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

Interim Report **2016**

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 Chartered Bank (Hong Kong) Limited

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 2601, 26/F,
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Tsim Sha Tsui, Kowloon
Hong Kong

HEAD OFFICE IN THE PRC

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor
Services Limited
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WEBSITE

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STOCK CODE

2083

Chairman's Statement

BUSINESS REVIEW

For the six months ended 30 June 2016 (the "Period"), despite the improved consumers sentiment of property market in the People's Republic of China (the "PRC"), the market still encountered various uncertainties including slow economic growth and exchange rate fluctuation. In light of such uncertainties and the keen market competition, the Group has taken several measures during the Period to enhance the brand development and promotion of integrated home decoration products, optimise the sales channels and maximise the effectiveness of internal management and resources integration. In addition, due to the elimination of effect of decrease in fair value of the Group's biological assets last year resulting from the disposal of forest assets by the Group, the loss attributable to equity shareholders of the Company for the Period decreased significantly as compared to the corresponding period of last year. Furthermore, the overall turnover of the Group also remained stable during the Period. In respect of our two core businesses, manufacturing and sale of home decoration products as well as provision of trademark and distribution network, the Group recorded an increase in sales amounts of approximately 6.4% and 6.5% respectively. However, the Group recorded a slight decrease of 5.3% in overall turnover when compared to the corresponding period of last year, due to the decline in sales amounts in trading of timber and wood products and forestry management of 36.2% and 34.4% respectively during the Period.

The Group devoted continuous efforts to making strategic development in the PRC market of home decoration products and service in a bid to integrate its business of home decoration products. During the Period, the Group acquired the entire equity interest in Guangxi Nature Bigao Gaoxin Decoration Material Company Limited (廣西大自然壁高高新裝飾材料有限公司) ("Guangxi Bigao") (the "Guangxi Bigao Acquisition"). Guangxi Bigao is principally engaged in manufacturing, sale, import and export of energy saving and environmental friendly wall decoration materials in the PRC. Guangxi Bigao sells wall paper products under the "Geko" and "壁高" brands in the PRC and has an extensive sales network of approximately 500 retail stores in the PRC. The Guangxi Bigao Acquisition not only strengthened the sales network of the Group but also represented a further step towards the Group's commitment to providing consumers with integrated green home decoration solutions. For details of the Guangxi Bigao Acquisition, please refer to the announcement of the Company dated 19 May 2016.

1. Manufacturing and sale of home decoration products

The home decoration products of the Group are mainly comprised of floorings, wooden doors, wardrobes, cabinets, and wall paper. For the six months ended 30 June 2016, the sales for the manufacturing and sales of home decoration products of the Group was RMB611,316,000 (for the six months ended 30 June 2015: RMB574,513,000), representing an increase of 6.4%. Such increase was principally attributable to the overall and continuous growth of the Group's floorings, wooden doors, wardrobes, cabinets and wall paper business in the PRC.

The business of manufacturing and sale of flooring products

In terms of manufacturing and sale of flooring products business, the Group's flooring products mainly include laminated floorings and engineered floorings. In respect of its flooring store network, the Group has established a sound and extensive sales network in the PRC. The Group has also become a major PRC distributor of a number of renowned foreign brands of flooring products through entering into cooperative agreements with them. As at 30 June 2016, the number of flooring stores reached 3,404 (31 December 2015: 3,538) in total, of which, there were 1,530 "Nature" stores (31 December 2015: 1,622), 1,463 "Nature • No. 1 My Space" stores (31 December 2015: 1,505), 108 "Nature • Aesthetics" stores (31 December 2015: 114), and 171 foreign imported brand stores (31 December 2015: 165) and 132 other brand stores (31 December 2015: 132).

The Group currently owns six production plants for flooring products, of which the new plant for laminated floorings located in Nanning City of Guangxi Province has commenced its production in the first half of 2016.

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

The Group developed its home decoration products business leveraging on its "Nature" brand and network. The business of wooden doors, wardrobes and cabinets has become one of the core businesses of the Group. Leveraging on the brand influence of "Nature", the Group has established a number of sub-brands to further tap into the market of wooden doors, wardrobes and cabinets.

With respect to the wooden doors business, the Group continued to record losses for this segment during the Period. Nevertheless, the sales amount increased as compared to the corresponding period of last year and the loss was shrinking gradually, resulting from the continued improvement of business. As at 30 June 2016, the number of the Group's stores for wooden doors has reached 617 (31 December 2015: 570). The Group currently owns two wooden door production plants.

Although the Group still recorded losses for the business of wardrobes and cabinets during the Period, its sales amount increased as compared to the corresponding period of last year and the loss was shrinking gradually as the business continued to improve.

The Group has been striving for the expansion of various sales channels for wardrobes and cabinets products, in particular the introduction of well-established foreign brands. The Group is currently the exclusive distributor of German "Wellmann" branded kitchen cabinets in the PRC and a strategic shareholder of German "ALNO" kitchen cabinet group. During the Period, the Group became a strategic investor of a high-end smart kitchen cabinet manufacturer in Switzerland. We will invest further resources to develop the relevant brands in the PRC market. As at 30 June 2016, the Group owns a total of 219 (31 December 2015: 219) wardrobe and cabinet stores. The Group currently owns two production plants for wardrobe and cabinet products.

The business of manufacturing and sales of wall papers

During the Period, the Group acquired the entire equity interest in Guangxi Bigao. Guangxi Bigao sells its wall paper products under the "Geko" and "壁高" brands, and has advanced production plants for manufacturing of wall paper products in Guangxi. Although the business of manufacturing and sales of wall papers recorded a slight loss during the Period, we expected that with the integrated strategy of home decoration products, the Guangxi Bigao Acquisition can bring synergic effect to the Group and improve the performance of the Group's business. As at 30 June 2016, the number of wall paper stores of the Group reached 501.

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 Period, the sales generated from provision of trademark and distribution network increased by 6.5% to approximately RMB87,930,000 from approximately RMB82,543,000 for the corresponding period of 2015.

3. Trading of timber and wood products

The Group's subsidiaries located in the United States 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. As the performance of overseas business of the Group was weaker than expected, our Group restructured the overseas flooring distribution channels, improved and strengthened the control on the sales credit in the Period. As a result, the revenue generated from the trading of wood flooring products declined significantly by 36.2% to approximately RMB158,296,000 for the Period from approximately RMB248,120,000 for the corresponding period of last year. Although the revenue from the trading of wood flooring products declined, we expected that a more stable overseas sales strategy can bring a healthier sales growth to the Group.

4. Forestry management

The Group previously owned the land use rights and forestry concessions of forest assets in Yunnan Province, the PRC and Loreto Province, Peru. Those forest assets contained several species of trees that were used in the production of premium solid wood flooring products. Due to the change of various regulatory restrictions in the PRC and Peru, the scale of harvest of the forest assets has been reducing over the two financial years of 2014 and 2015. The portion of timber harvested by the Group from natural forests accounting for the overall timber required by the Group has been decreasing as well. As at 30 June 2016, the Group has disposed all of its forest assets ("the Disposal of Forest Assets") and ceased to own any biological assets. The Group considered that the Disposal of Forest Assets could, on the one hand, reduce the Group's expenses for operating and maintaining the forests, and on the other, eliminate the future effect of any change in fair value of the Group's biological assets on the results of the Group. The details of the Disposal of Forest Assets are set out in the Company's announcement dated 19 May 2016 and circular dated 14 June 2016.

PROSPECT

The Group's self-owned "Nature" brand has been successfully positioned among consumers to represent high product quality, product safety as well as health and environmental awareness. We believe that the "Nature" brand will continue to bring us competitive advantages. The Group will focus more of our efforts on brand development and consolidate the resources to realise the target of integration of home decoration products. In addition, the Group will further develop "Nature + DFC (design + factory + customer)" business model, by leveraging its strengths such as the rich offerings of home decoration products and extensive sales network, and provide consumers with integrated green home decoration solutions including the diversified products, designs and decoration services, so as to secure higher market share.

The business of manufacturing and sale of flooring products of the Group continues to grow, while the business of manufacturing and sale of wooden doors, wardrobes and cabinets is also expected to remain improving. Moreover, the Group will continue to integrate the production resource, as well as further explore development and cooperation opportunities with domestic large real estate players and overseas strategic partners. The Group will also strive to maximise the synergistic effect of different business segment through the enhancement of investment in the research and development of products and the integration of sale channels of various business segments in domestic and overseas markets.

In the aspect of environmental protection and sustainable development, the Group is committed to providing high quality and safe products to consumers. In addition to organising different environmental protection activities regularly, we integrated the concept of green and safe product into "Nature + DFC" business model. The comprehensive home decoration services we provided, including design, product selection, use of construction material and the process of construction, are under our strict control, to ensure that products are green and safe from sources. Guided by the corporate philosophy of "Environmental-friendly Conscious, Promote Healthy lifestyle", the Group is dedicated to moving towards the environmental and sustainable development.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

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

"Manufacturing and sale of home decoration products" represents the revenue generated from the sales of laminated flooring, engineered flooring, wall decoration products 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" represents 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" represents the revenue generated primarily from timber trading to various customers, including our authorised manufacturers and other wood products manufacturers, and our wood products trading to customers in oversea markets.

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

Set forth below is the revenues generated from each business segment for the periods indicated:

	Six months ended 30 June				
	2016		2015		Revenue Growth rate
Revenue	**RMB'000**	**% of total revenue**	RMB'000	% of total revenue	%
Manufacturing and sale of home decoration products	**611,316**	**71.2%**	574,513	63.3%	6.4%
Provision of trademark and distribution network	**87,930**	**10.2%**	82,543	9.1%	6.5%
Trading of timber and wood products	**158,296**	**18.4%**	248,120	27.3%	(36.2%)
Forestry management	**1,455**	**0.2%**	2,217	0.3%	(34.4%)
Total	**858,997**	**100.0%**	907,393	100.0%	(5.3%)

For the six months ended 30 June 2016, the Group generated revenues of approximately RMB858,997,000, representing a decrease of 5.3%, as compared with approximately RMB907,393,000 for the corresponding period of 2015.

Revenue from manufacturing and sale of home decoration products increased by 6.4% to approximately RMB611,316,000 for the Period compared to approximately RMB574,513,000 for the corresponding period of 2015. It was mainly attributable to the increase in demand for our branded flooring, door and wardrobes products in the PRC and the newly increase in sales of wall decoration products after the acquisition of a new wall decoration products brand in May 2016.

Revenue from provision of trademark and distribution network increased by 6.5% to approximately RMB87,930,000 for the Period compared to approximately RMB82,543,000 for the corresponding period of 2015. It was mainly attributable to the increase in demand for solid wood flooring products manufactured by authorised manufacturers.

Revenue from trading of timber and wood products decreased by 36.2% to approximately RMB158,296,000 for the Period compared to approximately RMB248,120,000 for the corresponding period of 2015. It was mainly due to the restructuring of distribution networks of our flooring products in the United States.

Revenue from forestry management decreased by 34.4% to approximately RMB1,455,000 for the Period compared to approximately RMB2,217,000 for the corresponding period of 2015. It was mainly due to the decrease in timber and wood product being harvested and manufactured resulted from the restructuring of business segment.

Cost of Sales

Cost of sales for manufacturing and sale of home decoration 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.

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

Cost of sales for trading of timber and wood products consists primarily of the cost of timber and the cost of wood products for trading in overseas markets.

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

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

	Six months ended 30 June		
	2016	2015	Growth rate
Cost of Sales	**RMB'000**	RMB'000	%
Manufacturing and sale of home decoration products	**452,333**	444,302	1.8%
Provision of trademark and distribution network	**3,865**	2,358	63.9%
Trading of timber and wood products	**154,102**	207,314	(25.7%)
Forestry management	**1,799**	3,376	(46.7%)
Total	**612,099**	657,350	(6.9%)

Gross Profit/(Loss)

Set forth below is the gross profit/(loss) for each business segment for the periods indicated:

	Six months ended 30 June		
	2016	2015	Growth rate
Gross Profit/(Loss)	**RMB'000**	RMB'000	%
Manufacturing and sale of home decoration products	**158,983**	130,211	22.1%
Provision of trademark and distribution network	**84,065**	80,185	4.8%
Trading of timber and wood products	**4,194**	40,806	(89.7%)
Forestry management	**(344)**	(1,159)	(70.3%)
Total	**246,898**	250,043	(1.3%)

For the six months ended 30 June 2016, the overall gross profit slightly decreased by 1.3% to approximately RMB246,898,000 compared to approximately RMB250,043,000 for the corresponding period of 2015 and the gross profit margin increased to 28.7% from 27.6% for the corresponding period of 2015.

The segment of manufacturing and sale of home decoration products contributed a gross profit of approximately RMB158,983,000 for the Period, representing an increase of 22.1%, compared to approximately RMB130,211,000 for the corresponding period of 2015. The gross profit margin increased to 26.0% compared to 22.7% for the corresponding period of 2015. The increase in gross profit and gross profit margin was mainly attributable to the increase in demand for our flooring, door and wardrobes products.

The segment of provision of trademark and distribution network contributed a gross profit of approximately RMB84,065,000 for the Period, representing an increase of 4.8%, compared to approximately RMB80,185,000 for the corresponding period of 2015. The gross profit margin slightly decreased to 95.6% compared to 97.1% for the corresponding period of 2015. Increased in gross profit was mainly due to the increase in demand of solid wood flooring products manufactured by authorised manufacturers.

The segment of trading of timber and wood products contributed a gross profit of approximately RMB4,194,000 for the Period, representing a decrease of 89.7%, compared to approximately RMB40,806,000 for the corresponding period of 2015. The gross profit margin decreased to 2.6% compared to 16.4% for the corresponding period of 2015. The decrease in gross profit and gross profit margin was mainly due to the increase in write down of inventories resulted from the restructuring of distribution networks of our flooring products in the United States.

The segment on forestry management contributed a gross loss of approximately RMB344,000 for the Period, representing a decrease of 70.3%, compared to gross loss of approximately RMB1,159,000 for corresponding period of 2015. The gross loss margin decreased to 23.6% compared to 52.3% for the corresponding period of 2015. The decrease in gross loss was mainly due to the change of product mix.

Net Change in Fair Value of Biological Assets

Net change in fair value of biological assets is recorded in connection of the change in fair value of our forest assets.

The change for the corresponding period of 2015 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. The decrease was mainly due to the reduction in the intended levels of near-term harvest in the Peru and the PRC concessions.

As a result of the disposal of all four natural forests concession rights in Peru and the PRC on 30 June 2016, no valuation has been conducted during the Period. Thus, there was no change in fair value of biological assets for the Period. For further details, please refer to the section headed "Material Acquisitions and Disposals of Subsidiaries, Associated Companies or Joint Ventures" below.

Other Income

Other income consists primarily of rental income from operating leases and government grants which are subject to the discretion of the relevant authorities. During the Period, other income increased by 138.7% to approximately RMB16,578,000 compared to approximately RMB6,945,000 for the corresponding period of 2015. It was primarily attributable to more government grants being received during the Period.

Distribution Costs

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

Distribution costs was approximately RMB140,651,000 for the Period, representing a decrease of approximately 12.3%, compared to approximately RMB160,298,000 for the corresponding period of 2015. It was primarily attributable to the decrease in advertising and promotion expenses, staff costs and decoration allowance to distributors resulted from adoption of various costs saving measures.

Administrative Expenses

Administrative expenses consist primarily of staff costs, audit, legal and consulting fees, depreciation and amortization expenses, operating lease charges, travelling expenses and other miscellaneous expenses.

Administrative expenses was approximately RMB108,702,000 for the Period, representing an increase of approximately 11.9%, compared to approximately RMB97,169,000 for the corresponding period of 2015. It was primarily due to the total effect of increase in depreciation expenses resulted from the continued expansion of production capacity, increase in legal and consulting fees resulted from restructuring of distribution networks of our flooring products in the United States, increase in allowance for doubtful debts and decrease in staff costs.

Other Operating Expenses

Other operating expenses mainly consist of loss on disposal of subsidiaries, loss on disposal of property, plant and equipment, impairment loss for investments in unlisted equity securities and donations. During the Period, other operating expenses increased by 136.0% to approximately RMB18,422,000 compared to approximately RMB7,805,000 for the corresponding period of 2015. It was primarily due to loss on disposal of subsidiaries.

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, and net foreign exchange gain. Finance costs consist primarily of interest expenses on bank loans and net foreign exchange loss.

Finance income increased by 14.0% to approximately RMB3,554,000 for the Period compared to approximately RMB3,118,000 for the corresponding period of 2015. It was primarily attributable to the increase in net foreign exchange gain for the Period.

Finance costs decreased by 54.2% to approximately RMB14,944,000 for the Period as compared to approximately RMB32,632,000 for the corresponding period of 2015. It was mainly attributable to the decrease in net foreign exchange loss.

Income Tax

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

Income tax was approximately RMB9,138,000 for the Period compared to approximately RMB338,000 (tax credit) for the corresponding period of 2015, which was the total effect of the current income tax of approximately RMB16,887,000 and the deferred tax credit of approximately RMB7,749,000. The increase in income tax was mainly due to increase in profit of our PRC operations for the Period.

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 RMB16,186,000 for the Period, compared to approximately RMB135,857,000 for the corresponding period of 2015.

BIOLOGICAL ASSETS

On 30 June 2016, the Group disposed all biological assets, which represented four natural forests concession rights in Peru and the PRC. For further details, please refer to the section headed "Material Acquisitions and Disposals of Subsidiaries, Associated Companies or Joint Ventures" below.

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. During the Period, the Group generated net cash inflow of RMB46,152,000 from operating activities (corresponding period of 2015: net cash outflow of RMB130,815,000) and obtained a net increase in bank loans of RMB78,938,000 (corresponding period of 2015: net increase of RMB86,707,000).

Net Current Assets and Working Capital Sufficiency

As at 30 June 2016, net current assets was approximately RMB1,077,843,000, representing a decrease of 2.7%, compared to approximately RMB1,107,472,000 as at 31 December 2015. The current ratios as at 30 June 2016 and 31 December 2015 were 1.8 and 2.0, respectively. The decrease in net current assets and current ratio are principally due to increase in dividends payable.

Trade and Bills Receivables

As at 30 June 2016, trade and bills receivables increased by 12.6% to approximately RMB891,397,000 compared to approximately RMB791,919,000 as at 31 December 2015. It was mainly due to increase in the portion of sales to property developers, of which credit terms are longer. For details, please refer to note 13 to the interim financial report below.

FINANCIAL RESOURCES

The following table presents adjusted gearing ratios of the Group as at the dates indicated.

	As at 30 June 2016 RMB'000	As at 31 December 2015 RMB'000
Bills payable	94,123	73,297
Bank loans: current	536,848	541,918
non-current	159,548	35,040
Sub-total	790,519	650,255
Less: Cash and cash equivalents	(649,519)	(602,825)
Pledged and restricted deposits	(196,741)	(111,499)
Adjusted net assets	(55,741)	(64,069)
Total equity attributable to equity shareholders of the Company	1,996,865	2,160,187
Adjusted gearing ratios	(0.03)	(0.03)

Our adjusted gearing ratios, which are derived by dividing adjusted net assets by adjusted total equity attributable to equity shareholders of the Company were negative 0.03 as at 30 June 2016 and 31 December 2015.

Adjusted net assets is defined as total debts which include bills payable and interest bearing loans, less cash and cash equivalents and pledged and restricted deposits.

Bank Loans

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

	As at 30 June 2016 RMB'000	As at 31 December 2015 RMB'000
Current:		
— Secured (note (i))	**325,620**	357,093
— Unsecured	**211,228**	184,825
	536,848	541,918
Non-current:		
— Secured (note (i))	**121,086**	35,040
— Unsecured	**38,462**	—
	159,548	35,040
Total	**696,396**	576,958

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

	As at 30 June 2016 RMB'000	As at 31 December 2015 RMB'000
Pledged and restricted deposits	**123,000**	73,000
Other property, plant and equipment	**88,282**	20,885
Lease prepayments	**77,894**	71,225
Trade and bills receivables	**215,800**	215,800
Financial assets at fair value through profit or loss	**—**	54,392
	504,976	435,302

(ii) As at 30 June 2016, no bank loan was subject to the fulfillment of covenants (31 December 2015: Nil).

(iii) The unutilised banking facilities as at 30 June 2016 amounted to RMB199,717,000 (31 December 2015: RMB208,817,000).

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

	As at 30 June 2016		As at 31 December 2015	
	Effective interest rate %	Carrying amount RMB'000	Effective interest rate %	Carrying amount RMB'000
Variable rate instruments				
Bank loans	2.21	198,961	2.85	216,958
Fixed rate instruments				
Bank loans	6.12	497,435	6.27	360,000
		696,396		576,958

CAPITAL EXPENDITURES

Capital expenditures amounted to RMB64,685,000 for the Period (RMB37,157,000 for six months ended 30 June 2015). It primarily related to purchases of property, plant and equipment.

COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

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

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Contracted for	11,396	20,471

(b) Operating lease commitments

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

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Within 1 year	**25,036**	22,310
After 1 year but within 3 years	**30,779**	35,792
After 3 years but within 5 years	**8,912**	6,213
After 5 years	**4,510**	4,373
	69,237	68,688

(c) As at 30 June 2016, the Group did not have any contingent liabilities (31 December 2015: Nil).

FOREIGN CURRENCY RISK

The Group's principal activities are carried out in the PRC. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government. The Group is exposed to currency risk primarily arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate and is primarily from the United States Dollars denominated liabilities recognized by the subsidiaries in Peru. The currencies giving rise to this risk are primarily United States Dollars ("USD"), Hong Kong Dollars ("HKD"), Macau Pataca ("MOP"), Peruvian Nuevo Sol ("PEN") and Euro ("EUR"). As at 30 June 2016, the cash and cash equivalents held by the Group were primarily in RMB, HKD and USD, representing 78.2%, 15.7% and 4.2% (31 December 2015: 83.0%, 1.8% and 13.3%) of total amounts, respectively. The rest of the amounts were held in MOP, PEN and EUR. On the other hand, as at 30 June 2016, our bank loans were primarily in RMB and HKD, representing 71.4% and 28.6%, (31 December 2015: 68.5% and 27.4%) of total amount, respectively. The Group may enter into forward foreign exchange contracts to hedge against the exchange rate fluctuation when the exposure is significant.

EMPLOYEES

As at 30 June 2016, the Group had 3,199 employees (at 31 December 2015: 3,054). Relevant staff cost was approximately RMB119,444,000 (including share option schemes and share award scheme expenses of approximately RMB2,707,000) for the Period compared to approximately RMB128,243,000 (including share option expenses of approximately RMB3,071,000) for the corresponding period of 2015. 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, share option schemes and share award scheme.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATED COMPANIES OR JOINT VENTURES

Save as disclosed below, the Group did not have any material acquisition or disposal of subsidiaries, associated companies or joint ventures for the six months ended 30 June 2016.

Reference is made to the announcement of the Company dated 19 May 2016 (the "Announcement") in relation to, among others, the acquisition of equity interest in Guangxi Bigao. The total consideration for the acquisition of Guangxi Bigao was RMB48,283,500. The acquisition of Guangxi Bigao constituted connected transactions of the Company under Rule 14A.28 of the Listing Rules.

Guangxi Bigao is principally engaged in manufacturing, sale, import and export of energy saving and environmental friendly wall decoration materials in the PRC. Guangxi Bigao sells its products under the "Geko" and "壁高" brands in the PRC and has an extensive sales network of approximately 500 retail stores in the PRC.

The acquisition of Guangxi Bigao offers an opportunity for the Group to expand its presence in the wall decoration materials market, which is a natural extension of its household decoration business. Coupled with the Group's existing wooden doors, wardrobes and kitchen cabinets businesses, the Group considers that the acquisition is a further step towards the Group's commitment to providing consumers with integrated green home decoration solutions.

Guangxi Bigao became a wholly owned subsidiary of the Group in May 2016. For details in respect of the acquisition of Guangxi Bigao, please refer to the Announcement.

Reference is also made to the Announcement and the circular of the Company dated 14 June 2016 (the "Circular") in relation to, among others, the disposal of Dynamic Might Limited ("Dynamic Might"). The total consideration for the disposal of Dynamic Might was RMB134,500,000. The disposal of Dynamic Might constituted a connected transaction of the Company under Chapter 14A of the Listing Rules and was subject to independent shareholders' approval. An ordinary resolution to approve the disposal of Dynamic Might was passed by the independent shareholders of the Company at an extraordinary general meeting of the Company held on 30 June 2016. Following the completion of the disposal of Dynamic Might, the Company has ceased to hold any interest in Dynamic Might and its subsidiaries, and Dynamic Might and its subsidiaries have ceased to be subsidiaries of the Company.

Dynamic Might is a company incorporated in the British Virgin Islands. Dynamic Might was an investment holding company and the subsidiaries of Dynamic Might were principally engaged in plantation business in the PRC and Peru and trading of wood products. The principal assets of Dynamic Might and its subsidiaries were the concession rights in four natural forests in the PRC and Peru as of the completion date.

The Board considers the Disposal to be advantageous to the Group because it could, on the one hand, reduce the Group's expenses for operating and maintaining the forests and on the other, eliminate the future effect of any change in fair value of the Group's biological assets on the results of the Group.

For details in respect of the disposal of Dynamic Might, please refer to the Announcement and the Circular.

SUBSEQUENT EVENTS

Save and except for the change in use of proceeds as disclosed in the section headed "Use of Proceeds from the Global Offering and Change in Use of Proceeds" below, no significant events took place subsequent to 30 June 2016.

USE OF PROCEEDS FROM THE GLOBAL OFFERING AND CHANGE IN USE OF PROCEEDS

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 HKD2.95 per share for a total of approximately HKD1,145 million. The net proceeds raised from the abovementioned global offering of the Company (the "Global Offering"), amounted to approximately RMB873.5 million (the "Proceeds").

Details of the original allocation of the Proceeds as set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 16 May 2011 (the "Prospectus"), and the utilisation of the Proceeds as at 30 June 2016 and 30 August 2016 respectively are summarised below:

Use	**Original allocation of Proceeds as set out in the Prospectus** RMB million (approximately)	**Utilised Proceeds as at 30 June 2016** RMB million (approximately)	**Unutilised Proceeds as at 30 June 2016** RMB million (approximately)	**Utilised Proceeds as at 30 August 2016** RMB million (approximately)	**Unutilised Proceeds as at 30 August 2016** RMB million (approximately)
Strategic merger and acquisition	200.9	200.9	Nil	200.9	Nil
Development of existing brands	174.7	174.7	Nil	174.7	Nil
Working capital and general corporate purpose	87.3	87.3	Nil	87.3	Nil
Strengthening the distribution network	192.2	111.2	81	111.2	81
Expansion of existing production facilities	131.1	131.1	Nil	131.1	Nil
Expansion of product portfolio	87.3	87.3	Nil	87.3	Nil
Total	873.5	792.5	81	792.5	81

As at 30 August 2016, the net proceeds of approximately RMB81 million raised from the Global Offering originally intended for strengthening the distribution network remained unused (the "Unused Proceeds").

On 30 August 2016, the Board resolved to change the proposed use of the Proceeds by reallocating the Unused Proceeds to (i) development of existing brands (including expenditures on marketing and advertisement, promotional campaigns, establishment of distribution training and after sales service center and potential acquisitions or development of new brands) as to approximately RMB60 million out of the Unused Proceeds; and (ii) expansion of existing production facilities (including the capital expenditures to upgrade and expand our existing production facilities and to build new production facilities) as to approximately RMB21 million out of the Unused Proceeds.

Reason for the Change in Use of Proceeds

The Proceeds allocated for strengthening the distribution network were intended to be used to establish new retail stores in the PRC and overseas for our flooring products and new products. However, the number of new stores directly established and operated by the Group has been less than expected due to the fact that most of our new retails stores were set up by our exclusive distributors. As such, the Proceeds allocated for strengthening the distribution network have not been fully utilised as of date of this report.

The Group has been diversifying its products by leveraging onto its "Nature" brand and network. Based on the strategy of diversification of household decoration products which enables the Group to benefit from the synergy, the Group has launched the new "Nature + DFC" business model, to provide one-stop home decoration services including design, construction, furnishing and household appliances configuration. Accordingly, the Group will allocate more resources for the enhancement of our "Nature" brand. In addition, to cope with the fast changing in demand of our products variety, it is important to ensure that our production capacity is sufficient and our production facilities are appropriate to meet our products demand. As such, the Group will allocate more resources for the enhancement and reorganisation of our production facilities.

The Board considers that the change in use of proceeds is in the interest of the Company and its shareholders as a whole. The change in use of proceeds will allow the Company to deploy its financial resources more effectively.

FUTURE PLANS FOR MATERIAL INVESTMENTS

There was no specific plan for material investments and acquisition of material capital assets as at 30 June 2016.

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

As at 30 June 2016, the interests and short positions of the Directors or the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of the Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") were as follows:

Name of Director	Number of shares held Personal Interest	Corporate Interest	Total	Percentage of shareholding (Note 1)
Mr. Se Hok Pan	22,600,000 1,500,000 (Note 2) 24,100,000	679,168,000 (Note 3)	703,268,000	47.90%
Mr. Liang Zhihua (also the President)	22,576,780 (Note 2) 2,500,000 (Note 4) 25,076,780	Nil	25,076,780	1.71%
Ms. Un Son I	1,500,000 (Note 2)	679,168,000 (Note 3)	680,668,000	46.36%
Mr. She Jian Bin	1,500,000 (Note 2) 1,500,000 (Note 4) 3,000,000	Nil	3,000,000	0.20%
Mr. Teoh Chun Ming	4,677,900 (Note 2)	Nil	4,677,900	0.32%
Professor Li Kwok Cheung, Arthur	1,000,000 (Note 2)	Nil	1,000,000	0.07%
Mr. Zhang Sen Lin	1,000,000 (Note 2)	Nil	1,000,000	0.07%
Mr. Chan Siu Wing, Raymond	1,000,000 (Note 2)	Nil	1,000,000	0.07%
Mr. Ho King Fung, Eric	1,000,000 (Note 2)	Nil	1,000,000	0.07%

Notes:

1. Based on 1,468,237,990 shares of the Company in issue as at 30 June 2016.

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

3. 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.

4. These interests represent the award shares granted to the directors pursuant to the terms of the share award scheme adopted by the Company. Details of such award shares are disclosed under the paragraph headed "Share Award Scheme" below.

5. All interests stated are long positions.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2016, 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 (Note 1)
Freewings Development Co., Ltd.	Beneficial owner	678,768,000 (Note 2)	46.23%
Team One Investments Limited	Interest in controlled corporations	678,768,000 (Note 2)	46.23%
Trader World Limited	Interest in controlled corporations	678,768,000 (Note 2)	46.23%
MS Flooring Holdings Co., Ltd.	Beneficial owner	269,999,990 (Note 3)	18.39%
Morgan Stanley Private Equity Asia III Holdings (Cayman) Ltd.	Interest in controlled corporations	269,999,990 (Note 3)	18.39%
Morgan Stanley Private Equity Asia III, Inc.	Interest in controlled corporations	269,999,990 (Note 3)	18.39%
Morgan Stanley Private Equity Asia III, L.L.C.	Interest in controlled corporations	269,999,990 (Note 3)	18.39%
Morgan Stanley Private Equity Asia III, L.P.	Interest in controlled corporations	269,999,990 (Note 3)	18.39%
International Finance Corporation	Beneficial owner	108,000,000	7.36%

Notes:

1. Based on 1,468,237,990 shares of the Company in issue as at 30 June 2016.

2. 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..

3. 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.

4. All interests stated are long positions.

Save as disclosed above, the Directors are not aware that there is any party who, as at 30 June 2016, had interests or short positions in the shares and underlying shares of the Company, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

RIGHTS TO ACQUIRE COMPANY'S SECURITIES

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

SHARE OPTION SCHEMES

Pre-IPO Share Option Scheme

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

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

For the options granted on 17 December 2008

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

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

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

Further details of the principal terms of the Pre-IPO Share Option Scheme are set out in the prospectus of the Company dated 16 May 2011. Details of the share options movements during the six months ended 30 June 2016 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
Directors 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	9,213,940	–	241,200	8,972,740
	1/7/2010	1/7/2010–30/6/2020	HK$3.38	3,500,000	–	–	3,500,000
Total				25,356,260	–	241,200	25,115,060

Save as disclosed above, no option under the Pre-IPO Share Option Scheme has been granted, cancelled or lapsed during the six months ended 30 June 2016. No further option will be granted under the Pre-IPO Share Option Scheme after the listing of the Company.

Share Option Scheme

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

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

Details of the share options movements during the six months ended 30 June 2016 under the Share Option Scheme are as follows:

Category of participants	Date of Grant	No. of shares involved in the options outstanding at the beginning of the period	Exercised during the period	Lapsed during the period	No. of shares involved in the options outstanding at period end
Directors of the Company					
Se Hok Pan	4 January 2012	1,500,000	—	—	1,500,000
Liang Zhihua (also the President)	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	22,800,000	—	3,000,000	19,800,000
Total		90,800,000	—	3,000,000	87,800,000

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.

Save as disclosed above, no option under the Share Option Scheme has been granted, cancelled or lapsed during the six months ended 30 June 2016.

SHARE AWARD SCHEME

On 25 April 2016, the Board resolved to adopt a share award scheme (the "Share Award Scheme") as a means to recognise the contribution of and provide incentives to the key management personnel including directors, senior management and core employees of the Group. The Share Award Scheme shall be valid and effective for a period of 4 years commencing from 25 April 2016 and is administrated by the Board and the trustee of the Share Award Scheme (the "Trustee").

The shares to be awarded under the Share Award Scheme shall be acquired by the Trustee from the open market out of cash contributed by the Group and shall be held in trust for the relevant selected participants until such shares are vested with the relevant selected participants in accordance with the provisions of the Share Award Scheme. The Trustee shall not exercise the voting rights in respect of any shares held under the trust.

The Board shall not make any further award of award shares which will result in the aggregate number of award shares awarded by the Board throughout the duration of the Share Award Scheme to exceed 5% of the total number of issued shares of the Company from time to time and shall not award more than 1% of the total number of issued shares of the Company to each of the selected participants from time to time.

The Board may, from time to time, in its absolute discretion select the selected participants after taking into various factors as they deem appropriate and determine the number of award shares to be awarded to each of the selected participants at nil consideration.

Further details of the principal terms of the Share Award Scheme are set out in the announcement of the Company dated 25 April 2016.

During the six months ended 30 June 2016, an aggregate of 29,000,000 award shares (the "Award Shares") were granted, subject to certain vesting criteria and conditions, to 25 selected participants under the Share Award Scheme, of which, (i) 2,500,000 and 1,500,000 Award Shares were granted to Mr. Liang Zhihua, who is the President and a Director, and Mr. She Jian Bin, who is a Director, respectively; and (ii) 25,000,000 Award Shares were granted to 23 selected participants who are employees of the Group.

The Award Shares are held on trust for the selected participants by the Trustee which shall, at the option of selected participants, (i) transfer the Award Shares to the selected participants at nil consideration, or (ii) sell the Award Shares and pay the proceeds from selling in cash to the selected participant, as the case may be, upon satisfaction of certain vesting criteria and conditions.

Details of the Award Shares outstanding and movements during the six months ended 30 June 2016 under the Share Award Scheme are set out as follows:

			Number of Award Shares				
Category of participant	**Date of Grant**	**Vesting Date**	**Outstanding at the beginning of the Period**	**Granted during the Period**	**Lapsed during the Period**	**Exercised during the Period**	**Outstanding at the end of the Period**
Directors of the Company							
Liang Zhihua (also the President)	25 April 2016	(i) 50% on 31 March 2018; and (ii) 50% on 31 March 2019	–	2,500,000	–	–	2,500,000
She Jian Bin	25 April 2016	(i) 50% on 31 March 2018; and (ii) 50% on 31 March 2019	–	1,500,000	–	–	1,500,000
Employees							
Employees	25 April 2016	(i) 50% on 31 March 2018; and (ii) 50% on 31 March 2019	–	25,000,000	–	–	25,000,000
Total				29,000,000	–	–	29,000,000

Note: The closing price of the shares of the Company on 22 April 2016, being the trading day immediately preceding the date on which the 29,000,000 Award Shares were granted, was HK$1.07.

Save as disclosed above, no Award Shares have been granted under the Share Award Scheme. No grant of Award Shares has been cancelled or lapsed during the six months ended 30 June 2016.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has applied the principles and complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") (the "Code") during the six months ended 30 June 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as its code of conduct regarding Directors' securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code throughout the six months ended 30 June 2016.

AUDIT COMMITTEE

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

Independent non-executive Directors

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

The primary responsibilities of the Audit Committee are to assist the Board in providing an independent view of the effectiveness of the Company's financial reporting process, internal control and risk management system, to review and monitor the effectiveness of the audit process and to perform other duties and responsibilities as assigned by the Board. The Audit Committee has reviewed and discussed the interim results for the six months ended 30 June 2016 and this report.

REMUNERATION COMMITTEE

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

Independent Non-executive Directors

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

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

NOMINATION COMMITTEE

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

Executive Director

Mr. Se Hok Pan *(Chairman)*

Independent Non-executive Directors

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

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

CORPORATE GOVERNANCE COMMITTEE

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

Executive Director

Mr. Se Hok Pan *(Chairman)*

Non-executive Director

Mr. Teoh Chun Ming

Independent Non-executive Director

Mr. Ho King Fung, Eric

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

PURCHASES, SALE AND REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities other than the purchase of the Company's shares by the trustee under the Share Award Scheme. During the six months ended 30 June 2016, the trustee of the Share Award Scheme, pursuant to the terms of the trust deed and the rules of the Share Award Scheme, purchased a total of 5,551,000 shares of the Company at cash consideration of approximately HKD6,998,000 on the Stock Exchange.

INTERIM DIVIDEND

The Board did not declare any interim dividend for the six months ended 30 June 2016.

Review Report

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

INTRODUCTION

We have reviewed the interim financial report set out on pages 34 to 72 which comprises the consolidated statement of financial position of Nature Home Holding Company Limited as of 30 June 2016 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

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

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2016 is not prepared, in all material respects, in accordance with International Accounting Standard 34, Interim financial reporting.

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

30 August 2016

Consolidated Statement of Profit or Loss

For the six months ended 30 June 2016—unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2016	2015
	Note	**RMB'000**	RMB'000
Revenue	3	**858,997**	907,393
Cost of sales		**(612,099)**	(657,350)
Gross profit		**246,898**	250,043
Other income	4(a)	**16,578**	6,945
Net change in fair value of biological assets	10	**—**	(98,888)
Distribution costs		**(140,651)**	(160,298)
Administrative expenses		**(108,702)**	(97,169)
Other operating expenses	4(b)	**(18,422)**	(7,805)
Loss from operations		**(4,299)**	(107,172)
Finance income		**3,554**	3,118
Finance costs		**(14,944)**	(32,632)
Net finance costs	5(a)	**(11,390)**	(29,514)
Loss before taxation	5	**(15,689)**	(136,686)
Income tax	6(a)	**(9,138)**	338
Loss for the period		**(24,827)**	(136,348)
Attributable to:			
Equity shareholders of the Company		**(16,186)**	(135,857)
Non-controlling interests		**(8,641)**	(491)
Loss for the period		**(24,827)**	(136,348)
Loss per share (RMB):			
Basic and diluted	7	**(0.011)**	(0.093)

The notes on pages 41 to 72 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 20.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2016—unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June 2016 RMB'000	2015 RMB'000
Loss for the period		**(24,827)**	(136,348)
Other comprehensive income for the period (after tax effect)	8		
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		**8,072**	443
Exchange differences reclassified to profit or loss upon disposal and deconsolidation of subsidiaries		**7,892**	—
Available-for-sale securities: net movement in fair value reserve		**(13,518)**	11,608
Total comprehensive income for the period		**(22,381)**	(124,297)
Attributable to:			
Equity shareholders of the Company		**(12,048)**	(123,691)
Non-controlling interests		**(10,333)**	(606)
Total comprehensive income for the period		**(22,381)**	(124,297)

The notes on pages 41 to 72 form part of this interim financial report.

Consolidated Statement of Financial Position

At 30 June 2016—unaudited
(Expressed in Renminbi)

	Note	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Non-current assets			
Investment properties	9	**46,876**	47,630
Other property, plant and equipment	9	**782,509**	643,617
Intangible assets		**15,285**	16,268
Lease prepayments		**145,618**	137,119
Biological assets	10	**—**	134,432
Interest in an associate		**19**	19
Other non-current financial assets	11	**80,466**	90,295
Deposits, prepayments and other receivables		**36,202**	60,992
Deferred tax assets	6(c)	**27,959**	20,963
		1,134,934	1,151,335
Current assets			
Inventories	12	**534,793**	467,064
Trade and bills receivables	13	**891,397**	791,919
Deposits, prepayments and other receivables		**239,511**	165,978
Financial assets at fair value through profit or loss	14	**—**	54,392
Pledged and restricted deposits	15	**196,741**	111,499
Cash and cash equivalents	16	**649,519**	602,825
		2,511,961	2,193,677
Current liabilities			
Trade and bills payables	17	**409,329**	284,150
Dividends payable	20(a)	**148,018**	—
Deposits received, accruals and other payables		**326,606**	249,031
Bank loans	18	**536,848**	541,918
Current taxation	6(b)	**13,317**	11,106
		1,434,118	1,086,205
Net current assets		**1,077,843**	1,107,472
Total assets less current liabilities		**2,212,777**	2,258,807

Consolidated Statement of Financial Position (Continued)

At 30 June 2016—unaudited
(Expressed in Renminbi)

	Note	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Non-current liabilities			
Bank loans	18	**159,548**	35,040
Deferred tax liabilities	6(c)	**9,471**	11,054
		169,019	46,094
NET ASSETS		**2,043,758**	2,212,713
CAPITAL AND RESERVES			
Share capital	20(b)	**9,596**	9,596
Reserves		**1,987,269**	2,150,591
Total equity attributable to equity shareholders of the Company		**1,996,865**	2,160,187
Non-controlling interests		**46,893**	52,526
TOTAL EQUITY		**2,043,758**	2,212,713

The notes on pages 41 to 72 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016—unaudited
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company										
	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Statutory surplus reserve RMB'000	Exchange reserve RMB'000	Fair value reserve RMB'000	Other reserves RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance 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 the six months ended 30 June 2015											
Loss for the period	–	–	–	–	–	–	–	(135,857)	(135,857)	(491)	(136,348)
Other comprehensive income	–	–	–	–	558	11,608	–	–	12,166	(115)	12,051
Total comprehensive income	–	–	–	–	558	11,608	–	(135,857)	(123,691)	(606)	(124,297)
Dividend approved in respect of the previous year (note 20(a))	–	(16,210)	–	–	–	–	–	–	(16,210)	–	(16,210)
Equity settled share-based transactions (note 19(a))	–	–	–	–	–	–	3,071	–	3,071	–	3,071
Share options forfeited during the period	–	–	–	–	–	–	(628)	628	–	–	–
Contribution from non-controlling interests holders	–	–	–	–	–	–	–	–	–	23,673	23,673
Balance at 30 June 2015	9,596	1,110,044	84	177,825	(43,126)	11,608	69,087	930,764	2,265,882	40,038	2,305,920

Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2016—unaudited
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company											
	Share capital RMB'000	Share premium RMB'000	Share held for the Share Award Scheme RMB'000	Capital redemption reserve RMB'000	Statutory surplus reserve RMB'000	Exchange reserve RMB'000	Fair value reserve RMB'000	Other reserves RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2016	9,596	1,110,296	–	84	183,195	(11,741)	5,969	68,634	794,154	2,160,187	52,526	2,212,713
Changes in equity for the six months ended 30 June 2016												
Loss for the year	–	–	–	–	–	–	–	–	(16,186)	(16,186)	(8,641)	(24,827)
Other comprehensive income	–	–	–	–	–	17,656	(13,518)	–	–	4,138	(1,692)	2,446
Total comprehensive income	–	–	–	–	–	17,656	(13,518)	–	(16,186)	(12,048)	(10,333)	(22,381)
Dividends declared in respect of the current year (note 20(a))	–	(148,018)	–	–	–	–	–	–	–	(148,018)	–	(148,018)
Equity settled share-based transactions (note 19(a))	–	–	–	–	–	–	–	665	–	665	–	665
Share options forfeited during the period	–	–	–	–	–	–	–	(187)	187	–	–	–
Equity settled Share Award Scheme (note 19(b))	–	–	–	–	–	–	–	2,042	–	2,042	–	2,042
Shares purchased for the Share Award Scheme (note 19(b))	–	–	(5,963)	–	–	–	–	–	–	(5,963)	–	(5,963)
Contribution from a non-controlling interests holder	–	–	–	–	–	–	–	–	–	–	4,700	4,700
Disposal of subsidiaries	–	–	–	–	(235)	–	–	–	235	–	–	–
Balance at 30 June 2016	9,596	962,278	(5,963)	84	182,960	5,915	(7,549)	71,154	778,390	1,996,865	46,893	2,043,758

The notes on pages 41 to 72 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2016—unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
	Note	**2016** **RMB'000**	2015 RMB'000
Operating activities			
Cash generated from/(used in) operations		**60,828**	(116,885)
Income tax paid		**(14,676)**	(13,930)
Net cash generated from/(used in) operating activities		**46,152**	(130,815)
Investing activities			
Payment for the purchase of other property, plant and equipment		**(64,685)**	(37,157)
Proceeds from disposal of subsidiaries	10	**80,191**	—
Payment for acquisition of a subsidiary net of cash acquired	24	**(44,142)**	—
Other net cash flows generated from/(used in) investing activities		**46,836**	(32,891)
Net cash generated from/(used in) investing activities		**18,200**	(70,048)
Financing activities			
Proceeds from bank loans		**376,263**	235,425
Repayment of bank loans		**(297,325)**	(148,718)
Deposits placed with banks for loans		**(50,000)**	—
Other net cash flows used in financing activities		**(48,301)**	(35,643)
Net cash (used in)/generated from financing activities		**(19,363)**	51,064
Net increase/(decrease) in cash and cash equivalents		**44,989**	(149,799)
Cash and cash equivalents at 1 January		**602,825**	472,749
Effect of foreign exchanges rates changes		**1,705**	(818)
Cash and cash equivalents at 30 June		**649,519**	322,132

The notes on pages 41 to 72 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("IASB"). It was authorised for issue on 30 August 2016.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of Nature Home Holding Company Limited (the "Company") and its subsidiaries (together, the "Group") since the 2015 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with the Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). KPMG's independent review report to the Board of Directors is included on pages 32 to 33.

2 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.

- *Annual Improvements to IFRSs 2012–2014 Cycle*
- Amendments to IAS1, *Presentation of financial statements: Disclosure initiative*

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

3 REVENUE AND SEGMENT INFORMATION

(a) Revenue

The principal activities of the Group are manufacturing and sale of home decoration 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.

For the twelve months ended 30 June 2016, the Group reported revenue of RMB1,963,696,000 (twelve months ended 30 June 2015: RMB2,110,280,000), and gross profit of RMB565,313,000 (twelve months ended 30 June 2015: RMB618,695,000).

(b) Segment information

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 (six months ended 30 June 2015: four) reportable segments. No operating segments have been aggregated to form the following reportable segments.

— Manufacturing and sale of home decoration products: this segment manufactures and sells home decoration 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.

During the six months ended 30 June 2016, the Group disposed of its entire interest in Dynamic Might Limited, which, together with its subsidiaries, hold the concession rights in four natural forests in the PRC and Peru. The disposal was completed on 30 June 2016. Following the disposal, the business of forestry management segment ceased. See note 10 to the interim financial report for details on the disposal of Dynamic Might Limited.

3 REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, 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 and restricted deposits, interest in an associate, other non-current financial assets, deferred tax assets and other corporate assets. Segment liabilities include trade creditors, accruals and bill 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 INFORMATION (Continued)

(b) Segment information (Continued)

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

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

	Manufacturing and sale of home decoration products		Provision of trademark and distribution network		Trading of timber and wood products		Forestry management		Total	
	Six months ended 30 June									
	2016 RMB'000	2015 RMB'000	**2016 RMB'000**	2015 RMB'000	**2016 RMB'000**	2015 RMB'000	**2016 RMB'000**	2015 RMB'000	**2016 RMB'000**	2015 RMB'000
Revenue from external customers	**611,316**	574,513	**87,930**	82,543	**158,296**	248,120	**1,455**	2,217	**858,997**	907,393
Inter-segment revenue	**11,290**	25,863	**–**	–	**23,234**	13,692	**28,657**	2,880	**63,181**	42,435
Reportable segment revenue	**622,606**	600,376	**87,930**	82,543	**181,530**	261,812	**30,112**	5,097	**922,178**	949,828
Reportable segment profit/ (loss)	**50,064**	10,454	**29,359**	3,912	**(8,101)**	20,633	**(35,217)**	(104,578)*	**36,105**	(69,579)
Depreciation and amortisation for the period	**(21,822)**	(20,878)	**–**	–	**(1,129)**	(1,626)	**–**	(2,280)	**(22,951)**	(24,784)
Net impairment losses (recognised)/reversed for trade receivables during the period	**(4,207)**	1,682	**148**	–	**(9,749)**	(3,843)	**–**	–	**(13,808)**	(2,161)
	As at 30 June 2016 RMB'000	As at 31 December 2015 RMB'000	**As at 30 June 2016 RMB'000**	As at 31 December 2015 RMB'000	**As at 30 June 2016 RMB'000**	As at 31 December 2015 RMB'000	**As at 30 June 2016 RMB'000**	As at 31 December 2015 RMB'000	**As at 30 June 2016 RMB'000**	As at 31 December 2015 RMB'000
Reportable segment assets	**2,171,352**	1,824,845	**138,387**	126,314	**980,308**	892,291	**–**	200,180	**3,290,047**	3,043,630
Reportable segment liabilities	**693,999**	477,726	**–**	–	**1,561,958**	1,249,315	**–**	229,473	**2,255,957**	1,956,514

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

3 REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

(ii) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Reportable segment profit/(loss)	**36,105**	(69,579)
Elimination of inter-segment profit	**(18,397)**	(14,816)
Reportable segment profit/(loss) derived from external customers	**17,708**	(84,395)
Other income	**16,578**	6,945
Other operating expenses	**(18,422)**	(7,805)
Depreciation and amortisation	**(12,069)**	(9,679)
Net finance costs	**(11,390)**	(29,514)
Unallocated head office and corporate expenses	**(8,094)**	(12,238)
Consolidated loss before taxation	**(15,689)**	(136,686)

3 REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment information (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 investment properties, other property, plant and equipment, intangible assets, lease prepayments, 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 investment properties, other property, plant and equipment, lease prepayments 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 Six months ended 30 June		**Specified non-current assets**	
	2016 RMB'000	2015 RMB'000	**As at 30 June 2016 RMB'000**	As at 31 December 2015 RMB'000
The PRC, Hong Kong and Macau	**797,963**	750,606	**915,888**	776,765
Peru	**24,394**	41,579	**72,581**	200,570
USA	**36,640**	115,208	**1,838**	1,750
	858,997	907,393	**990,307**	979,085

4 OTHER INCOME/OTHER OPERATING EXPENSES

(a) Other income

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Government grants[(i)]	**6,685**	2,142
Rental income from operating leases		
— investment properties (note 9)	**492**	500
— machineries (note 9)	**4,282**	4,103
Change in fair value of financial assets at fair value through profit or loss	**418**	—
Others	**4,701**	200
	16,578	6,945

(i) Government grants for the six months ended 30 June 2016 mainly represented unconditional cash awards granted by the government authorities in the PRC.

(b) Other operating expenses

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Impairment losses for unlisted available-for-sale equity securities recognised (note 11)	**1,818**	49
Net loss on disposal of other property, plant and equipment	**5,330**	294
Net loss on disposal of subsidiaries (note 10)	**9,765**	—
Donations	**1,060**	5,250
Harvesting expenses	**—**	1,507
Others	**449**	705
	18,422	7,805

5 LOSS BEFORE TAXATION

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

(a) Finance income and finance costs

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Interest income on bank deposits	**(2,056)**	(3,118)
Net foreign exchange gain	**(1,498)**	—
Finance income	**(3,554)**	(3,118)
Interest expense on bank loans	**14,944**	10,820
Net foreign exchange loss	**—**	21,812
Finance costs	**14,944**	32,632
Net finance costs recognised in profit or loss	**11,390**	29,514

(b) Other items

		Six months ended 30 June	
		2016	2015
	Note	**RMB'000**	RMB'000
Cost of inventories	12	**608,263**	654,992
Impairment losses recognised			
— trade and other receivables	13(b)	**13,808**	2,161
— unlisted available-for-sale equity securities	11	**1,818**	49
Depreciation		**32,729**	32,113
Amortisation		**2,291**	2,350
Operating lease charges:			
minimum lease payments		**11,743**	11,371
Equity settled share-based transactions			
— Share Option Scheme	19(a)	**665**	3,071
— Share Award Scheme	19(b)	**2,042**	—

6 INCOME TAX

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

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Current tax		
Provision for PRC income tax	**16,320**	7,167
Provision for income tax from subsidiaries in other jurisdictions	**567**	127
	16,887	7,294
Deferred tax		
Origination and reversal of temporary differences	**(7,749)**	(7,632)
	9,138	(338)

Notes:

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

(ii) The Group's subsidiaries incorporated in the USA were subject to federal income tax at progressive rates from 15% to 35% and state income tax for the six months ended 30 June 2016 and 2015.

(iii) The Group's subsidiaries incorporated in Hong Kong were subject to Hong Kong Profits Tax rate of 16.5% for the six months ended 30 June 2016 and 2015.

(iv) The Group's subsidiaries incorporated in Macau were subject to Macau Complementary Tax. The provision for Macau Complementary Tax for the six months ended 30 June 2016 and 2015 is calculated at the rate of 12%, of which assessable profits of the first MOP300,000 is exempted from tax.

(v) The Group's subsidiaries incorporated in Peru were subject to income tax rates from 5% to 28% for the six months ended 30 June 2016 and 2015.

(vi) The statutory income tax rate applicable to the Group's subsidiaries in mainland China is 25% for the six months ended 30 June 2016 and 2015.

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

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

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
PRC income tax payable	**12,079**	10,617
Income tax payable of subsidiaries in other jurisdictions	**1,238**	489
	13,317	11,106

6 INCOME TAX (Continued)

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

(ii) 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 period are as follows:

	Write-downs of inventories RMB'000	Impairment of receivables RMB'000	Impairment of unlisted available-for-sale 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 listed available-for-sale 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	Lease prepayments RMB'000	Other property, plant and equipment RMB'000	Inventories RMB'000	Total RMB'000
Balance at 1 January 2015	5,427	8,285	3,232	8,923	2,592	(496)	–	–	(11,690)	–	–	–	16,273
Credited/(charged) to profit or loss	(198)	(387)	12	1,808	1,056	(1)	–	–	5,342	–	–	–	7,632
Other comprehensive income	–	–	–	–	–	–	(6,674)	–	–	–	–	–	(6,674)
Charged to exchange reserve	–	–	–	–	–	–	–	–	(3)	–	–	–	(3)
Balance at 30 June 2015	5,229	7,898	3,244	10,731	3,648	(497)	(6,674)	–	(6,351)	–	–	–	17,228
Balance at 1 January 2016	5,510	5,783	2,724	2,742	4,204	(452)	(5,308)	(438)	(4,856)	–	–	–	9,909
Credited/(charged) to profit or loss	6,402	2,686	454	(2,367)	(179)	21	–	438	–	5	94	195	7,749
Disposals of subsidiaries	–	–	–	–	–	–	–	–	4,838	–	–	–	4,838
Additions through acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	(637)	(3,444)	(1,208)	(5,289)
Other comprehensive income	–	–	–	–	–	–	1,263	–	–	–	–	–	1,263
Credited to exchange reserve	–	–	–	–	–	–	–	–	18	–	–	–	18
Balance at 30 June 2016	11,912	8,469	3,178	375	4,025	(431)	(4,045)	–	–	(632)	(3,350)	(1,013)	18,488

6 INCOME TAX (Continued)

(c) Reconciliation to the consolidated statement of financial position

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Net deferred tax assets recognised on the consolidated statement of financial position	**27,959**	20,963
Net deferred tax liabilities recognised on the consolidated statement of financial position	**(9,471)**	(11,054)
	18,488	9,909

(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:

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Expire by		
31 December 2016	**–**	3,670
31 December 2017	**–**	9,947
31 December 2018	**53**	6,093
31 December 2019	**4,158**	21,999
31 December 2020	**13,700**	26,922
31 December 2021	**9,176**	–
Sub-total	**27,087**	68,631
Unexpired under current tax legislation	**88,475**	108,299
Total	**115,562**	176,930

6 INCOME TAX (Continued)

(e) Deferred tax liabilities not recognised

At 30 June 2016, deferred tax liabilities in respect of the dividend withholding tax relating to the undistributed profits of the Company's subsidiaries were not recognised as the Company controls the dividend policy of these subsidiaries. Based on the assessment made by management as at the end of each reporting period, it was determined that the undistributed profits of the Company's subsidiaries would not be distributed in the foreseeable future. The amounts of undistributed profit of the Company's subsidiaries are set out below:

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Distributable profits earned by PRC subsidiaries on or after 1 January 2008	**1,187,838**	1,149,463
Distributable profits earned by Peru subsidiaries	**1,365**	21,891
Total	**1,189,203**	1,171,354

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

7 LOSS PER SHARE

(a) Basic loss per share

The calculation of the basic loss per share is based on the loss attributable to equity shareholders of the Company of RMB16,186,000 (six months ended 30 June 2015: loss of RMB135,857,000) and the weighted average of 1,468,066,000 ordinary shares (six months ended 30 June 2015: 1,468,238,000) in issue during the interim period.

Weighted average number of ordinary shares

	2016 **'000**	2015 '000
Issued ordinary shares at 1 January	**1,468,238**	1,468,238
Effect of purchase of shares under the Share Award Scheme	**(172)**	—
Weighted average number of ordinary shares at 30 June	**1,468,066**	1,468,238

(b) Diluted loss per share

For the periods ended 30 June 2016 and 2015, the effect of the Company's outstanding share options and share award were anti-dilutive. Therefore, diluted loss per share were the same as the basic loss per share.

8 OTHER COMPREHENSIVE INCOME

(a) Tax effects relating to each component of other comprehensive income

	Six months ended 30 June 2016			Six months ended 30 June 2015		
	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	8,072	–	8,072	443	–	443
Exchange differences reclassified to profit or loss upon disposal and deconsolidation of subsidiaries	7,892	–	7,892	–	–	–
Available-for-sale securities: net movement in fair value reserve	(14,781)	1,263	(13,518)	18,282	(6,674)	11,608
Other comprehensive income	1,183	1,263	2,446	18,725	(6,674)	12,051

(b) Available-for-sale securities

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Change in fair value recognised during the period	(13,518)	11,608
Net movement in the fair value reserve during the period recognised in other comprehensive income	(13,518)	11,608

9 INVESTMENT PROPERTIES, OTHER PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group acquired items of plant and machinery with a cost of RMB83,260,000 (six months ended 30 June 2015: RMB74,965,000). Other property, plant and equipment with a net book value of RMB92,169,000 were acquired through acquisition of Guangxi Nature Bigao Gaoxin Decoration Material Company Limited ("Guangxi Bigao") during the six months ended 30 June 2016. Items of plant and machinery with a net book value of RMB9,797,000 were disposed of during the six months ended 30 June 2016 (six months ended 30 June 2015: RMB5,900,000). As at 30 June 2016, other property, plant and equipment with carrying amount of RMB88,282,000 (31 December 2015: RMB20,885,000) were pledged for bank loans (note 18).

During the six months ended 30 June 2016 and 2015, the Group leased out investment properties and certain machineries under operating leases. RMB4,774,000 of rentals were recognised by the Group for the six months ended 30 June 2016 (2015: RMB4,603,000).

10 BIOLOGICAL ASSETS

During the six months ended 30 June 2016, the Group disposed of its entire interests in Dynamic Might Limited together with its subsidiaries (Dynamic Might) to Mr. Se Hok Pan, the controlling shareholder of the Company, for a consideration of RMB134,500,000. The primary activity of Dynamic Might was holding the concession rights in four natural forests in the PRC and Peru. As at 30 June 2016, there was no biological assets held by the Group.

10 BIOLOGICAL ASSETS (Continued)

The effect of such disposal on the Group's assets and liabilities is set out below:

	Net book value as of the disposal date RMB'000
Current assets	5,256
Biological assets	137,174
Other non-current assets	102
Current liabilities	(1,320)
Non-current liabilities	(4,839)
Net assets attributable to the Group disposed of	136,373
Total consideration	134,500
Net assets disposed of	(136,373)
Exchange reserves derecognised	(7,892)
Loss on disposal ended 30 June 2016	(9,765)
Total consideration	134,500
Consideration to be received subsequent to 30 June 2016 and amount due from the controlling shareholder of the Company included in other receivables	(53,681)
Consideration received, satisfied in cash	80,819
Cash and cash equivalents disposed of	(628)
Net cash inflow	80,191

11 OTHER NON-CURRENT FINANCIAL ASSETS

	Equity securities		
	Listed	**Unlisted**	**Total**
	RMB'000	RMB'000	RMB'000
Balance at 1 January 2016	79,691	10,604	90,295
Additions (i)	—	5,608	5,608
Change in fair value recognised in other comprehensive income (ii)	(14,781)	—	(14,781)
Impairment losses recognised (iii)	—	(1,818)	(1,818)
Effect of movements in exchange rate	1,162	—	1,162
Balance at 30 June 2016	66,072	14,394	80,466

(i) During the six months ended 30 June 2016, the Group acquired 2.9% of the total share of Tielsa Holding AG, at a consideration of RMB608,000, which mainly produces and sells smart kitchen.

During the six months ended 30 June 2016, the Group acquired 15.5% of the total share of Jiangsu Beier Intelligent Home Appliance Technology Co., Ltd, at a consideration of RMB5,000,000, which mainly runs online sales of wood floorings.

(ii) The fair value measurement for listed available-for-sale equity securities has been categorised as Level 1 fair value: unadjusted quoted price in active markets for identical assets or liabilities at the measurement date, as defined in IFRS 13, *Fair value measurement*. During the six months ended 30 June 2016, there were no transfers between Level 2 and Level 3, or transfers into or out of Level 1.

(iii) The impairment losses for unlisted available-for-sale equity securities were measured as the difference between the carrying amount of the investment cost and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset.

12 INVENTORIES

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Raw materials	**84,316**	81,720
Work in progress	**64,779**	52,194
Finished goods	**364,905**	293,110
Spare parts and consumables	**20,793**	40,040
	534,793	467,064

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

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Carrying amount of inventories sold	**573,456**	654,764
Write down of inventories	**34,807**	228
	608,263	654,992

13 TRADE AND BILLS RECEIVABLES

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Trade debtors	**690,465**	583,476
Bills receivable	**247,490**	243,092
Less: allowance for doubtful debts (note 13(b))	**(46,558)**	(34,649)
	891,397	791,919

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

As at 30 June 2016, trade debtors of RMB185,800,000 (31 December 2015: RMB185,800,000) and bills receivable of RMB30,000,000 (31 December 2015: RMB30,000,000) were pledged to banks to secure bank loans obtained by the Group (note 18).

(a) Ageing analysis

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

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Within 1 month	**331,469**	268,049
1 to 3 months	**209,721**	161,773
3 to 6 months	**68,043**	201,298
6 to 12 months	**249,837**	134,735
More than 12 months	**32,327**	26,064
	891,397	791,919

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

13 TRADE AND BILLS RECEIVABLES (Continued)

(b) Impairment losses of trade debtors and bills receivable

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

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

	2016 RMB'000	2015 RMB'000
Balance at 1 January	34,649	30,681
Impairment losses recognised	13,808	26,117
Write-off impairment losses	(1,899)	(22,149)
Balance at 30 June/31 December	46,558	34,649

As at 30 June 2016, the Group's trade receivables of RMB64,573,000 (31 December 2015: RMB38,132,000) 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 RMB46,558,000 as at 30 June 2016 were recognised (31 December 2015: RMB34,649,000).

13 TRADE AND BILLS RECEIVABLES (Continued)

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

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

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Neither past due nor impaired	511,145	414,695
Less than 3 months past due	88,747	145,342
More than 3 months but less than 12 months past due	250,558	210,973
More than 12 months past due	22,932	17,426
	362,237	373,741
	873,382	788,436

Receivables that were neither past due nor impaired related 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.

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31 December 2015, the Group held investment in a wealth management product ("WMP") issued by China Merchants Bank in the PRC. The WMP was due on 11 June 2016 and the fair value of the WMP was RMB54,810,000 on due date.

15 PLEDGED AND RESTRICTED DEPOSITS

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

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Bank loan (note 18)	123,000	73,000
Others	73,741	38,499
	196,741	111,499

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.

16 CASH AND CASH EQUIVALENTS

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Cash at bank and in hand	649,519	602,825

At 30 June 2016, cash and cash equivalents placed with banks in mainland China amounted to RMB490,311,000 (2015: RMB515,377,000). Remittance of funds out of mainland China is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

17 TRADE AND BILLS PAYABLES

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Trade creditors	**315,206**	210,853
Bills payable	**94,123**	73,297
	409,329	284,150

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

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

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Within 1 month	**168,272**	110,022
1 to 3 months	**115,054**	84,174
3 to 6 months	**93,163**	64,720
6 to 12 months	**16,702**	11,737
1 to 2 years	**16,138**	13,497
	409,329	284,150

18 BANK LOANS

At 30 June 2016, the bank loans were repayable as follows:

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Within 1 year or on demand	**536,848**	541,918
After 1 year but within 2 years	**34,320**	—
After 2 years but within 5 years	**73,748**	—
After 5 years	**51,480**	35,040
Sub-total	**159,548**	35,040
Total	**696,396**	576,958

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

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Current:		
secured (note (i))	**325,620**	357,093
unsecured	**211,228**	184,825
	536,848	541,918
Non-current:		
secured (note (i))	**121,086**	35,040
unsecured	**38,462**	—
	696,396	576,958

18 BANK LOANS (Continued)

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

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Pledged and restricted deposits (note 15)	**123,000**	73,000
Other property, plant and equipment (note 9)	**88,282**	20,885
Lease prepayments	**77,894**	71,225
Trade and bills receivables (note 13)	**215,800**	215,800
Financial assets at fair value through profit or loss (note 14)	**–**	54,392
	504,976	435,302

(ii) As at 30 June 2016, secured bank loans of RMB16,480,000 were guaranteed by third parties.

(iii) As at 30 June 2016 and 31 December 2015, no bank loan was subject to the fulfillment of covenants.

(vi) The unutilised banking facilities as at 30 June 2016 amounted to RMB199,717,000 (31 December 2015: RMB208,817,000).

19 EQUITY SETTLED SHARE-BASED TRANSACTIONS

(a) Share option scheme

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.

19 EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

(a) Share option scheme (Continued)

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

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Equity-settled share-based payment expenses	**665**	3,071

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

	Six months ended 30 June 2016	
	Weighted average exercise price	**Number of options**
	HKD	**'000**
Outstanding at 1 January 2016	**1.78**	**116,156**
Forfeited during the period	**1.67**	**(3,241)**
Outstanding at 30 June 2016	**1.79**	**112,915**
Exercisable at 30 June 2016	**1.82**	**93,115**

No options were exercised during the six months ended 30 June 2016 (2015: nil).

(b) Share award scheme

On 25 April 2016, the board of directors of the Company approved the adoption of a Share Award Scheme (the "Share Award Scheme") under which shares of the Company (the "Awarded Shares") were awarded to selected employees of the Group in accordance with the provisions of the Share Award Scheme.

The shares to be awarded under the Share Award Scheme will be acquired by the independent trustee from the open market out of cash contributed by the Group and be held in trust for the relevant selected employees until such shares are vested with the relevant selected employees in accordance with the provisions of the Share Award Scheme.

19 EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

(b) Share award scheme (Continued)

The board of directors shall not make any further award which will result in the aggregate number of Awarded Shares awarded by the board throughout the duration of the Share Award Scheme to exceed 5% of the total number of issued shares of the Company from time to time. The number of the Awarded Shares awarded to each of selected employees shall not exceed 1% of the total number of issued shares from time to time.

When a selected employee has satisfied all vesting conditions, which might include service and/or performance conditions, specified by the board of directors of the Company at the time of making the award and become entitled to the shares of the Company forming the subject of the award, the trustee shall transfer the relevant Awarded Shares to that employee at no cost. The selected employee however is not entitled to receive any income or distribution, such as dividend derived from the unvested Awarded Shares allocated to him/her.

Subject to any early termination as may be determined by the board of directors, the Share Award Scheme shall be valid and effective for a term of 4 years commencing on 25 April 2016.

(i) Details of the shares held under the Share Award Scheme are set out below:

	Average purchase price	**No. of shares held**	**Value of shares**	
	HKD	’000	HKD’000	RMB’000
Shares purchased during the six months period ended 30 June 2016	1.26	5,551	6,998	5,963

19 EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

(b) Share award scheme (Continued)

(ii) On 25 April 2016, the Company granted 29,000,000 Award Shares to 25 selected employees, including 2 directors of the Company, under the Share Award Scheme. Details are as follows:

Date of grant	Vesting date	Number of Awarded Shares		
		granted	forfeited	unvested
		'000	'000	'000
25 April 2016	31 March 2018	14,500	—	14,500
25 April 2016	31 March 2019	14,500	—	14,500
		29,000	—	29,000

The fair value of these Awarded Shares amounted to RMB26,294,000 (HKD31,320,000). The estimated fair value of the Awarded Shares on the grant date is determined by reference to the market price of the Company's shares.

The Group recognised share award expenses of RMB2,042,000 during six months ended 30 June 2016 (six months ended 30 June 2015: nil) with a corresponding increase in a capital reserve within equity in accordance with below accounting policy adopted for share-based payments.

Own equity instruments which are reacquired (shares held under the Share Award Scheme) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognised in equity.

The fair value of award shares granted to employees is recognised as an employee cost with a corresponding increase in other reserves within equity. The fair value is measured at the share price of the Company on the grant date. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the award shares, the total estimated fair value of the award shares is spread over the vesting period, taking into account the probability that the award shares will vest.

19 EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

(b) Share award scheme (Continued)

(ii) (Continued)

During the vesting period, the number of award shares 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 award shares 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 award shares are exercised (when it is transferred to the share premium account) or the award shares expire (when it is released directly to retained earnings).

20 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

(i) The Board has resolved not to declare any interim dividends for the six months ended 30 June 2016.

(ii) A declaration of special dividend in the total amount of HKD175,523,000 (equivalent to RMB148,018,000) was approved during the six months ended 30 June 2016 (six months ended 30 June 2015: nil). The special dividend was paid in cash on 21 July 2016.

(iii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, were approved and paid during the interim period.

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of nil per share (six months ended 30 June 2015: HKD0.014 per share)	**–**	16,210

20 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Share capital

Issued and fully paid ordinary shares:

	Number	Nominal value	Nominal value in RMB
	'000	USD'000	RMB'000
As at 1 January 2015, 31 December 2015, 1 January 2016 and 30 June 2016	1,468,238	1,468	9,596

During the period ended 30 June 2016, 5,551,000 ordinary shares were repurchased at the average purchase price of HKD 1.26 per share by the independent trustee. These ordinary shares were held by the Group as at 30 June 2016.

21 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The carrying amounts of the Group's financial instruments are carried at amounts not materially different from their fair values as at 30 June 2016 and 31 December 2015.

22 COMMITMENTS

(a) Capital commitments

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

	At 30 June 2016	At 31 December 2015
	RMB'000	RMB'000
Contracted for	**11,396**	20,471

22 COMMITMENTS (Continued)

(b) Operating lease commitments

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

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Within 1 year	**25,036**	22,310
After 1 year but within 3 years	**30,779**	35,792
After 3 years but within 5 years	**8,912**	6,213
After 5 years	**4,510**	4,373
	69,237	68,688

23 MATERIAL RELATED PARTY TRANSACTIONS

Except for the related party transactions disclosed in notes 10 and 24 to the interim financial report, the details of other material related party transactions are as follows:

Key management personnel compensation

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and senior management, is as follows:

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Short-term employee benefits	**5,209**	4,471
Post-employment benefits	**19**	13
Equity-settled share-based payment expenses	**282**	213
	5,510	4,697

24 ACQUISITION OF A SUBSIDIARY

During the six months ended 30 June 2016, the Group acquired the entire equity interest in Guangxi Bigao, which is principally engaged in manufacturing, sale, import and export of energy saving and environmental friendly wall decoration materials in the PRC, with a consideration of RMB48,283,500.

Mr. Se Ka Chon, the former controlling shareholder of Guangxi Bigao is the son of Mr, Se Hok Pan, who is the controlling shareholder of the Company.

The acquisition of the subsidiary had the following combined effect on the Group's assets and liabilities upon the date of acquisition:

	31 May 2016 (Acquisition date) RMB'000
Current assets	45,132
Non-current assets	103,257
Current liabilities	(69,316)
Non-current liabilities	(30,789)
Net assets acquired attributable to the Group	48,284
Total consideration	(48,284)
Consideration paid during the six months ended 30 June 2016	(48,284)
Total cash and cash equivalents acquired	4,142
Net cash outflow	(44,142)

Acquired assets included fair value adjustments.

The above subsidiary contributed a revenue of RMB4,189,000 and net loss attributable to the equity shareholders of the Company of RMB216,000 to the Group for the six months ended 30 June 2016. Should the acquisition have occurred on 1 January 2016, the consolidated revenue and the consolidated loss attributable to the equity shareholders of the Company for the six months ended 30 June 2016 would have been RMB17,088,000 and RMB2,489,000, respectively.