092**	1,979,285
Inter-segment revenue	**35,032**	26,286	**—**	—	**40,252**	42,097	**9,929**	3,064	**85,213**	71,447
Reportable segment revenue	**1,406,572**	1,434,765	**203,177**	199,466	**471,418**	404,769	**16,138**	11,732	**2,097,305**	2,050,732
Reportable segment result	**104,781**	120,989	**23,337**	60,600	**3,806**	20,716	**(282,308)***	(167,175)*	**(150,384)**	35,130
Depreciation and amortisation for the year	**(37,909)**	(26,347)	**—**	—	**(2,269)**	(2,288)	**(3,441)**	(4,461)	**(43,619)**	(33,096)
Impairment of other property, plant and equipment	**(1,977)**	—	**—**	—	**—**	—	**(12,818)**	—	**(14,795)**	—
Net impairment losses reversed/(recognised) for trade receivables during the year	**16,531**	(2,180)	**(6,813)**	—	**(13,686)**	1,306	**—**	—	**(3,968)**	(874)
Reportable segment assets	**1,824,845**	1,736,323	**126,314**	136,399	**892,291**	813,400	**200,180**	457,747	**3,043,630**	3,143,869
Reportable segment liabilities	**477,726**	458,173	**—**	—	**1,249,315**	1,150,896	**229,473**	203,265	**1,956,514**	1,812,334

* The amounts included net change in fair value of biological assets recognised in profit or loss for the year.

(Expressed in Renminbi unless otherwise indicated)

3 Revenue and Segment Reporting (Continued)

(b) *Segment reporting (Continued)*

(ii) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	2015 RMB'000	2014 RMB'000
Revenue		
Reportable segment revenue	**2,097,305**	2,050,732
Elimination of inter-segment revenue	**(85,213)**	(71,447)
Consolidated revenue (note 3(a))	**2,012,092**	1,979,285
Profit		
Reportable segment result	**(150,384)**	35,130
Elimination of inter-segment profits	**(16,735)**	(10,165)
Reportable segment result derived from external customers	**(167,119)**	24,965
Other income	**29,695**	16,579
Other operating expenses	**(11,815)**	(10,438)
Depreciation and amortisation	**(29,043)**	(27,167)
Net finance costs	**(62,022)**	(19,636)
Unallocated head office and corporate expenses	**(8,065)**	(23,779)
Consolidated loss before taxation	**(248,369)**	(39,476)

(Expressed in Renminbi unless otherwise indicated)

3 Revenue and Segment Reporting (Continued)

(b) *Segment reporting (Continued)*

(ii) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities (Continued)

	2015 RMB'000	2014 RMB'000
Assets		
Reportable segment assets	**3,043,630**	3,143,869
Elimination of inter-segment balances	**(362,664)**	(211,954)
Elimination of receivables from corporate headquarters	**(267,057)**	(279,178)
	2,413,909	2,652,737
Cash and cash equivalents	**602,825**	472,749
Pledged deposits	**111,499**	133,654
Interest in an associate	**19**	—
Other non-current financial assets	**90,295**	33,351
Deferred tax assets	**20,963**	28,459
Unallocated head office and corporate assets	**105,502**	67,075
Consolidated total assets	**3,345,012**	3,388,025

	2015 RMB'000	2014 RMB'000
Liabilities		
Reportable segment liabilities	**1,956,514**	1,812,334
Elimination of inter-segment balances	**(362,664)**	(211,954)
Elimination of payables to corporate headquarters	**(1,118,118)**	(1,095,083)
	475,732	505,297
Banks loans	**576,958**	403,206
Current taxation	**11,106**	20,096
Deferred tax liabilities	**11,054**	12,186
Unallocated head office and corporate liabilities	**57,449**	27,557
Consolidated total liabilities	**1,132,299**	968,342

(Expressed in Renminbi unless otherwise indicated)

3 Revenue and Segment Reporting (Continued)

(b) Segment reporting (Continued)

(iii) 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 other property, plant and equipment, lease prepayments, investment properties, intangible assets, biological assets and interest in an associate ("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 other 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 and interest in an associate.

	Revenue from external customers		Specified non-current assets	
	2015 RMB'000	2014 RMB'000	**2015 RMB'000**	2014 RMB'000
The PRC, Hong Kong and Macau	**1,684,942**	1,716,943	**776,765**	825,143
Peru	**78,058**	57,795	**200,570**	349,770
USA	**249,092**	204,547	**1,750**	58
	2,012,092	1,979,285	**979,085**	1,174,971

(Expressed in Renminbi unless otherwise indicated)

4 Other Income/Other Operating Expenses

(a) Other income

	2015 RMB'000	2014 RMB'000
Government grants (i)	**11,153**	12,096
Rental income from operating leases		
— investment properties	**1,000**	798
— machineries	**7,298**	4,435
Net loss on disposal of other property, plant and equipment	**—**	(5,484)
Change in fair value of financial assets at fair value through profit or loss (note 20)	**1,752**	—
Others	**8,492**	4,734
	29,695	16,579

(i) Government grants for the year ended 31 December 2015 mainly represented unconditional cash awards granted by the government authorities in the PRC.

(b) Other operating expenses

	2015 RMB'000	2014 RMB'000
Impairment losses for available-for-sale unlisted equity securities (reversed)/recognised (note 16(a))	**(2,030)**	2,522
Net loss on disposal of other property, plant and equipment	**739**	—
Net loss on disposal of a subsidiary	**—**	1,147
Donations	**5,450**	1,635
Impairment loss of other property, plant and equipment (note 11)	**14,795**	—
Others	**7,656**	5,134
	26,610	10,438

(Expressed in Renminbi unless otherwise indicated)

5 Loss Before Taxation

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

(a) Finance income and finance costs

	2015 RMB'000	2014 RMB'000
Interest income on bank deposits	**(4,944)**	(5,128)
Finance income	**(4,944)**	(5,128)
Interest expense on bank loans	**23,790**	12,230
Net foreign exchange loss	**43,176**	12,534
Finance costs	**66,966**	24,764
Net finance costs recognised in profit or loss	**62,022**	19,636

(b) Staff costs

	2015 RMB'000	2014 RMB'000
Salaries, wages and other benefits	**226,363**	209,560
Contributions to defined contribution retirement plan	**9,824**	8,103
Equity settled share-based payment expenses (note 26)	**3,263**	16,885
	239,450	234,548

The employees of the companies in mainland China participate in a defined contribution retirement scheme operated by the local government authorities whereby the Group is required to contribute to the scheme at rate of 10% to 22% of the eligible employees' basic salary. The local government authorities are responsible for the entire pension obligations payable to the retired employees.

Contributions to the Mandatory Provident Fund ("MPF") are required under the Hong Kong Mandatory Provident Fund Schemes Ordinance. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000 (HK$25,000 prior to June 2014).

In accordance with the general regime of The Social Security System, which enrolls Macao SAR residents in, employees and employers are required to make obligatory contribution to the Social Security Fund. The current contribution amounts for long-term employee are 45 MOP per month (the employer's portion: 30 MOP; the employee's portion: 15 MOP), paid on a quarterly basis, i.e. for the preceding quarter paid in January, April, July and October.

(Expressed in Renminbi unless otherwise indicated)

5 Loss Before Taxation (Continued)

(c) Other items

	Note	2015 RMB'000	2014 RMB'000
Cost of inventories*	17	**1,438,202**	1,354,889
Impairment losses recognised/(reversed)			
— trade and other receivables	18(b)	**3,968**	874
— available-for-sale unlisted equity securities	16(a)	**(2,030)**	2,522
— other property, plant and equipment	11	**14,795**	—
Depreciation	11	**67,983**	56,167
Amortisation			
— lease prepayments	13	**2,082**	1,645
— intangible assets	12	**2,597**	2,451
Net loss on disposal of other property, plant and equipment		**739**	5,484
Operating lease charges: minimum lease payments		**22,359**	18,156
Auditors' remuneration			
— audit services		**4,151**	4,114

* For the year ended 31 December 2015, cost of inventories includes RMB141,009,000 (2014: RMB118,799,000) relating to staff costs, depreciation and operating lease charges, amounts of which are also included in the respective total amounts disclosed separately above or in note 5(b) for each of these types of expenses.

6 Income Tax in the Consolidated Statement of Profit or Loss

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

	2015 RMB'000	2014 RMB'000
Current tax		
Provision for PRC income tax (note 27(a))	**26,355**	41,423
Withholding tax on dividend declared and paid from the subsidiary in PRC (note 27(a))	**2,500**	—
Provision for Hong Kong Profits tax (note 27(a))	**44**	—
Provision for income tax from subsidiaries in other jurisdictions (note 27(a))	**350**	1,913
Over-provision in respect of prior years (i)	**(8,999)**	—
	20,250	43,336
Deferred tax		
Origination and reversal of temporary differences (note 27(b))	**648**	(9,570)
	20,898	33,766

(i) The over provision mainly represented the reversal of income tax accrual. In 2013, the Group obtained one-off government compensation but the Group had not yet obtained the approval for tax exemption. As a result, an income tax expense of RMB6,727,000 was recognised. During the year ended 31 December 2015, the Group obtained the final approval for tax exemption and the income tax expense was reversed accordingly.

(Expressed in Renminbi unless otherwise indicated)

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

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

	2015 RMB'000	2014 RMB'000
Loss before taxation	**(248,369)**	(39,476)
Notional tax on profit/(loss) before taxation, calculated at the rates applicable to the jurisdictions concerned (i)	**(15,004)**	8,728
Tax effect of non-deductible expenses (ii)	**28,923**	32,898
Tax effect of non-taxable income	**(1,975)**	(335)
Over-provision in respect of prior years	**(8,999)**	—
Tax effect of un-recognised tax losses	**15,796**	395
Withholding tax on dividend declared and paid from the subsidiary in PRC	**2,500**	—
Utilisation of previously unrecognised tax losses	**(343)**	(7,920)
Income tax expense	**20,898**	33,766

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

The Group's subsidiaries incorporated in the USA were subject to federal income tax at progressive rates from 15% to 35% and state income tax for the years ended 31 December 2015 and 2014.

The Group's subsidiaries incorporated in Hong Kong were subject to Hong Kong Profits Tax rate of 16.5% for the years ended 31 December 2015 and 2014.

The Group's subsidiaries incorporated in Macau were subject to Macau Complementary Tax. The provision for Macau Complementary Tax for the years ended 31 December 2015 and 2014 is calculated at the rate of 12%, of which assessable profits of the first MOP300,000 is exempted from tax.

The Group's subsidiaries incorporated in Peru were subject to income tax rates from 5% to 30% for the years ended 31 December 2015 and 2014.

The statutory income tax rate applicable to the Group's subsidiaries in mainland China is 25% for the years ended 31 December 2015 and 2014.

(Expressed in Renminbi unless otherwise indicated)

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

(b) *Reconciliation between tax expense and accounting loss at applicable tax rates:* *(Continued)*

(ii) For the year ended 31 December 2015, the tax effect of non-deductible expenses mainly include losses from change in fair value of biological assets (note 14) recorded by Jiangxi Yingran Forest Development Co., Ltd ("Jiangxi Forest"). According to relevant Corporate Income Tax Law in the PRC, income derived from projects in the forestry industry is exempted from income tax.

7 Directors' Emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Sub-total RMB'000	Equity settled share-based payment (note) RMB'000	2015 Total RMB'000
Executive directors							
Mr. Se Hok Pan	—	521	2,447	—	2,968	3	2,971
Ms. Un Son I	—	451	1,780	—	2,231	3	2,234
Mr. She Jian Bin	—	508	370	7	885	3	888
Mr. Liang Zhihua	—	244	773	—	1,017	26	1,043
Non-executive directors							
Mr. Homer Sun	—	—	—	—	—	—	—
Mr. Teoh Chun Ming	167	—	—	—	167	3	170
Independent non-executive directors							
Professor Li Kwok Cheung, Arthur	167	—	—	—	167	2	169
Mr. Zhang Sen Lin	167	—	—	—	167	2	169
Mr. Chan Siu Wing, Raymond	167	—	—	—	167	2	169
Mr. Ho King Fung, Eric	167	—	—	—	167	2	169
	835	1,724	5,370	7	7,936	46	7,982

(Expressed in Renminbi unless otherwise indicated)

7 Directors' Emoluments (Continued)

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Sub-total RMB'000	Equity settled share-based payment (Note) RMB'000	2014 Total RMB'000
Executive directors							
Mr. Se Hok Pan	—	537	2,272	—	2,809	238	3,047
Ms. Un Son I	—	604	1,509	—	2,113	238	2,351
Mr. She Jian Bin	—	576	256	7	839	238	1,077
Mr. Liang Zhihua	—	233	728	—	961	2,383	3,344
Non-executive directors							
Mr. Homer Sun	—	—	—	—	—	—	—
Mr. Teoh Chun Ming	158	—	—	—	158	238	396
Independent non-executive directors							
Professor Li Kwok Cheung, Arthur	158	—	—	—	158	159	317
Mr. Zhang Sen Lin	158	—	—	—	158	159	317
Mr. Chan Siu Wing, Raymond	158	—	—	—	158	159	317
Mr. Ho King Fung, Eric	158	—	—	—	158	238	396
	790	1,950	4,765	7	7,512	4,050	11,562

Note:

These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 1(o)(ii) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting.

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share option scheme" in the directors' report and note 26.

8 Individual with Highest Emoluments

Of the five individuals with the highest emoluments, four (2014: three) are directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other one (2014: two) individual are as follows:

	2015 RMB'000	2014 RMB'000
Salaries and other emoluments	**1,388**	1,573
Equity settled share-based payment	**3**	2,911
Retirement contributions scheme	**14**	16
	1,405	4,500

The emoluments of the one (2014: two) individual with the highest emoluments are within the following bands:

	Number of individuals	
HKD	**2015**	2014
1,500,001–2,000,000	**1**	1
3,500,001–4,000,000	**—**	1

9 Loss Per Share

(a) Basic loss per share

The calculation of basic loss per share is based on the loss for the year attributable to equity shareholders of the Company of RMB267,742,000 (2014: RMB75,356,000) and the weighted average of 1,468,238,000 ordinary shares (2014: 1,472,127,000) in issue, calculated as follows:

Weighted average number of ordinary shares

	2015 '000	2014 '000
Issued ordinary shares at 1 January	**1,468,238**	1,481,824
Effect of repurchase and cancellation of own shares	**—**	(9,697)
Weighted average number of ordinary shares at 31 December	**1,468,238**	1,472,127

(Expressed in Renminbi unless otherwise indicated)

9 Loss Per Share (Continued)

(b) *Diluted loss per share*

For the years ended 31 December 2015 and 2014, the effect of the Company's outstanding share options was anti-dilutive. Therefore, diluted loss per share were the same as the basic loss per share.

10 Other Comprehensive Income

Tax effects relating to each component of other comprehensive income

	2015			2014		
	Before-tax amount RMB'000	**Tax expense RMB'000**	**Net-of tax amount RMB'000**	Before-tax amount RMB'000	Tax expense RMB'000	Net-of tax amount RMB'000
Exchange differences on translation of the financial statements of entities not using RMB as functional currency	**34,569**	**—**	**34,569**	3,375	—	3,375
Available-for-sale securities: net movement in fair value reserve	**11,277**	**(5,308)**	**5,969**	—	—	—
Other comprehensive income	**45,846**	**(5,308)**	**40,538**	3,375	—	3,375

11 Investment Properties, Other Property, Plant and Equipment

(a) Reconciliation of carrying amount

	Land, buildings and plant RMB'000	Leasehold improvements RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Office equipment and furniture RMB'000	Construction in progress RMB'000	Sub-total RMB'000	Investment properties RMB'000	Total RMB'000
Cost:									
At 1 January 2014	226,416	15,481	304,286	23,742	14,558	85,987	670,470	—	670,470
Additions	42,797	1,118	55,316	2,003	6,018	77,809	185,061	—	185,061
Additions through acquisition of a subsidiary	—	—	—	—	16	13,384	13,400	—	13,400
Transfer from construction in progress	44,225	—	93,035	—	414	(137,674)	—	—	—
Exchange adjustments	(472)	—	(1,639)	(175)	(183)	(49)	(2,518)	—	(2,518)
Disposals	(8,197)	(5,994)	(20,298)	(8,784)	(953)	(947)	(45,173)	—	(45,173)
Transfer to investment properties	(39,882)	—	—	—	—	—	(39,882)	39,882	—
Transfer from lease prepayments to investment properties	—	—	—	—	—	—	—	17,442	17,442
At 31 December 2014	264,887	10,605	430,700	16,786	19,870	38,510	781,358	57,324	838,682
At 1 January 2015	264,887	10,605	430,700	16,786	19,870	38,510	781,358	57,324	838,682
Additions	9,689	1,699	26,382	5,808	2,728	93,268	139,574	—	139,574
Transfer from construction in progress	7,146	—	26,703	—	1,714	(35,563)	—	—	—
Exchange adjustments	(2,228)	13	(4,628)	(837)	(32)	(212)	(7,924)	—	(7,924)
Disposals	(1,684)	(787)	(13,962)	(3,020)	(97)	—	(19,550)	—	(19,550)
At 31 December 2015	277,810	11,530	465,195	18,737	24,183	96,003	893,458	57,324	950,782
Accumulated depreciation:									
At 1 January 2014	25,147	9,530	92,264	9,430	8,103	—	144,474	—	144,474
Charge for the year	11,379	3,750	35,249	1,881	2,600	—	54,859	1,308	56,167
Exchange adjustments	(33)	—	(219)	(42)	(8)	—	(302)	—	(302)
Disposals	(2,798)	(5,810)	(5,296)	(2,488)	(670)	—	(17,062)	—	(17,062)
Transfer to investment properties	(4,729)	—	—	—	—	—	(4,729)	4,729	—
Transfer from lease prepayments to investment properties	—	—	—	—	—	—	—	2,148	2,148
At 31 December 2014	28,966	7,470	121,998	8,781	10,025	—	177,240	8,185	185,425
At 1 January 2015	28,966	7,470	121,998	8,781	10,025	—	177,240	8,185	185,425
Charge for the year	18,626	2,566	38,665	3,183	3,434	—	66,474	1,509	67,983
Exchange adjustments	(127)	—	(806)	(216)	(181)	—	(1,330)	—	(1,330)
Disposals	(94)	—	(6,024)	(788)	(432)	—	(7,338)	—	(7,338)
At 31 December 2015	47,371	10,036	153,833	10,960	12,846	—	235,046	9,694	244,740
Impairment loss:									
At 1 January 2015	—	—	—	—	—	—	—	—	—
Charge for the year	6,877	—	7,225	235	458	—	14,795	—	14,795
At 31 December 2015	6,877	—	7,225	235	458	—	14,795	—	14,795
Net book value:									
At 31 December 2015	223,562	1,494	304,137	7,542	10,879	96,003	643,617	47,630	691,247
At 31 December 2014	235,921	3,135	308,702	8,005	9,845	38,510	604,118	49,139	653,257

(Expressed in Renminbi unless otherwise indicated)

11 Investment Properties, Other Property, Plant and Equipment (Continued)

(a) Reconciliation of carrying amount (Continued)

As at 31 December 2015, certain buildings and plants with carrying value of RMB20,885,000 were pledged to secure the Group's bank loans (2014: RMB22,162,000) (note 25(i)).

(b) Assets leased out under operating leases

During the year ended 31 December 2015 and 2014, the Group leased out a land use right, certain buildings (classified as investment properties) and 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 RMB7,500,000 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. RMB9,000,000 (2014:RMB7,500,000) of rentals were recognised by the Group for the year ended 31 December 2015.

The Group's investment properties are accounted for using the cost model. The valuation for investment properties was arrived at by considering the income derived from the existing tenancies and the reversionary potential of the properties. The fair value of the Group's investment properties is not materially different from the carrying amounts as at 31 December 2015 and 2014.

(c) Impairment loss

In July 2012, the Group leased out a plant and a number of machines of a subsidiary to a third party. As at 31 December 2015, the Group assessed the recoverable amounts of these plant and machines. As a result, the carrying amount of these assets was written down to their recoverable amount of RMB836,000. An impairment loss of RMB1,977,000 was recognised in "Other operating expenses".

Due to the Group's change of strategy, Nature America S.A.C., which is the subsidiary of the Group, will cease business in 2016. The Group assessed the recoverable amounts of the plant and a number of machines. As a result the carrying amount of these assets was written down to their recoverable amount of RMB5,166,000. An impairment loss of RMB12,818,000 was recognised in "Other operating expenses".

(Expressed in Renminbi unless otherwise indicated)

12 Intangible Assets

	Patents and trademark RMB'000	Computer Software RMB'000	Total RMB'000
Cost:			
At 1 January 2014	13,563	8,048	21,611
Additions	1,367	5,718	7,085
At 31 December 2014	14,930	13,766	28,696
At 1 January 2015	14,930	13,766	28,696
Additions	—	660	660
Disposal	—	(3,050)	(3,050)
At 31 December 2015	14,930	11,376	26,306
Accumulated amortisation:			
At 1 January 2014	3,306	1,684	4,990
Charge for the year	1,492	959	2,451
At 31 December 2014	4,798	2,643	7,441
At 1 January 2015	4,798	2,643	7,441
Charge for the year	1,572	1,025	2,597
At 31 December 2015	6,370	3,668	10,038
Net book value:			
At 31 December 2015	8,560	7,708	16,268
At 31 December 2014	10,132	11,123	21,255

The amortisation charge of intangible assets for the year is included in "administrative expenses" in the consolidated statements of profit or loss.

(Expressed in Renminbi unless otherwise indicated)

13 Lease Prepayments

	Land use rights RMB'000
Cost:	
At 1 January 2014	61,878
Additions	51,777
Additions through acquisition of a subsidiary	47,435
Transfer to investment properties	(17,442)
At 31 December 2014, 1 January 2015 and 31 December 2015	143,648
Accumulated amortisation:	
At 1 January 2014	4,950
Amortisation for the year	1,645
Transfer to investment properties	(2,148)
At 31 December 2014	4,447
At 1 January 2015	4,447
Amortisation for the year	2,082
At 31 December 2015	6,529
Net book value:	
At 31 December 2015	137,119
At 31 December 2014	139,201

Lease prepayments represent the Group's land use rights on leasehold land located in the PRC. At 31 December 2015, the remaining period of the land use rights ranges from 32 to 49 years (2014: 33 to 50 years).

As at 31 December 2015, lease prepayments with net book value of RMB 71,225,000 were pledged for bank loans (2014: RMB71,775,000) (note 25 (i)).

The amortisation charge of lease prepayments for the year is included in "cost of sales" and "administrative expenses".

14 Biological Assets

(a) Reconciliation of carrying amount

	Standing timber RMB'000
Balance at 1 January 2014	518,555
Net change in fair value less estimated costs to sell	(144,349)
Harvested timber transferred to inventories	(14,005)
Effect of movements in exchange rate	1,057
Balance at 31 December 2014	361,258
Balance at 1 January 2015	361,258
Net change in fair value less estimated costs to sell	(225,928)
Harvested timber transferred to inventories	(11,182)
Effect of movements in exchange rate	10,284
Balance at 31 December 2015	134,432

As at 31 December 2015 and 2014, the Group's biological assets represent the following concession rights:

- harvest standing timber in 46,345 hectares of natural forest in Peru Yurimaguas for a period up to 2045;
- harvest standing timber in 91,157 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 year 2060 or 2078; and
- harvest standing timber in 3,705 hectares of natural forest in Yunnan Yingjiang for a period through the year 2041 or 2042.

During the year ended 31 December 2015, 16,807 and nil cubic meters of timbers in Peru and Yunnan, respectively, were harvested (2014: 38,659 and 16,394 cubic meters, respectively).

(Expressed in Renminbi unless otherwise indicated)

14 Biological Assets (Continued)

(b) *Measurement of fair values*

(i) Fair value hierarchy

The fair value measurement for standing timber has been categorised as Level 3 valuations (fair value measured using significant unobservable inputs) under the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The fair value of the standing timber as at the end of each reporting period and the fair value of harvested timber transferred to inventories during the year were determined by an external independent valuer engaged by the Group. The valuation reports with analysis of changes in fair value measurement are prepared by the valuer at annual reporting date, and are reviewed and approved by the management.

(ii) Level 3 fair values

The following table shows 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	**(11,182)**	(14,005)
Included in "Net change in fair value of biological assets"		
— change in fair value (unrealised)	**(225,928)**	(144,349)
Included in other comprehensive income		
— effect of movements in exchange rate	**10,284**	1,057
Balance at 31 December	**134,432**	361,258

During the years ended 31 December 2015 and 2014, there were no transfers into or out of Level 3.

(Expressed in Renminbi unless otherwise indicated)

14 Biological Assets (Continued)

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

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

Valuation technique	Significant inputs	Inter-relationship between key inputs and fair value measurement
Discounted cash flow: The valuation model considers the present value of the net cash flows expected to be generated by the standing timber. The cash flow projections include specific estimates for the periods as disclosed in note 14(a). The expected net cash flows are discounted using risk-adjusted discount rates.	Standing timber in Peru Yurimaguas: • Estimated future timber market prices per stere (USD130–USD232) (2014: USD156–USD232) • Estimated yields per hectare (7–14 cubic meters) (2014: average 14 cubic meters) • Estimated harvest and transportation costs per stere (average USD89) (2014: USD90) • Risk-adjusted discount rate (12%) (2014: 12%) Standing timber in Peru Sepahua: • Estimated future timber market prices per stere (USD83–USD258) (2014: USD83–USD258) • Estimated yields per hectare (3–14 cubic meters) (2014: average 30 cubic meters) • Estimated harvest and transportation costs per stere (average USD76) (2014: USD94) • Risk-adjusted discount rate (12%) (2014: 12%) Standing timber in Yunnan Ninglang: • Estimated future timber market prices per stere (RMB460–RMB1,260) (2014: RMB600–RMB1,200) • Estimated yields per hectare (187 cubic meters) (2014: 90–240 cubic meters) • Estimated harvest and transportation costs per stere (RMB343) (2014: RMB363–RMB541) • Risk-adjusted discount rate (11.5%) (2014: 11.5%) Standing timber in Yunnan Yingjiang: • Estimated future timber market prices per stere (RMB460–RMB1,000) (2014: RMB580–RMB1,050) • Estimated yields per hectare (76 cubic meters) (2014: average 115 cubic meters) • Estimated harvest and transportation costs per stere (RMB370) (2014: RMB450–RMB583) • Risk-adjusted discount rate (11.5%) (2014: 11.5%)	The estimated fair value would increase (decrease) if: • the estimated timber prices per stere were higher (lower); • the estimated yields per hectare were higher (lower); • the estimated harvest and transportation costs were lower (higher); or • the risk-adjusted discount rates were lower (higher).

(Expressed in Renminbi unless otherwise indicated)

14 Biological Assets (Continued)

(c) Risk management strategy related to agricultural activities

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

Regulatory and environmental risks

The Group is subject to laws and regulations in Peru and the PRC. The forest protection project launched by the PRC government may affect the harvesting volume of the Group's forestry assets in the PRC. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

Supply and demand risk

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

Climate and other risks

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

(d) Net change in fair value of biological assets

The decrease in fair value of biological assets during the year ended 31 December 2015 was mainly attributable to following factors:

(i) An increased allowance for uncertainty over the entitlement to harvest part of the resource that is located in Yunnan. With the ban on commercial logging of state-owned natural forests and the imminent ban on logging of collective-owned and privately owned natural forests in the PRC, the contribution from natural forest harvests will diminish in the next few years. It has become more restrictive on the annual allowable cut ("AAC") quotas and logging of the natural forests or commercial components within natural forests.

(Expressed in Renminbi unless otherwise indicated)

14 Biological Assets (Continued)

(d) Net change in fair value of biological assets (Continued)

(ii) A more cautionary approach to the future expansion in harvest in the Peruvian concessions. Such expansion depends not only on escalating the activities in the forests, but also an expansion of the Group's processing plants to which all of the forests' output is supplied.

There has been no harvesting in the Peru Yurimaguas concession during the year ended 31 December 2015. Furthermore, the Group's management has not decided their intention to reinitiate harvesting activities in 2016. Part of the machinery complement from Peru Yurimaguas has been transferred to the Peru Sepahua concession.

The Group's management has concluded that it will be a better near-term strategy to purchase wood instead of using the plant in producing lower value domestic grade plywood in Peru Yurimaguas.

(iii) The production costs was increased in the Peruvian concessions. It has been based on a more detailed analysis of equipment operating costs and reference to the costs incurred in other tropical concessions internationally.

15 Investments in Subsidiaries

The following list contains only the particulars of major subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

			Proportion of ownership interest			
Name of company	Place of incorporation/ establishment and business	Particulars of issued and paid-up capital	Group's effective interest	Held by the company	Held by a subsidiary	Principal activity
Guangdong Yingran Wood Industry Co., Ltd. 廣東盈然木業有限公司 (i)	the PRC	USD9,000,000	100%	—	100%	Wood flooring manufacturing
Nature (Zhongshan) Wood Industry Co., Ltd. 中山市大自然木業有限公司 (i)	the PRC	USD7,650,000	100%	—	100%	Wood Flooring manufacturing
Yingyi-Nature (Kunshan) Wood Industry Co., Ltd. 昆山盈意大自然木業有限公司 (i)	the PRC	USD9,600,000	100%	—	100%	Wood flooring manufacturing
Taizhou Nature Home Co., Ltd. 泰州大自然家居有限公司(i)	the PRC	USD14,800,000	100%	—	100%	Wood flooring manufacturing

(Expressed in Renminbi unless otherwise indicated)

15 Investments in subsidiaries (Continued)

Name of company	Place of incorporation/ establishment and business	Particulars of issued and paid-up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the company	Proportion of ownership interest: Held by a subsidiary	Principal activity
Jiangxi Yingran Wood Industry Co., Ltd. 江西盈然地板有限公司 (i)	the PRC	USD10,000,000	100%	—	100%	Floorboard manufacturing
Jiangxi Yiangran Forest Development Co.,Ltd 江西盈然林業有限公司 (i)	the PRC	USD5,000,000	100%	—	100%	Forestry management
Nature Home (China) Co., Ltd 大自然家居 (中國) 有限公司 (i)	the PRC	RMB50,000,000	100%	—	100%	Trading of wood products
Nature Desenberg (Taizhou) Wood Industry Co.,Ltd 泰州大自然德森堡木業有限公司 (i)	the PRC	USD12,000,000	100%	—	100%	Research, development, manufacturing and sale of wood doors
Jiang Xi Nature Home Co., Ltd 江西省大自然家居有限公司 (i)	the PRC	USD200,000	100%	—	100%	Trading of wood cores and wood flooring
Grace Glory Limited 悅亮有限公司	Hong Kong	HKD2	100%	—	100%	Investment holding
Mico Incorporation Limited 民廣有限公司	Macau	USD4,000,000	65%	—	65%	Investment holding and trading of flooring products
Nature America S.A.C.	Peru	PEN500,000	100%	—	100%	Strategic raw materials purchases, plantation business and trading of wood flooring
Contrato De Compra Venta De Peruvian Flooring S.A.C.	Peru	PEN10,000	100%	—	100%	Trading of flooring products
Nuevo San Martin S.A.C.	Peru	PEN19,205	100%	—	100%	Extraction and sales of timber and forest operations
Homefloor Max Inc.	USA	USD4,000,000	65%	—	65%	Trading of flooring products
The Nature US Corporation	USA	USD8,000,000	65%	—	65%	Trading of cabinets

15 Investments in Subsidiaries (Continued)

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

(ii) The official names of companies in (i) above are in Chinese. The English translation of these companies' names is for reference only.

The directors consider that no individual non-controlling interest is material to the Group as at 31 December 2015 and 2014.

16 Other Non-Current Financial Assets

	2015 RMB'000	2014 RMB'000
— Unlisted (note16 (a))	**10,604**	33,351
— Listed (note16 (b))	**79,691**	—
	90,295	33,351

(a) Available-for-sale unlisted equity securities

	2015 RMB'000	2014 RMB'000
Unlisted investments, at cost	**21,500**	46,277
Less: impairment losses	**(10,896)**	(12,926)
	10,604	33,351

The impairment losses for available-for-sale unlisted equity securities were measured as the difference between the carrying amount of the investment cost and the estimated fair value less costs of disposal.

(Expressed in Renminbi unless otherwise indicated)

16 Other Non-Current Financial Assets (Continued)

(b) *Available-for-sale listed equity securities*

	2015 RMB'000	2014 RMB'000
Listed in China (i)	**25,045**	—
Listed in Germany (ii)	**41,388**	—
Change in fair value recognised in other comprehensive income	**11,277**	—
Effect of movements in exchange rate	**1,981**	—
	79,691	—

The accounting policy for available-for-sale equity securities is described in note 1(f).

(i) During the year ended 31 December 2015, the shares of Zhejiang Yongyu Bamboo Joint-stock Company Limited ("浙江永裕竹業股份有限公司"), a 14.15% equity investment of the Group, was listed on the National Equities Exchange and Quotations in the PRC. The entity is principally engaged in the business of manufacturing bamboo flooring. The investment was transferred from available-for-sale unlisted equity security to available-for-sale listed equity security during the year ended 31 December 2015.

(ii) During the year ended 31 December 2015, the Company acquired 6,875,000 shares, representing approximately 9.09% of the enlarged issued share capital of ALNO AG ("ALNO"). The shares of ALNO is listed on the Frankfurt Stock Exchange. The entity is principally engaged in the development, building and sale of kitchen furniture and accessories.

(iii) The fair value measurement for available-for-sale 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 year ended 31 December 2015, there were no transfers between Level 2 and Level 3, or transfer into or out of Level 1.

17 Inventories

	2015 RMB'000	2014 RMB'000
Raw materials	**81,720**	109,749
Work in progress	**52,194**	43,503
Finished goods	**293,110**	363,065
Spare parts and consumables	**40,040**	27,674
	467,064	543,991

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

	2015 RMB'000	2014 RMB'000
Carrying amount of inventories sold	**1,404,750**	1,351,745
Write down of inventories	**33,452**	3,144
	1,438,202	1,354,889

18 Trade and Bills Receivables

	2015 RMB'000	2014 RMB'000
Trade debtors	**583,476**	652,760
Bills receivables	**243,092**	91,122
Less: allowance for doubtful debts (note 18(b))	**(34,649)**	(30,681)
	791,919	713,201

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

Note: As at 31 December 2015, trade debtors of RMB185,800,000 (2014: RMB185,800,000) and bills receivables of RMB30,000,000 (2014: RMB20,000,000) were pledged to a bank to secure banking facilities obtained by the Group (note 25(i)).

(Expressed in Renminbi unless otherwise indicated)

18 Trade and Bills Receivables (Continued)

(a) Ageing analysis

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

	2015 RMB'000	2014 RMB'000
Within 1 month	**268,049**	288,306
1 to 3 months	**161,773**	210,447
3 to 6 months	**201,298**	141,551
6 to 12 months	**134,735**	53,077
More than 12 months	**26,064**	19,820
	791,919	713,201

Trade debtors and bills receivables are due within 30 to 180 days from the date of billing. Further details on the Group's credit policy are set out in note 30(a).

(b) Impairment of trade debtors and bills receivables

Impairment losses in respect of trade debtors and bills receivables 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 receivables directly (note 1(l)(i)).

The movement in the allowance for doubtful debts during the year is as follows:

	2015 RMB'000	2014 RMB'000
Balance at 1 January	**30,681**	29,807
Impairment loss	**26,117**	18,698
Reversal of impairment loss	**(22,149)**	(17,824)
Balance at 31 December	**34,649**	30,681

As at 31 December 2015, the Group's trade receivables of RMB38,132,000 (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 RMB34,649,000 as at 31 December 2015 were recognised (2014: RMB30,681,000).

18 Trade and Bills Receivables (Continued)

(c) *Trade debtors and bills receivables that are not impaired*

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

	2015 RMB'000	2014 RMB'000
Neither past due nor impaired	**414,695**	585,851
Less than 3 months past due	**145,342**	69,072
More than 3 months but less than 12 months past due	**210,973**	45,590
More than 12 months past due	**17,426**	9,380
	373,741	124,042
	788,436	709,893

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default. Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on 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.

19 Deposits, Prepayments and Other Receivables

	2015 RMB'000	2014 RMB'000
Deposits	**15,036**	19,778
Prepayments for purchase of raw materials	**49,531**	45,398
Prepayments for purchase of plant and equipment	**34,224**	69,296
Lease prepayments	**26,768**	13,300
Value added tax deductible	**31,482**	43,439
Other prepayments and receivables	**69,929**	63,938
	226,970	255,149

(Expressed in Renminbi unless otherwise indicated)

19 Deposits, Prepayments and Other Receivables (Continued)

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

	2015 RMB'000	2014 RMB'000
Non-current	**60,992**	82,596
Current	**165,978**	172,553
	226,970	255,149

All of the deposits, prepayments and other receivables, apart from those classified as non-current portion and certain deposits of RMB7,209,000 (2014:RMB7,869,000), are expected to be recovered or recognised as expense within one year.

20 Financial Assets at Fair Value Through Profit or Loss

As at 31 December 2015, the Group held investment in a wealth management product issued by China Merchants Bank in the PRC with principal amount of RMB52,640,000 (2014: RMB32,500,000). The wealth management product will mature on 11 June 2016. Based on the agreement, the expected yield is ranged from 2.75% to 4.1% per annum which is linked to London Gold Market Index during the investment period. The principal amount of the product will be fully paid back at maturity day. Based on the PMFixing price of gold on the London Bullion Market Association from China Merchants Bank and the applicable yield rate, the fair value of the wealth management product was determined as RMB54,392,000 (2014: RMB32,500,000) as at 31 December 2015.

Change in fair value of financial assets at fair value through profit or loss amounted to RMB1,752,000 (2014: Nil) was credited to profit or loss account for the year ended 31 December 2015.

As at 31 December 2015, this wealth management product has been pledged to a bank to secure banking facilities obtained by the Group (note 25(i)).

(Expressed in Renminbi unless otherwise indicated)

21 Pledged Deposits

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

	2015 RMB'000	2014 RMB'000
Bank loans (note 25 (i))	**73,000**	73,000
Others	**38,499**	60,654
	111,499	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.

22 Cash and Cash Equivalents

	2015 RMB'000	2014 RMB'000
Cash at bank and on hand	**602,825**	472,749

At 31 December 2015, cash and cash equivalents placed with banks in mainland China amounted to RMB515,377,000 (2014: RMB371,502,000). Remittance of funds out of mainland China is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

23 Trade and Bills Payables

	2015 RMB'000	2014 RMB'000
Trade creditors	**210,853**	223,779
Bills payables	**73,297**	48,239
	284,150	272,018

(Expressed in Renminbi unless otherwise indicated)

23 Trade and Bills Payables (Continued)

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

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

	2015 RMB'000	2014 RMB'000
Within 1 month	**110,022**	152,730
1 to 3 months	**84,174**	84,241
3 to 6 months	**64,720**	18,480
6 to 12 months	**11,737**	15,369
1 to 2 years	**13,497**	1,198
	284,150	272,018

24 Deposits Received, Accruals and Other Payables

	2015 RMB'000	2014 RMB'000
Payables for purchase of property, plant and equipment	**6,277**	30,073
Advanced payments and deposits received from customers	**71,401**	65,971
Accrued staff costs	**39,148**	35,814
Value added tax, business tax and consumption tax payable	**26,400**	19,957
Accrued transportation fees	**16,260**	13,350
Other payables and accruals	**89,545**	95,671
	249,031	260,836

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

25 Bank Loans

An analysis of secured and unsecured bank loans is as follows:

	2015 RMB'000	2014 RMB'000
Current:		
Secured (note (i))	**357,093**	258,787
Unsecured	**184,825**	135,419
	541,918	394,206
Non-current:		
Secured (note (i))		
Repayable over 5 years	**35,040**	9,000
	576,958	403,206

Notes:

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

	2015 RMB'000	2014 RMB'000
Pledged deposits (note 21)	**73,000**	73,000
Other property, plant and equipment (note 11)	**20,885**	22,162
Lease prepayments (note 13)	**71,225**	71,775
Trade debtors and bills receivables (note 18)	**215,800**	205,800
Financial assets at fair value through profit or loss (note 20)	**54,392**	32,500
	435,302	405,237

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

(iii) The unutilised banking facilities as at 31 December 2015 amounted to RMB208,817,000 (2014: RMB485,733,000).

(Expressed in Renminbi unless otherwise indicated)

26 Equity Settled Share-Based Transactions

The Company has two share option schemes which were adopted on 16 December 2008 ("Pre-IPO Plan") and 3 May 2011 ("Post-IPO Plan") respectively whereby the directors of the Company are authorised at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up share options at a consideration of HKD1 to the subscribe for shares of the Company. Each option entitles the option holders to subscribe one ordinary share of the Company.

(a) The terms and conditions of the grants are as follows:

Plans	**Date of grant**	**Batch**	**Numbers of options granted**	**Vesting period**	**Exercise price (HKD)**	**Contractual life of options**	**Remaining contractual life**
Options granted to employees:							
Pre-IPO Plan	17 December 2008	Batch 1	2,512,301	17 December 2008 to 30 December 2008	2.35	10 year	2.96 years
	17 December 2008	Batch 2	2,512,301	17 December 2008 to 30 December 2009	2.35	10 year	2.96 years
	17 December 2008	Batch 3	5,024,602	17 December 2008 to 30 December 2011	2.35	10 year	2.96 years
	17 December 2008	Batch 4	7,536,903	17 December 2008 to 30 December 2012	2.35	10 year	2.96 years
	17 December 2008	Batch 5	7,536,903	17 December 2008 to 30 December 2013	2.35	10 year	2.96 years
	01 July 2010	Batch 6	1,200,000	1 July 2010 to 30 December 2010	3.38	10 year	4.5 years
	01 July 2010	Batch 7	3,600,000	1 July 2010 to 30 December 2011	3.38	10 year	4.5 years
	01 July 2010	Batch 8	3,600,000	1 July 2010 to 30 December 2012	3.38	10 year	4.5 years
	01 July 2010	Batch 9	3,600,000	1 July 2010 to 30 December 2013	3.38	10 year	4.5 years
Post-IPO Plan	04 January 2012	Batch 10	58,000,000	4 January 2012 to 4 January 2015	1.45	10 year	6.02 years
	08 October 2013	Batch 11	31,500,000	8 October 2013 to 8 October 2016	1.61	10 year	7.78 years
Options granted to directors:							
Post-IPO Plan	04 January 2012	Batch 10	10,000,000	4 January 2012 to 4 January 2015	1.45	10 year	6.02 years
		Total	136,623,010				

(Expressed in Renminbi unless otherwise indicated)

26 Equity Settled Share-Based Transactions (Continued)

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

	2015 Weighted average exercise price HKD	2015 Number of options '000	2014 Weighted average exercise price HKD	2014 Number of options '000
Outstanding at the beginning of the year	**1.78**	**124,103**	1.78	126,828
Forfeited during the year	**1.70**	**(7,946)**	1.70	(2,725)
Outstanding at the end of the year	**1.78**	**116,157**	1.78	124,103
Exercisable at the end of the year	**1.83**	**93,356**	2.81	27,002

27 Income Tax in the Consolidated Statement of Financial Position

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

	2015 RMB'000	2014 RMB'000
At 1 January	**20,096**	22,196
Provision for PRC income tax (note 6(a))	**26,355**	41,423
Withholding tax on dividend declared and paid from the subsidiary in PRC(note 6(a))	**2,500**	—
Provision for Hong Kong Profits tax (note 6(a))	**44**	—
Provision for income tax from subsidiaries in other jurisdictions (note 6(a))	**350**	1,913
Over-provision in respect of prior years	**(8,999)**	—
PRC income tax paid	**(25,615)**	(44,190)
Income tax paid by subsidiaries in other jurisdictions	**(3,625)**	(1,246)
At 31 December	**11,106**	20,096

(Expressed in Renminbi unless otherwise indicated)

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

(b) *Deferred tax assets and liabilities recognised:*

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

	Write-downs of inventories RMB'000	Impairment of receivables RMB'000	Impairment of available-for-sale unlisted equity securities RMB'000	Unused tax losses RMB'000	Unrealised profit in inventories RMB'000	Capitalised borrowing cost RMB'000	Change in fair value of available-for-sales listed equity securities RMB'000	Change in fair value of financial assets at fair value through profit or loss RMB'000	Change in fair value of biological assets RMB'000	Total RMB'000
Balance as at 1 January 2014	5,314	7,079	2,601	3,280	2,910	(541)	—	—	(13,880)	6,763
Charged/(credited) to profit or loss	113	1,206	631	5,643	(318)	45	—	—	2,250	9,570
Credited to exchange reserve	—	—	—	—	—	—	—	—	(60)	(60)
Balance as at 31 December 2014	5,427	8,285	3,232	8,923	2,592	(496)	—	—	(11,690)	16,273
Balance as at 1 January 2015	**5,427**	**8,285**	**3,232**	**8,923**	**2,592**	**(496)**	**—**	**—**	**(11,690)**	**16,273**
Charged/(credited) to profit or loss	**83**	**(2,502)**	**(508)**	**(6,181)**	**1,612**	**44**	**—**	**(438)**	**7,242**	**(648)**
Other Comprehensive income	**—**	**—**	**—**	**—**	**—**	**—**	**(5,308)**	**—**	**—**	**(5,308)**
Credited to exchange reserve	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(408)**	**(408)**
Balance as at 31 December 2015	**5,510**	**5,783**	**2,724**	**2,742**	**4,204**	**(452)**	**(5,308)**	**(438)**	**(4,856)**	**9,909**

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

(c) *Reconciliation to the consolidated statement of financial position*

	2015 RMB'000	2014 RMB'000
Net deferred tax assets recognised on the consolidated statement of financial position	**20,963**	28,459
Net deferred tax liabilities recognised on the consolidated statement of financial position	**(11,054)**	(12,186)
	9,909	16,273

(d) *Deferred tax assets not recognised*

No deferred tax assets have been recognised in respect of unused tax losses from certain subsidiaries as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. As at the end of the reporting period, unused tax losses that:

	2015 RMB'000	2014 RMB'000
Expire by		
31 December 2015	**—**	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	**26,922**	—
Sub-total	**68,631**	43,695
Unexpired under current tax legislation	**108,299**	75,079
Total	**176,930**	118,774

(Expressed in Renminbi unless otherwise indicated)

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

(e) Deferred tax liabilities not recognised

At 31 December 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 except for those distributed during the year ended 31 December 2015. The amounts of undistributed profit of the Company's subsidiaries are set out below:

	2015 RMB'000	2014 RMB'000
Distributable profits earned by PRC subsidiaries on or after 1 January 2008	**1,149,463**	1,144,070
Distributable profits earned by Peru subsidiaries	**21,891**	107,848
Total	**1,171,354**	1,251,918

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%. During the year, the PRC subsidiary declared and paid RMB50,000,000 (2014: Nil) to its holding company in Hong Kong. Accordingly, a withholding tax of RMB2,500,000 was charged for the year ended 31 December 2015 (2014: Nil).

28 Share Capital

(a) Authorised

	As at 1 January 2014, 31 December 2014, 1 January 2015 and 31 December 2015	
	Number of shares	**Nominal value of shares** USD'000
Ordinary shares of USD0.001 each	4,000,000,000	4,000

28 Share Capital (Continued)

(b) Issued and fully paid

	Ordinary shares		
	Number of ordinary shares	**Nominal value of fully paid ordinary shares** USD'000	**Nominal value of fully paid ordinary shares** RMB'000
As at 1 January 2014	1,481,823,990	1,482	9,680
Repurchase and cancellation of own shares	(13,586,000)	(14)	(84)
As at 31 December 2014, 1 January 2015 and 31 December 2015	1,468,237,990	1,468	9,596

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

(Expressed in Renminbi unless otherwise indicated)

29 Reserves

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

	Share capital RMB'000 (Note 28)	Share premium RMB'000 (Note 29(d))	Fair value reserve RMB'000 (Note 29(f))	Capital redemption reserve RMB'000 (Note 29(e))	Exchange reserve RMB'000 (Note 29(b))	Other reserves RMB'000 (Note 29(c))	Accumulated losses RMB'000	Total equity RMB'000
At 31 December 2014 and 1 January 2015	9,596	1,126,254	—	84	(129,017)	383,947	(70,924)	1,319,940
Changes in equity for the year ended 31 December 2015								
Loss for the year	—	—	—	—	—	—	(7,639)	(7,639)
Other comprehensive income	—	—	(9,954)	—	80,341	—	—	70,387
Total comprehensive income	—	—	(9,954)	—	80,341	—	(7,639)	62,748
Dividends approved in respect of the previous year (note 29(i))	—	(15,958)	—	—	—	—	—	(15,958)
Equity settled share-based transactions (note 26)	—	—	—	—	—	3,263	—	3,263
Share options forfeited during the year	—	—	—	—	—	(1,273)	1,273	—
At 31 December 2015	9,596	1,110,296	(9,954)	84	(48,676)	385,937	(77,290)	1,369,993

(Expressed in Renminbi unless otherwise indicated)

29 Reserves (Continued)

	Share capital	Share premium	Capital redemption reserve	Exchange reserve	Other reserves	Accumulated losses	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 28)	(Note 29(d))	(Note 29(e))	(Note 29(b))	(Note 29(c))		
At 1 January 2014	9,680	1,171,469	—	(133,033)	367,429	(47,766)	1,367,779
Changes in equity for the year ended 31 December 2014							
Loss for the year	—	—	—	—	—	(23,525)	(23,525)
Other comprehensive income	—	—	—	4,016	—	—	4,016
Total comprehensive income	—	—	—	4,016	—	(23,525)	(19,509)
Repurchase and cancelled share							
— par value paid	(84)	—	—	—	—	—	(84)
— premium paid	—	(15,665)	—	—	—	—	(15,665)
— transfer between reserves	—	(84)	84	—	—	—	—
Dividends approved in respect of the previous year (note 29(i))	—	(29,466)	—	—	—	—	(29,466)
Equity settled share-based transactions (note 26)	—	—	—	—	16,885	—	16,885
Share options forfeited during the year	—	—	—	—	(367)	367	—
At 31 December 2014	9,596	1,126,254	84	(129,017)	383,947	(70,924)	1,319,940

(Expressed in Renminbi unless otherwise indicated)

29 Reserves (Continued)

(a) *Statutory surplus reserve*

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

The statutory reserve can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase capital of the subsidiary, provided that the balance after such issue is not less than 25% of its registered capital.

(ii) The Macau Commercial Code requires that a company should set aside a minimum of 25% of the company's profit after taxation to the legal reserve until the balance of the reserve reaches 50% of the company's paid-in capital. The reserve can be utilised to offset accumulated losses, if any, and for capitalisation issue.

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

(b) *Exchange reserve*

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

(c) *Other reserves*

Other reserves comprise the following:

	2015 **RMB'000**	2014 RMB'000
Equity settled share-based transactions (note)	**67,939**	65,949
Capital contributions	**596**	596
Arising from reorganisation	**99**	99
	68,634	66,644

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

29 Reserves (Continued)

(d) Share premium

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

(e) Capital redemption reserve

Capital redemption reserve represents the nominal amount of the shares repurchased.

(f) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale listed equity securities held at the end of the reporting period and is dealt with in accordance with the accounting policies in notes 1(f).

(g) Capital management

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

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

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

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

(Expressed in Renminbi unless otherwise indicated)

29 Reserves (Continued)

(g) *Capital management (Continued)*

The Group's adjusted net debt-to-capital ratio at 31 December 2015 and 2014 was as follows:

	2015 RMB'000	2014 RMB'000
Current liabilities:		
Bills payables	**73,297**	48,239
Bank loans	**541,918**	394,206
	615,215	442,445
Non-current liabilities:		
Bank loans	**35,040**	9,000
Total debt	**650,255**	451,445
Less: Cash and cash equivalents	**(602,825)**	(472,749)
Pledged deposits	**(111,499)**	(133,654)
Adjusted net debt	**(64,069)**	(154,958)
Total equity	**2,212,713**	2,419,683

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

(h) *Distributability of reserves*

The aggregate amount of reserves available for distribution to equity shareholders of the Company at 31 December 2015 was HKD1,688,000,000 (equivalent to RMB1,357,000,000) (2014: HKD1,672,000,000 (equivalent to RMB1,314,000,000)) which comprises of share premium, accumulated losses and other reserves.

29 Reserves (Continued)

(i) Dividends

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

	2015 RMB'000	2014 RMB'000
No final dividend proposed after the end of the reporting period per ordinary share (2014: HKD0.014 (equivalent to RMB0.011))	—	16,216

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

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

	2015 RMB'000	2014 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HKD0.014 (equivalent to RMB0.011) per ordinary share (2014: HKD0.025 (equivalent to RMB0.020))	**15,958**	29,466

30 Financial Risk Management and Fair Values

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

(a) Credit risk

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

(Expressed in Renminbi unless otherwise indicated)

30 Financial Risk Management and Fair Values (Continued)

(a) Credit risk *(Continued)*

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 1% (2014: 3%) and 8% (2014: 11%) of trade receivables was due from the Group's largest customer and the five largest customers respectively.

The Group does not provide any other guarantees which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and bills receivables are set out in note 18.

(b) Liquidity risk

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

Typically the Group ensures that it maintains sufficient reserves of cash on demand and adequate committed lines of funding from major financial institutions to meet its liquidity requirement in the short and longer term. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

30 Financial Risk Management and Fair Values (Continued)

(b) Liquidity risk (Continued)

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

	At 31 December 2015					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Bank loans	538,700	2,469	7,408	39,850	588,427	576,958
Trade and bills payables	284,150	—	—	—	284,150	284,150
Deposits received, accruals and other payables	249,031	—	—	—	249,031	249,031
	1,071,881	2,469	7,408	39,850	1,121,608	1,110,139

	At 31 December 2014					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Bank loans	406,830	664	9,996	—	417,490	403,206
Trade and bills payables	272,018	—	—	—	272,018	272,018
Deposits received, accruals and other payables	260,836	—	—	—	260,836	260,836
	939,684	664	9,996	—	950,344	936,060

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank loans. Bank loans issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by management is set out in (i) below.

(Expressed in Renminbi unless otherwise indicated)

30 Financial Risk Management and Fair Values (Continued)

(c) *Interest rate risk (Continued)*

(i) Interest rate profile

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

	2015		2014	
	Effective interest rate %	Carrying amount RMB'000	Effective interest rate %	Carrying amount RMB'000
Variable rate instruments				
Deposit with banks	**0.35%**	**602,483**	0.35%	472,159
Pledged deposits	**0.35%**	**38,499**	0.35%	60,654
Bank loans	**2.85%**	**(216,958)**	2.18%	(162,206)
		424,024		370,607
Fixed rate instruments				
Pledged deposits	**0.35%**	**73,000**	0.35%	73,000
Bank loans	**6.27%**	**(360,000)**	5.50%	(241,000)
		(287,000)		(168,000)
Fixed rate borrowings as a percentage of total borrowings		**62%**		60%

(ii) Sensitivity analysis

At 31 December 2015, it is estimated that a general increase/decrease of 100 basis points in interest rates in bank loans, with all other variables held constant, would have increased/decreased the Group's loss for the year by RMB1,846,000 (2014: increase of net loss by RMB1,322,000) respectively. The sensitivity analysis indicates the impact on the Group's loss for the year that would arise assuming that there is an annualised impact on interest expense by a change in interest rates on bank loans. The analysis is performed on the same basis for 2014.

30 Financial Risk Management and Fair Values (Continued)

(d) *Currency risk*

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e., a currency other than the functional currency of the entity to which the transactions relate. The currencies giving rise to this risk are primarily RMB, USD, PEN and EUR. The Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

(i) Exposure to currency risk

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

Exposure to foreign currencies

	31 December 2015				31 December 2014			
	USD	**PEN**	**EUR**	**RMB**	USD	PEN	EUR	RMB
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	**64,157**	**4,042**	**688**	**20,109**	50,237	5,007	582	10,020
Trade and bills receivables	**97,664**	**2,592**	**2,937**	**29**	26,630	1,654	15,262	—
Deposits, prepayments and other receivables	**175**	**17,995**	**965**	**1,284**	2,925	9,394	119	—
Trade and bills payables	**(48,306)**	**(5,085)**	**(10,295)**	**(85)**	(13,125)	(2,830)	(619)	—
Deposits received, accruals and other payables	**(266)**	**(1,089)**	**(369)**	**(3,652)**	(224,988)	(419)	—	—
Bank loans	**(429)**	**—**	**(10,771)**	**—**	(783)	—	(7,202)	—
Gross exposure arising from recognised assets and liabilities	**112,995**	**18,455**	**(16,845)**	**17,685**	(159,104)	12,806	8,142	10,020

(Expressed in Renminbi unless otherwise indicated)

30 Financial Risk Management and Fair Values (Continued)

(d) *Currency risk* *(Continued)*

(ii) Sensitivity analysis

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

	31 December 2015			31 December 2014		
	Increase/ (decrease) in foreign exchange rates	Effect on loss for the year RMB'000	Effect on other components of equity RMB'000	Increase/ (decrease) in foreign exchange rates	Effect on loss for the year RMB'000	Effect on other components of equity RMB'000
USD	1%	1,130	1,130	1%	(1,817)	(1,817)
USD	(1%)	(1,130)	(1,130)	(1%)	1,817	1,817
PEN	1%	182	182	1%	128	128
PEN	(1%)	(182)	(182)	(1%)	(128)	(128)
EUR	1%	(168)	(168)	1%	125	125
EUR	(1%)	168	168	(1%)	(125)	(125)
RMB	1%	176	176	1%	100	100
RMB	(1%)	(176)	(176)	(1%)	(100)	(100)

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

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2014.

30 Financial Risk Management and Fair Values (Continued)

(e) Commodity price risk

Various wood cores and timber are the major materials of the Group's products which accounted for 51% (2014: 50%) of total cost of sales. Fluctuation on commodity price of wood cores and timber will have significant impact on the Group's earnings, cash flows as well as the value of inventories. The Group minimises the cost of materials by bulk purchase of major raw materials and acquisition of natural resources. The Group has not entered into any commodity derivative instruments to hedge the potential commodity price changes.

(f) Fair value measurement

(i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the end of the reporting period across the three levels of the fair value hierarchy defined in HKFRS 7, *Financial Instruments: Disclosures*, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

(Expressed in Renminbi unless otherwise indicated)

30 Financial Risk Management and Fair Values (Continued)

(f) *Fair value measurement (Continued)*

(i) Financial instruments carried at fair value (Continued)

	Fair value measurements as at 31 March 2015 categorised into			
	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Recurring fair value				
Assets:				
Financial assets at fair value through profit or loss	**—**	**54,392**	**—**	**54,392**
Available-for-sale financial assets	**—**	**79,691**	**—**	**79,691**

	Fair value measurements as at 31 March 2014 categorised into			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Recurring fair value				
Assets:				
Financial assets at fair value through profit or loss	—	32,500	—	32,500

During the years ended 31 March 2014 and 2015, 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 fair value of the financial assets at fair value through profit or loss is based on the PMFixing price of gold on the London Bullion Market Association from China Merchants Bank and the applicable yield rate.

The fair value of available-for-sale financial assets are determined by discounting the expected future return using interest rates currently available for instruments with similar terms, credit risk and remaining terms.

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

The carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values as at 31 March 2014 and 2015.

31 Commitments and Contingent Liabilities

(a) *Capital commitments*

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

	2015 RMB'000	2014 RMB'000
Contracted for	**20,471**	52,888

(b) *Operating lease commitments*

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

	2015 RMB'000	2014 RMB'000
Within 1 year	**22,310**	27,059
After 1 year but within 3 years	**35,792**	38,138
After 3 years but within 5 years	**6,213**	25,517
After 5 years	**4,373**	15,545
	68,688	106,259

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

32 Material Related Party Transactions

Key management personnel remuneration

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

	2015 RMB'000	2014 RMB'000
Short-term employee benefits	**10,134**	9,078
Post-employment benefits	**26**	23
Equity settled share-based payment expenses	**72**	6,961
	10,232	16,062

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

(Expressed in Renminbi unless otherwise indicated)

33 Company-Level Statement of Financial Position

	Note	2015 RMB'000	2014 RMB'000
Non-current assets			
Investments in subsidiaries		**294,951**	277,936
Available-for-sale listed equity securities		**33,414**	—
Other receivables		**1,344,432**	1,272,444
		1,672,797	1,550,380
Current assets			
Pledged deposits		**108**	—
Cash and cash equivalents		**1,879**	3,904
		1,987	3,904
Current liability			
Deposits received, accruals and other payables		**304,791**	234,344
		304,791	234,344
Net current liabilities		**(302,804)**	(230,440)
NET ASSETS		**1,369,993**	1,319,940
CAPITAL AND RESERVES			
Share capital	28	**9,596**	9,596
Reserves	29	**1,360,397**	1,310,344
TOTAL EQUITY		**1,369,993**	1,319,940

(Expressed in Renminbi unless otherwise indicated)

34 Immediate and Ultimate Controlling Parties

At 31 December 2015, the directors consider the immediate parent of the Group to be Freewings Development Co., Ltd., which is incorporated in BVI. This entity does not produce financial statements available for public use. The ultimate controlling parties are Mr. Se Hok Pan and Ms. Un Son I.

35 Possible Impact of Amendments, New Standards and Interpretations Issued but not yet Effective for the year ended 31 December 2015

Up to the date of issue of these financial statements, the IASB has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2015 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Annual Improvements to IFRSs 2012–2014 Cycle	1 January 2016
Amendments to IAS 1, *Disclosure initiative*	1 January 2016
Amendments to IAS 16 and IAS 38, *Clarification of acceptable methods of depreciation and amortisation*	1 January 2016
IFRS 15, *Revenue from contracts with customers*	1 January 2017
IFRS 9, *Financial instruments*	1 January 2018
IFRS 16, *Leases*	1 January 2019

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

FIVE YEAR SUMMARY

(Expressed in Renminbi)

	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000
Results					
Turnover	**2,012,092**	1,979,285	1,488,949	1,117,904	1,560,985
Net change in fair value of biological assets	**(225,928)**	(144,349)	47,761	65,541	92,707
(Loss)/profit from operations	**(186,347)**	(19,840)	210,619	93,200	335,646
Net finance (costs)/income	**(62,022)**	(19,636)	(53)	(723)	23,427
(Loss)/profit before taxation	**(248,369)**	(39,476)	210,566	92,477	359,073
Income tax	**(20,898)**	(33,766)	(70,435)	26,498	(53,320)
(Loss)/profit for the year	**(269,267)**	(73,242)	140,131	118,975	305,753
Attributable to:					
Equity shareholders of the Company	**(267,742)**	(75,356)	138,102	122,711	306,017
Non-controlling interests	**(1,525)**	2,114	2,029	(3,736)	(264)
(Loss)/profit for the year	**(269,267)**	(73,242)	140,131	118,975	305,753
Assets and liabilities					
Non-current assets	**1,151,335**	1,319,377	1,208,738	1,094,768	885,547
Current assets	**2,193,677**	2,068,648	1,778,726	1,990,329	2,219,486
Total assets	**3,345,012**	3,388,025	2,987,464	3,085,097	3,105,033
Current liabilities	**(1,086,205)**	(947,156)	(459,516)	(495,218)	(480,874)
Non-current liabilities	**(46,094)**	(21,186)	(14,421)	(27,719)	(111,727)
NET ASSETS	**2,212,713**	2,419,683	2,513,527	2,562,160	2,512,432
Share capital	**9,596**	9,596	9,680	9,680	9,848
Reserves	**2,150,591**	2,393,116	2,493,402	2,552,480	2,498,848
Non-controlling interests	**52,526**	16,971	10,445	—	3,736
TOTAL EQUITY	**2,212,713**	2,419,683	2,513,527	2,562,160	2,512,432
(Loss)/Earnings per share (Note)					
Basic	**(0.18)**	(0.05)	0.09	0.08	0.23
Diluted	**(0.18)**	(0.05)	0.09	0.08	0.23

(Expressed in Renminbi)

Note:

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

For the years ended 31 December 2015, 2014, 2013 and 2012, the effect of the Company's share option plans were anti-dilutive.