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)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND RE-DESIGNATION OF DIRECTOR

HIGHLIGHTS:

	2018 *RMB'000*	2017 *RMB'000*	**Change**
Revenue	**2,918,016**	2,550,646	**14.4%**
Gross profit	**890,649**	776,683	**14.7%**
Profit for the year	**145,047**	53,466	**171.3%**
EBITDA*(note)*	**299,047**	227,787	**31.3%**
Profit attributable to equity shareholders	**156,785**	68,182	**130.0%**
Basic earnings per share	**RMB0.109**	RMB0.047	**131.9%**
Total sales volumes of flooring products	**Approximately 40,000,000 m^2**	Approximately 35,000,000 m^2	**14.3%**

The Group had a satisfactory performance for the year ended 31 December 2018. It was mainly attributable to:

— the strong performance in the core flooring business (with revenue and gross profit for sales of flooring products increasing by 14.4% and 20.5% respectively);

— the total sales volumes of flooring products consecutively reached a record high, among which total sales volumes of laminated flooring products also reached a record high of approximately 22,000,000 square meters;

— the strong growth in the business of wooden doors (with revenue increasing by 52.9%) resulting from the precise positioning of the water-based paint doors products.

The Board does not recommend any declaration and payment of a final dividend.

Note: For the purposes of this announcement, EBITDA is defined as profit before net finance costs, income tax, depreciation and amortisation.

The board of directors (the "Board") of Nature Home Holding Company Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2018. The results have been reviewed by the audit committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018
(Expressed in Renminbi)

	Note	2018 RMB'000	2017 (Note) RMB'000
Revenue	2	**2,918,016**	2,550,646
Cost of sales		**(2,027,367)**	(1,773,963)
Gross profit		**890,649**	776,683
Other income	3(a)	**25,425**	29,785
Distribution costs		**(368,037)**	(349,743)
Administrative expenses		**(301,545)**	(262,225)
Other operating expenses	3(b)	**(36,257)**	(51,172)
Profit from operations		**210,235**	143,328
Finance income	4(a)	**56,030**	22,815
Finance costs	4(a)	**(83,373)**	(29,476)
Net finance costs		**(27,343)**	(6,661)
Profit before taxation	4	**182,892**	136,667
Income tax	5(a)	**(37,845)**	(83,201)
Profit for the year		**145,047**	53,466
Attributable to:			
Equity shareholders of the Company		**156,785**	68,182
Non-controlling interests		**(11,738)**	(14,716)
Profit for the year		**145,047**	53,466
Earnings per share (RMB):			
Basic and diluted	6	**0.109**	0.047

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 1(c).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018
(Expressed in Renminbi)

	Note	**2018**	2017
			(Note (i))
		RMB'000	*RMB'000*
Profit for the year		**145,047**	53,466
Other comprehensive income for the year (after tax and reclassification adjustments)	*7*		
Items that will not be reclassified to profit or loss:			
Equity investments at fair value through other comprehensive income ("FVOCI") — net movement in fair value reserve (non-recycling)		**(15,960)**	—
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of entities not using RMB as functional currency		**(1,519)**	(23,805)
Exchange differences reclassified to profit or loss upon disposal and deconsolidation of subsidiaries		**—**	1,961
Available-for-sale securities:			
— net movement in the fair value reserve (recycling) *(ii)*		**—**	2,087
Other comprehensive income for the year		**(17,479)**	(19,757)
Total comprehensive income for the year		**127,568**	33,709
Attributable to:			
Equity shareholders of the Company		**138,598**	48,408
Non-controlling interests		**(11,030)**	(14,699)
Total comprehensive income for the year		**127,568**	33,709

Notes:

(i) The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 1(c).

(ii) This amount arose under the accounting policies applicable prior to 1 January 2018. As part of the opening balance adjustments as at 1 January 2018 the balance of this reserve has been reclassified to fair value reserve (non-recycling) and will not be reclassified to profit or loss in any future periods. See note 1(c)(i).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in Renminbi)

	Note	2018 RMB'000	2017 (Note) RMB'000
Non-current assets			
Investment properties		**185,174**	61,337
Other property, plant and equipment		**780,847**	809,240
		966,021	870,577
Intangible assets		**14,410**	14,633
Lease prepayments		**140,856**	170,948
Interests in associates		**1,666**	1,569
Other financial assets		**84,038**	75,376
Deposits, prepayments and other receivables		**26,629**	21,411
Long-term receivables		**40,411**	—
Deferred tax assets		**36,311**	30,490
		1,310,342	1,185,004
Current assets			
Inventories		**424,483**	389,089
Trade and bills receivables	*8*	**1,007,158**	1,180,388
Current portion of long-term receivables		**30,347**	—
Contract assets		**42,589**	—
Deposits, prepayments and other receivables		**267,932**	255,262
Restricted deposits		**379,765**	241,921
Cash and cash equivalents		**823,843**	749,862
		2,976,117	2,816,522
Current liabilities			
Trade and bills payables	*9*	**897,245**	609,164
Contract liabilities		**86,759**	—
Deposits received, accruals and other payables		**304,138**	384,584
Bank and other loans		**593,311**	665,361
Current taxation		**16,659**	22,635
		1,898,112	1,681,744
Net current assets		**1,078,005**	1,134,778
Total assets less current liabilities		**2,388,347**	2,319,782
Non-current liabilities			
Bank and other loans		**107,092**	103,900
Deferred tax liabilities		**11,906**	35,203
		118,998	139,103
NET ASSETS		**2,269,349**	2,180,679

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
(Expressed in Renminbi)

	2018	2017
		(Note)
	RMB'000	*RMB'000*
CAPITAL AND RESERVES		
Share capital	**9,391**	9,596
Reserves	**2,203,108**	2,105,760
Total equity attributable to equity shareholders of the Company	**2,212,499**	2,115,356
Non-controlling interests	**56,850**	65,323
TOTAL EQUITY	**2,269,349**	2,180,679

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 1(c).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

(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*	**Other treasury Shares** *RMB'000*	**Capital redemption reserve** *RMB'000*	**Statutory surplus reserve** *RMB'000*	**Exchange reserve** *RMB'000*	**Fair value reserve (recycling)** *RMB'000*	**Fair value reserve (non-recycling)** *RMB'000*	**Other reserves** *RMB'000*	**Retained profits** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
Balance at 31 December 2017	9,596	960,406	(28,887)	(2,382)	84	198,901	(11,036)	16,542	—	83,312	888,820	2,115,356	65,323	2,180,679
Impact on initial application of IFRS 9	—	—	—	—	—	—	—	(16,542)	16,542	—	(5,551)	(5,551)	(16)	(5,567)
Adjusted at 1 January 2018	9,596	960,406	(28,887)	(2,382)	84	198,901	(11,036)	—	16,542	83,312	883,269	2,109,805	65,307	2,175,112
Changes in equity for 2018														
Profit for the year	—	—	—	—	—	—	—	—	—	—	156,785	156,785	(11,738)	145,047
Other comprehensive income	—	—	—	—	—	—	(2,227)	—	(15,960)	—	—	(18,187)	708	(17,479)
Total comprehensive income	—	—	—	—	—	—	(2,227)	—	(15,960)	—	156,785	138,598	(11,030)	127,568
Capital injection from non-controlling interest shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	2,528	2,528
Acquisition of non-controlling interests	—	—	—	—	—	—	—	—	—	—	(1,829)	(1,829)	1,320	(509)
Liquidation of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	(1,275)	(1,275)
Transfer to statutory surplus reserve	—	—	—	—	—	16,932	—	—	—	—	(16,932)	—	—	—
Share options forfeited during the year	—	—	—	—	—	—	—	—	—	(11,209)	11,209	—	—	—
Equity settled Share Award Scheme	—	(1,722)	12,054	—	—	—	—	—	—	(4,639)	—	5,693	—	5,693
Disposal of financial assets	—	—	—	—	—	—	—	—	—	—	1,268	1,268	—	1,268
Purchase and cancel of own shares	(205)	(40,831)	—	—	—	—	—	—	—	—	—	(41,036)	—	(41,036)
As at 31 December 2018	9,391	917,853	(16,833)	(2,382)	84	215,833	(13,263)	—	582	67,464	1,033,770	2,212,499	56,850	2,269,349

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

For the year ended 31 December 2018

(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*	Other treasury shares *RMB'000*	Capital redemption reserve *RMB'000*	Statutory surplus reserve *RMB'000*	Exchange reserve *RMB'000*	Fair value reserve (recycling) *RMB'000*	Fair value reserve (non-recycling) *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 2017	9,596	960,406	(31,269)	—	84	190,536	10,825	14,455	—	76,383	826,091	2,057,107	25,932	2,083,039
Changes in equity for 2017														
Profit for the year	—	—	—	—	—	—	—	—	—	—	68,182	68,182	(14,716)	53,466
Other comprehensive income	—	—	—	—	—	—	(21,861)	2,087	—	—	—	(19,774)	17	(19,757)
Total comprehensive income	—	—	—	—	—	—	(21,861)	2,087	—	—	68,182	48,408	(14,699)	33,709
Capital injection from non-controlling interest shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	53,277	53,277
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	—	950	950
Disposal of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	(137)	(137)
Transfer to statutory surplus reserve	—	—	—	—	—	8,365	—	—	—	—	(8,365)	—	—	—
Share options forfeited during the year	—	—	—	—	—	—	—	—	—	(2,912)	2,912	—	—	—
Shares transferred to other treasury shares upon share award forfeiture	—	—	2,382	(2,382)	—	—	—	—	—	—	—	—	—	—
Equity settled Share Award Scheme	—	—	—	—	—	—	—	—	—	9,841	—	9,841	—	9,841
As at 31 December 2017	9,596	960,406	(28,887)	(2,382)	84	198,901	(11,036)	16,542	—	83,312	888,820	2,115,356	65,323	2,180,679

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 1(c).

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2018
(Expressed in Renminbi)

	2018	2017
		(Note)
	RMB'000	*RMB'000*
Operating activities		
Cash generated from operations	**686,384**	188,474
Tax paid:		
— The People's Republic of China (the "PRC") income tax paid	**(66,263)**	(66,201)
— Non-PRC income tax paid	**—**	(139)
Net cash generated from operating activities	**620,121**	122,134
Investing activities		
Payment for acquisition of non-current assets	**(193,187)**	(126,392)
Proceeds from disposal of property, plant and equipment and intangible assets	**1,012**	13,047
Payment for acquisition of		
— available-for-sale unlisted securities	**—**	(10,995)
— securities classified as fair value through profit or loss	**—**	(7,850)
— securities classified as FVOCI	**(29,540)**	—
Proceeds from sale of:		
— available-for-sale securities	**—**	2,763
— financial assets at FVOCI	**1,268**	—
Net cash outflow from acquisition of a subsidiary	**—**	(27,013)
Net cash inflow from disposal of subsidiaries	**—**	640
Payment for acquisition of interests in associates	**(1,388)**	(1,925)
Interest received	**9,794**	9,378
Capitalised interest paid	**(2,750)**	(5,574)
Net cash used in investing activities	**(214,791)**	(153,921)

CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

For the year ended 31 December 2018
(Expressed in Renminbi)

	2018	2017
		(Note)
	RMB'000	*RMB'000*
Financing activities		
Proceeds from bank and other loans	**656,187**	547,968
Repayment of bank and other loans	**(736,839)**	(421,221)
Proceeds from maturity of restricted deposit	**12,863**	122,067
Payment for restricted deposit	**(150,707)**	(107,677)
Interest paid	**(76,642)**	(29,476)
Purchase of own shares	**(41,036)**	—
Proceeds from capital injection of non-controlling interests	**2,528**	53,277
Net cash (used in)/generated from financing activities	**(333,646)**	164,938
Net increase in cash and cash equivalents	**71,684**	133,151
Cash and cash equivalents at 1 January	**749,862**	618,703
Effect of foreign exchange rate changes	**2,297**	(1,992)
Cash and cash equivalents at 31 December	**823,843**	749,862

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 1(c).

NOTES TO THE FINANCIAL INFORMATION

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial information

The consolidated financial information for the year ended 31 December 2018 comprise the Company and its subsidiaries and the Group's interests in associates.

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

- equity investments; and
- derivative financial instruments.

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

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

(c) Changes in accounting policies

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

(i) IFRS 9, *Financial instruments*

(ii) IFRS 15, *Revenue from contracts with customers*

(iii) IFRIC 22, *Foreign currency transactions and advance consideration*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to IFRS 9, *Prepayment features with negative compensation* which have been adopted at the same time as IFRS 9.

(i) IFRS 9, *Financial instruments,* including the amendments to IFRS 9, *Prepayment features with negative compensation*

IFRS 9 replaces IAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied IFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under IAS 39.

The following table summarises the impact of transition to IFRS 9 on retained earnings and reserves and the related tax impact at 1 January 2018.

	RMB'000
Retained earnings	
Recognition of additional expected credit losses on:	
— financial assets measured at amortised cost	(7,070)
— contract assets	(291)
Related tax	1,810
Net decrease in retained earnings at 1 January 2018	(5,551)
Fair value reserve (recycling)	
Transferred to fair value reserve (non-recycling) relating to equity securities now measured at fair value through other comprehensive income ("FVOCI")	(16,542)
Fair value reserve (non-recycling)	
Transferred from fair value reserve (recycling) relating to equity securities now measured at FVOCI and increase in fair value reserve (non-recycling) at 1 January 2018	16,542
Non-controlling interests	
Recognition of additional expected credit losses on financial assets measured at amortised cost and decrease in non-controlling interests at 1 January 2018	(16)

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

a. *Classification of financial assets and financial liabilities*

IFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at FVOCI and at fair value through profit or loss ("FVPL"). These supersede IAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under IFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

The following table shows the original measurement categories for each class of the Group's financial assets under IAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with IAS 39 to those determined in accordance with IFRS 9.

	IAS 39 carrying amount at 31 December 2017	**Reclassification**	**Remeasurement**	**IFRS 9 carrying amount at 1 January 2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets carried at amortised cost				
Trade and bills receivables *(note (i))*	1,180,388	(29,059)	(7,086)	1,144,243
Contract assets *(note (i))*	—	29,059	(291)	28,768
	1,180,388	—	(7,377)	1,173,011
Financial assets measured at FVOCI (non-recyclable)				
Equity securities *(note (ii))*	—	75,376	—	75,376
Financial assets classified as available-for-sale under IAS 39 *(notes (ii))*	75,376	(75,376)	—	—

Notes:

(i) Trade and bills receivables of RMB29,059,000 were reclassified to contract assets at 1 January 2018 as a result of the initial application of IFRS 15 (see note 1(c)).

(ii) Under IAS 39, equity securities not held for trading were classified as available-for-sale financial assets. These equity securities are classified as at FVPL under IFRS 9, unless they are eligible for and designated at FVOCI by the Group. At 1 January 2018, the Group designated all its investment classified as "available-for-sale" at FVOCI (non-recycling), as the investments are held for strategic purposes.

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of IFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

b. *Credit losses*

IFRS 9 replaces the "incurred loss" model in IAS 39 with the "expected credit loss" (ECL) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in IAS 39.

The Group applies the new ECL model to the following items:

— trade receivables; and

— contract assets as defined in IFRS 15.

The following table reconciles the closing loss allowance determined in accordance with IAS 39 as at 31 December 2017 with the opening loss allowance determined in accordance with IFRS 9 as at 1 January 2018.

	RMB'000
Loss allowance at 31 December 2017 under IAS 39	98,806
Additional credit loss recognised at 1 January 2018 on:	
— Trade receivables	7,086
— Contract assets recognised on adoption of IFRS 15	291
Loss allowance at 1 January 2018 under IFRS 9	106,183

c. *Transition*

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

— Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under IAS 39 and thus may not be comparable with the current period.

— The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of IFRS 9 by the Group):

  — the determination of the business model within which a financial asset is held; and

  — the designation of certain investments in equity instruments not held for trading to be classified as at FVOCI (non-recycling).

— If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(ii) IFRS 15, *Revenue from contracts with customers*

IFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. IFRS 15 replaces IAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and IAS 11, *Construction contracts*, which specified the accounting for construction contracts.

IFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under IAS 11 and IAS 18. As allowed by IFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

There was no impact of transition to IFRS 15 on retained earnings at 1 January 2018.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

a. *Timing of revenue recognition*

Previously, revenue arising from construction contracts and provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. IFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of IFRS 15 does not have a significant impact on when the Group recognises revenue from sales of goods and this change in accounting policy had no material impact on opening balances as at 1 January 2018.

b. *Significant financing component*

IFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

Previously, the Group only applied such a policy when payments were significantly deferred, which was not common in the Group's arrangements with its customers. The Group did not apply such a policy when payments were received in advance.

Where payment schemes include a significant financing component, the transaction price is adjusted to separately account for this component. In the case of payments in advance, such adjustment results in interest expense being accrued by the Group to reflect the effect of the financing benefit obtained by the Group from the customers during the period between the payment date and the completion date of legal assignment. The interest is expensed as accrued unless it is eligible to be capitalised under IAS 23, *Borrowing costs*.

This change in accounting policy had no material impact on opening balances as at 1 January 2018.

c. *Presentation of contract assets and liabilities*

Under IFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Previously, contract balances relating to manufacturing and sale of home decoration products contract were presented in the statement of financial position under "trade receivables" or "advanced payments and deposits received from customers", respectively, and the revenue was recognised for the reasons explained in paragraph a. above.

To reflect these changes in presentation, the Group has made the following adjustments at 1 January 2018, as a result of the adoption of IFRS 15:

a. "Trade and bills receivables" amounting to RMB29,059,000 which were previously included in trade debtors and bills receivables are now included under contract assets; and

b. "Advanced payments and deposits received from customers" amounting to RMB74,027,000, which was previously included in deposits received, accruals and other payables are now included under contract liabilities.

(iii) IFRIC 22, *Foreign currency transactions and advance consideration*

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of IFRIC 22 does not have any material impact on the financial position and the financial result of the Group.

2 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are manufacturing and sale of home decoration products and provision of trademark and distribution network. The amount of each significant category of revenue recognised in revenue is disclosed in segment reporting.

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

(b) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines and geographical location of customers is as follows:

	2018	2017
		(Note)
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service line		
— Manufacturing and sale of flooring products		
— Sale of goods	**2,150,657**	1,880,630
— provision of trademark and distribution network	**237,683**	230,443
— Manufacturing and sale of customised home decoration products		
— Sale of goods	**525,886**	439,573
— provision of trademark and distribution network	**3,790**	—
	2,918,016	2,550,646

Note: The Group has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with IAS 18 and IAS 11 (see note 1(c)).

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in note 2(c).

The Group's customer base is diversified and includes only one (2017: one) customer with whom transactions have exceeded 10% of the Group's revenue for the year ended 31 December 2018. In 2018, revenue from sales of home decoration products to this customer amounted to approximately RMB328,874,000 (2017: RMB397,692,000) and arose only in PRC by geographical region in which the home decoration products division is active.

IFRS 15 requires to disclose certain information for transaction price allocated to the remaining performance obligations as at reporting date. Concurrently, IFRS 15 also offering a practical expedient to not disclose those information if the performance obligation is part of a contract that has an original expected duration of one year or less. Therefore, the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sales of home decoration products that had an original expected.

(c) Segment reporting

The Group manages its business by different lines of businesses (flooring products and customised home decoration products) 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 resources allocation and performance assessment.

During the year, the Group changed the structure of its internal financial reporting to the executive directors from by business channel to by type of products, which resulted in a change to the composition of its reportable segments. Comparative figures for the operating segment information disclosed in this note have been restated to conform to the current year's presentation.

The Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Manufacturing and sale of flooring products: this segment manufactures and sells flooring products and generates fee income from products manufactured by authorised manufacturers which sell flooring products under the Group's trademarks and distribution network.

- Manufacturing and sale of customised home decoration products: this segment manufactures and sells other home decoration products, including wooden doors, wardrobes, cabinets and wall papers, provides home decoration services and generates fee income from other home decoration products manufactured by authorised manufacturers which sell products under the Group's trademarks and distribution network.

(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, restricted deposits, interests in associates, other non-current financial assets, deferred tax assets and other corporate assets. Segment liabilities include trade creditors, accruals and bills payables attributable to the individual segments managed directly by the segments.

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

The measure used for reporting segment profit is gross profit. The Group's senior executive management is provided with segment information concerning segment revenue and gross profit.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resources allocation and assessment of segment performance for the years ended 31 December 2018 and 2017 is set out below:

	Manufacturing and sale of flooring products		**Manufacturing and sale of customized home decoration products**		**Total**	
	2018	2017 *(Note)*	**2018**	2017 *(Note)*	**2018**	2017 *(Note)*
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Sales of goods:disaggregated by timing or revenue recognition						
Point in time	**2,018,551**	1,797,334	**311,259**	308,992	**2,329,810**	2,106,326
Over time	**132,106**	83,296	**214,627**	130,581	**346,733**	213,877
Subtotal of sales of goods	**2,150,657**	1,880,630	**525,886**	439,573	**2,676,543**	2,320,203
Provision of trademark and distribution network	**237,683**	230,443	**3,790**	—	**241,473**	230,443
Revenue from external customers	**2,388,340**	2,111,073	**529,676**	439,573	**2,918,016**	2,550,646
Inter-segment revenue	**1,080**	2,188	**10,437**	15,735	**11,517**	17,923
Reportable segment revenue	**2,389,420**	2,113,261	**540,113**	455,308	**2,929,533**	2,568,569
Reportable segment gross profit	**861,200**	748,450	**29,449**	28,233	**890,649**	776,683
Interest income	**55,633**	12,831	**397**	379	**56,030**	13,210
Interest expense	**(70,621)**	(21,049)	**(6,021)**	(8,427)	**(76,642)**	(29,476)
Depreciation and amortisation for the year	**(58,758)**	(55,599)	**(30,054)**	(28,860)	**(88,812)**	(84,459)
Impairment losses recognised for property, plant and equipment during the year	**(1,505)**	—	**(15,051)**	—	**(16,556)**	—
Net impairment losses recognised for trade receivables and contract assets during the year	**(16,334)**	(19,532)	**(8,659)**	(9,111)	**(24,993)**	(28,643)
Net impairment losses recognised for deposits, prepayments and other receivables during the year	**(7,425)**	—	**(5,182)**	—	**(12,607)**	—
Reportable segment assets	**2,983,073**	2,899,272	**667,210**	693,915	**3,650,283**	3,593,187
Additions to non-current segment assets during the year	**142,973**	90,143	**20,238**	27,509	**163,211**	117,652
Reportable segment liabilities	**2,105,902**	1,860,313	**296,332**	511,528	**2,402,234**	2,371,841

Note: The Group has initially applied IFRS 15 using cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with IAS 18 and IAS 11 (see note 1(c)).

(ii) ***Reconciliations of reportable segment revenues, assets and liabilities***

	2018	2017
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**2,929,533**	2,568,569
Elimination of inter-segment revenue	**(11,517)**	(17,923)
Consolidated revenue	**2,918,016**	2,550,646
Assets		
Reportable segment assets	**3,650,283**	3,593,187
Elimination of inter-segment balances	**(261,076)**	(393,516)
Elimination of receivables from corporate headquarters	**(659,692)**	(529,249)
	2,729,515	2,670,422
Cash and cash equivalents	**823,843**	749,862
Restricted deposits	**379,765**	241,921
Interests in associates	**1,666**	1,569
Other non-current financial assets	**84,038**	75,376
Deferred tax assets	**36,311**	30,490
Unallocated head office and corporate assets	**231,321**	231,886
Consolidated total assets	**4,286,459**	4,001,526
Liabilities		
Reportable segment liabilities	**2,402,234**	2,371,841
Elimination of inter-segment balances	**(72,188)**	(393,059)
Elimination of payables to corporate headquarters	**(1,090,068)**	(1,035,422)
	1,239,978	943,360
Banks and other loans	**700,403**	769,261
Current taxation	**16,659**	22,635
Deferred tax liabilities	**11,906**	35,203
Unallocated head office and corporate liabilities	**48,164**	50,388
Consolidated total liabilities	**2,017,110**	1,820,847

(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 and interests in associates ("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 and lease prepayments and, the location of the operation to which they are allocated, in the case of intangible assets and interests in associates.

	Revenue from external customers		**Specified non-current assets**	
	2018	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
The PRC, Hong Kong and Macau	**2,836,014**	2,467,804	**1,075,175**	1,004,653
Peru	**1,144**	1,681	**46,075**	51,732
USA	**80,858**	81,161	**1,703**	1,342
	2,918,016	2,550,646	**1,122,953**	1,057,727

3 OTHER INCOME/OTHER OPERATING EXPENSES

(a) Other income

	2018	2017
	RMB'000	*RMB'000*
Government grants *(i)*	**10,682**	12,075
Rental income from operating leases		
— investment properties	**2,884**	873
— machineries	**7,006**	12,145
	9,890	13,018
Others	**4,853**	4,692
	25,425	29,785

(i) Government grants mainly represented unconditional cash awards granted by the government authorities in the PRC.

(b) Other operating expenses

	2018	2017
	RMB'000	*RMB'000*
Impairment of available-for-sale securities	**—**	22,158
Net unrealised loss of share call options investment	**—**	2,057
Change in fair value of financial assets through profit or loss	**—**	20,273
Share of profits less losses of associates	**1,292**	375
Net loss on disposal of property, plant and equipment	**1,292**	3,331
Impairment loss of other property, plant and equipment	**16,556**	—
Loss of debt restructuring	**7,911**	—
Donations	**1,651**	1,257
Stock damages	**3,149**	—
Others	**4,406**	1,721
	36,257	51,172

4 PROFIT BEFORE TAXATION

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

(a) Finance income and finance costs

	2018	2017
	RMB'000	*RMB'000*
Interest income on bank deposit and others	**(56,030)**	(13,210)
Net foreign exchange gain	**—**	(9,605)
Finance income	**(56,030)**	(22,815)
Interest expense on bank loan and others	**79,392**	35,050
Less: interest expense capitalised(i)	**(2,750)**	(5,574)
Net interest expense	**76,642**	29,476
Net foreign exchange loss	**6,731**	—
Finance costs	**83,373**	29,476

(i) The borrowing costs have been capitalised at a rate ranging from 5.880% to 5.890% per annum in 2018 (2017: from 5.880% to 6.370%).

(b) Staff costs

	2018	2017
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**318,335**	273,887
Contributions to defined contribution retirement plan	**14,565**	14,110
Equity settled share-based payment expenses	**5,693**	9,841
	338,593	297,838

The employees of the companies in the PRC participate in a defined contribution retirement scheme operated by the local government authorities whereby the Group is required to contribute to the scheme at rate of 12% to 20% of the eligible employees' monthly salary. The local government authorities are responsible for the entire pension obligations payable to the retired employees.

Contributions to the Mandatory Provident Fund ("MPF") are required under the Hong Kong Mandatory Provident Fund Schemes Ordinance. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HKD30,000.

In accordance with the general regime of The Social Security System, which enrolls Macau SAR residents in, employees and employers are required to make obligatory contribution to the Social Security Fund. The current contribution amounts for long-term employee are MOP90 per month (the employer's portion: MOP60; the employee's portion: MOP30), paid on a quarterly basis, i.e. for the preceding quarter paid in January, April, July and October.

(c) Other items

	2018	2017
		(Note)
	RMB'000	*RMB'000*
Cost of inventories*	**2,020,128**	1,768,472
Impairment losses recognised		
— Trade and bills receivables and contract assets	**24,993**	28,643
— Deposits, prepayments and other receivables	**12,607**	—
— Other property, plant and equipment	**16,556**	—
Depreciation	**81,584**	78,680
Amortisation		
— lease prepayments	**3,789**	2,880
— intangible assets	**3,439**	2,899
Operating lease charges: minimum lease payments	**21,143**	23,427
Auditors' remuneration		
— audit services	**4,406**	4,143
— other services	**—**	300
Research and development costs (other than depreciation and amortisation)	**18,291**	14,154

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 1(c).

* For the year ended 31 December 2018, cost of inventories includes RMB191,382,000 (2017: RMB175,183,000) relating to staff costs, depreciation and amortisation expenses and operating lease charges, amounts of which are also included in the respective total amounts disclosed separately above or in note 4(b) for each of these types of expenses.

5 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2018	2017
	RMB'000	*RMB'000*
Current tax		
Provision for income tax	**60,110**	63,843
(Over-provision)/under-provision in respect of prior years	**(5,223)**	596
	54,887	64,439
Deferred tax		
Origination and reversal of temporary differences	**(3,988)**	(6,238)
(Reverse)/provision of withholding tax on retained profits	**(13,054)**	25,000
	(17,042)	18,762
	37,845	83,201

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

	2018	2017
	RMB'000	*RMB'000*
Profit before taxation	**182,892**	136,667
Notional tax on profit before taxation, calculated at the rates applicable to the jurisdictions concerned	**62,100**	50,713
Effect of tax concessions *(vii)–(viii)*	**(31,535)**	(13,772)
Tax effect of:		
— non-deductible expenses	**1,873**	2,576
— non-taxable income	**(915)**	(784)
— current-year losses for which no deferred tax asset is recognised	**26,244**	19,626
Effect of previous tax loss		
— not recognised in prior years but utilised in current year	**(1,645)**	(754)
(Over-provision)/under-provision in respect of prior years *(viii)*	**(5,223)**	596
(Reverse)/provision of dividend withholding tax	**(13,054)**	25,000
Income tax expense	**37,845**	83,201

(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 21% (2017: 15% to 35%) and state income tax for the year ended 31 December 2018. The applicable federal tax rate changed due to tax reform in the USA during the year.

(iii) The Group's subsidiaries incorporated in Hong Kong were subject to Hong Kong Profits Tax rate of 16.5%, except that the first HKD2 million estimated assessable profits calculated at 8.25%, for the year ended 31 December 2018 (2017: 16.5%).

(iv) The Group's subsidiaries incorporated in Macau were subject to Macau Complementary Tax. The provision for Macau Complementary Tax for the years ended 31 December 2018 and 2017 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 29.5% for the year ended 31 December 2018 (2017: 5% to 29.5%).

(vi) The statutory income tax rate applicable to the Group's subsidiaries in the PRC is 25% for the years ended 31 December 2018 and 2017.

(vii) Guangxi Baijing Flooring Co., Ltd ("Guangxi Baijing") is recognised as qualified enterprise located in the western region of the PRC. Guangxi Baijing enjoys preferential enterprise income tax rate of 15% from 2016 to 2020, pursuant to CaiShui [2011] No. 58. In addition, 40% of income tax that has to pay to local taxation bureau is exempted as agreed by the local taxation bureau. The effective PRC income tax rate applicable to Guangxi Baijing is 9%.

(viii) Nature (Zhongshan) Wood Industry Co., Ltd. ("Nature Zhongshan") was qualified as a High and New Technology Enterprise ("HNTE") in 2016 and apply for preferential corporate income tax rate of 15% in 2018, which is before the annual tax filling of 2017. According to the approval from relevant tax authority, the preferential tax rate is also applicable to taxable income for the year end 31 December 2017. Thus Nature Zhongshan reversed the over-provision of taxation RMB4,587,000 subsequently in 2018.

6 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit for the year attributable to equity shareholders of the Company of RMB156,785,000 (2017: RMB68,182,000) and the weighted average of 1,434,311,000 ordinary shares (2017: 1,439,238,000) in issue, calculated as follows:

Weighted average number of ordinary shares

	2018	2017
	'000	*'000*
Issued ordinary shares at 1 January	**1,468,238**	1,468,238
Effect of purchase of shares	**(31,717)**	(26,790)
Other treasury shares	**(2,210)**	(2,210)
Weighted average number of ordinary shares at 31 December	**1,434,311**	1,439,238

(b) Diluted earnings per share

For the years ended 31 December 2018 and 2017, the effect of the Company's outstanding share options was anti-dilutive. Therefore, diluted earnings per share were the same as the basic earnings per share.

7 OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income

	2018			2017		
	Before-tax amount	**Tax expense**	**Net-of tax amount**	Before-tax amount	Tax expense	Net-of tax amount
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Exchange differences on translation of financial statements of entities not using RMB as functional currency	**(1,519)**	**—**	**(1,519)**	(23,805)	—	(23,805)
Exchange differences reclassified to profit or loss upon disposal of subsidiaries	**—**	**—**	**—**	1,961	—	1,961
Net changes related to exchange differences	**(1,519)**	**—**	**(1,519)**	(21,844)	—	(21,844)
Equity investments at FVOCI: net movement in fair value reserve (non-recycling)	**(20,826)**	**4,866**	**(15,960)**	—	—	—
Available-for-sale securities: net movement in fair value reserve (recycling)	**—**	**—**	**—**	2,783	(696)	2,087
Other comprehensive income	**(22,345)**	**4,866**	**(17,479)**	(19,061)	(696)	(19,757)

8 TRADE AND BILLS RECEIVABLES

(a) Trade and bills receivables comprises:

	Notes	31 December 2018 RMB'000	1 January 2018 (i) RMB'000	31 December 2017 (i) RMB'000
Trade receivables	*(i), (ii)*	1,083,485	1,087,728	1,116,787
Bills receivables		43,753	162,407	162,407
Less: loss allowance		(120,080)	(105,892)	(98,806)
		1,007,158	1,144,243	1,180,388

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

Notes:

(i) Upon the adoption of IFRS 9, an opening adjustment as at 1 January 2018 was made to recognise additional ECLs on trade receivables and bills receivables (see note 1(c)(i)).

(ii) Upon the adoption of IFRS 15, some of the trade receivables, for which the Group's entitlement to the consideration was conditional on achieving certain milestones, were reclassified to "contract assets" (see note 1(c)(ii)).

(iii) As at 31 December 2018, trade receivables of RMB178,273,000 (2017: RMB451,309,000) and bills receivables of RMB30,000,000 (2017: RMB30,000,000) were pledged to a bank to secure banking facilities obtained by the Group.

Ageing analysis

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

	2018 ***RMB'000***	2017 *RMB'000*
Within 1 month	**347,403**	266,972
1 to 3 months	**402,826**	488,758
3 to 6 months	**99,514**	235,237
6 to 12 months	**89,499**	42,323
More than 12 months	**67,916**	147,098
	1,007,158	1,180,388

Trade receivables and bills receivables are due within 30 to 365 days from the date of billing.

(b) Long term receivables comprises:

	Gross amount *RMB'000*	Loss of debt restructuring *RMB'000*	Net book value *RMB'000*
Long term receivables	46,669	(6,258)	40,411
Current portion of long-term receivables	32,000	(1,653)	30,347
	78,669	(7,911)	70,758

Note: As at the end of 2018, the Group entered into a repayment agreement with certain clients in Peru for receivables amounting to RMB78,669,000 to extended settlement date to the year 2019 and 2020 respectively. These receivables were discounted at a rate of 10%, which is equivalent to the official borrowing rate announced by the Central Bank of Peru and reclassified to long term receivables. A debt restructuring loss of RMB7,911,000 were recorded in "other expense" (note 3(b)).

9 TRADE AND BILLS PAYABLES

	2018 ***RMB'000***	2017 *RMB'000*
Trade creditors	**399,174**	408,264
Bills payables	**498,071**	200,900
	897,245	609,164

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

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

	2018 ***RMB'000***	2017 *RMB'000*
Within 1 month	**226,331**	241,068
1 to 3 months	**217,790**	150,395
3 to 6 months	**311,437**	157,676
6 to 12 months	**71,050**	20,771
Above 1 year	**70,637**	39,254
	897,245	609,164

10 DIVIDENDS

The Board has resolved not to declare any dividends for the year ended 31 December 2018 (year ended 31 December 2017: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the year ended 31 December 2018 (the "Year"), the household furnishing material industry in the People's Republic of China ("PRC") faced enormous challenges, as the China's economy was impacted by the international trade dispute and the real estate market was also impacted by macro-economic conditions and the relevant regulation policies on real estate market in the PRC. Despite of these, Nature Home Holding Company Limited (the "Company") and its subsidiaries (collectively the "Group", "we" or "us") continued to address market complexities by the main strategy of focusing on our brand and products in the Year. During the Year, the Group launched new personalized flooring products and wooden door products jointly with renowned designers, and committed to improving and promoting such new products as kitchen and bathroom floorings, underfloor heating floorings, and water-based paint wooden doors. In addition, the Group also continued to improve its internal management system so as to enhance operating efficiency. By doing so, the Group achieved satisfactory growth in overall revenue, with the overall turnover increasing by 14.4% from approximately RMB2,550,646,000 in 2017 to approximately RMB2,918,016,000 for the Year.

1. *Flooring Products*

For the Year, the Group continued to achieve strong performance in its core flooring business, with the total revenue in respect of flooring products of the Group increasing by 13.1% from approximately RMB2,111,073,000 in last year to approximately RMB2,388,340,000 for the Year. Furthermore, total sales volumes of flooring products consecutively reached a record high of approximately 40,000,000 square meters, representing an increase of 14.3% as compared to last year. Among which, total sales volumes of laminated flooring products also reached a record high of approximately 22,000,000 square meter.

The business of manufacturing and sale of flooring products

Benefited from project delivery cycle, the Group's revenue from manufacturing and sale of flooring products for the Year increased by 14.4% to approximately RMB2,150,657,000 as compared to the corresponding period of last year. In respect of its flooring sales network, the Group has established an extensive sales network in the PRC. The Group is currently a major distributor in the PRC of a number of renowned foreign brands of flooring products. As at 31 December 2018, the total number of flooring stores was 3,583 (31 December 2017: 3,604), of which, there were 3,401 "Nature" stores (31 December 2017: 3,401), and 182 foreign imported brand stores (31 December 2017: 203). The Group currently owns five production plants for flooring products, which are mainly engaged in the manufacturing of laminated floorings and engineered floorings. In addition, the Group is now constructing three new plants to produce kitchen and bathroom floorings and engineered floorings, so as to address the fast-growing needs of flooring products in the future.

Provision of trademark and distribution network for flooring products

The Group's flooring products under the "Nature" brand are manufactured by its self-owned production plants and through its exclusive authorised manufacturers. Such authorised manufacturers solely manufacture our branded flooring 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. As the sales of solid wood and engineered flooring products manufactured by such authorised manufactures increased during the Year, the revenue generated from trademark and distribution network usage fees increased by 3.1% to approximately RMB237,683,000 from approximately RMB230,443,000 in last year.

2. ***Customised Home Decoration Products***

The customised home decoration products of the Group mainly comprise of wooden doors, wardrobes and cabinets. Generally, the Group will manufacture the customised products based on the customers' requirements upon receipt of purchase orders. The business of customised home decoration products continued to improve during the Year, with the total revenue increasing by 20.5% from approximately RMB439,573,000 in last year to approximately RMB529,676,000 for the Year.

The business of manufacturing and sale of wooden doors

With respect to wooden doors business, the Group launched new water-based paint wooden doors as the key promotion products for the wooden doors business for the Year. As compared with traditional paint, the water-based paint is a kind of coating that takes water as its diluent, and is free of organic solvent, non-toxic and non-irritating. The Group recorded improving performance and achieved rapid growth in the wooden door business during the Year with the revenue increasing by 52.9% to approximately RMB253,649,000 as compared to last year. As at 31 December 2018, the number of the Group's stores for wooden doors was 583 (31 December 2017: 547) in total. The Group currently owns three wooden door production plants. The new wooden door production plant located in Shunde District, Foshan City, Guangdong Province officially commenced production at the end of 2018. Due to the outstanding performance and the precise positioning of the water-based paint wooden door products, the operation results of wooden door retailing business have turned from loss into profit.

The business of manufacturing and sale of wardrobes and cabinets

With respect to the business of wardrobes and cabinets, the Group increased the proportion of sales to commercial customers during the Year. The revenue dropped by 2.4% to approximately RMB172,976,000 due to the project delivery cycle. As at 31 December 2018, the Group owned a total of 106 (31 December 2017: 148) wardrobe and cabinet stores. The Group currently owns two production plants for wardrobe and cabinet products.

Previously, the Group had been the exclusive distributor of "Wellmann", a wardrobe brand in Germany, in the PRC. During the Year, the Group successfully acquired the brand and the global trademark of "Wellmann", marked the Group's layout and expansion in foreign brand industry chain.

Provision of trademarks and distribution network for customised products

Since the Year, the Group has authorised its independent manufacturers to produce "Nature" brand customised products. These authorised manufacturers will directly sell those customised products to the distributors within the distribution network of the Group, with trademark and distribution network usage fees payable to the Group. During the Year, the revenue from the trademark and distribution network usage fees was approximately RMB3,790,000.

The business of manufacturing and sale of wall papers

For the business of wall papers, revenue for the Year was approximately RMB35,054,000. As the business of wall papers recorded unsatisfactory performance, the Group has conducted business rectification during the Year. The Group has no longer produced wall paper products on its own. In the future, we will engage independent manufacturers to produce wall paper products for sale.

Prospect

Focusing on products and services

In recent years, as the consumption power of the Chinese people was further enhanced and the new merging technologies evolved rapidly, the household furnishing materials industry of China showed dramatic changes in market channels, client demand, integration of cross-sector products, causing an aggravated "Matthew Effect" in the household furnishing materials industry. We expect that the next few years will be a critical period for forming the future landscape of the industry. The Group believes that products and services will be the key to winning in the household furnishing materials industry. Therefore, we will continue to focus on products to cope with the challenges in the future, and developing and launching a new series of personalised products and innovative kitchen and bathroom floorings and wall panel products. In addition, we take healthy and environmental protection as well as quality and safety as our philosophy in developing new products. We will launch new products using dry pressing method, such as solid wood underfloor heating floorings, solid wood sports floorings, and three-layered floorings. We will remain upholding the philosophy of "Take Environment Responsibility and Promote a Healthy Life Style" for continuously bringing new products to customers.

Optimising and expanding channels

For sales channels, we will continue to optimise and expand sales channels, improve services to small and medium customers from industrial and commercial sectors and enhance the development of home decoration services, providing customers with one-stop home decoration services covering design, construction, home decoration and home appliance configuration, as a platform and channel to directly promote the sales of our home decoration products. Meanwhile, we will also continue our business rectification work in order to reorganise the distribution channels, production lines and products that are failed in efficiency.

Enormous home decoration product market in China

As there are uncertainties in international trade disputes, we anticipate that the home decoration product market in China will still be influenced by various uncertainties. However, we are of the view that the proportion of affordable housing and hardbound housing in the real estate market of the PRC will further increase in the future, the policies on existing homes will promote a dramatic growth in the demand for refurbishment and the consumption power of China will be further enhanced. Therefore, we consider that the home decoration market in China is still at the primary stage of its golden era. Moreover, with strong brand and solid sales network foundation as well as the continuous growth in businesses, we remain optimistic about the development in the future, especially our mid- to long-term development.

New headquarters building for embarking a new journey

During the Year, the construction of the Group's headquarters building located in Shunde District, Foshan City, Guangdong Province was formally completed. On 23 November 2018, the Group formally relocated to the new headquarters building, embarking a new journey with a new position. The new headquarters of Nature Home is located at the "Wisdom Valley of the South" (南方智穀) of Guangdong-Hong Kong-Macao Greater Bay Area. As a representative globalised enterprise transformed from "Manufacturing" to "Smart Manufacturing", Nature Home will, following the development trend of Guangdong-Hong Kong-Macao Greater Bay Area, take a lead in the home decoration industry towards a new journey by combining multiple advantages in technology innovation, talent gathering, traffic hub, etc.

Continuously taking brand as our foundation

The Group's flagship brand "Nature" has been recognized by consumers as an image of quality and safe products and represents healthy life and environmental protection. Since the starting of our household product strategy of providing integrated green home decoration products, we have formed a strategic layout that various green home decoration product brands, including Nature floorings, Nature wooden doors, etc., running together with "Nature" as a leading brand. In the future, we will further expand the categories of products, develop and launch new products for gaining market shares, and maintain our leading position in flooring market, in order to create more values for shareholders.

Financial Review

Revenue

During the year ended 31 December 2018, the Group changed the structure of its internal financial reporting from by business channel to by type of products, which resulted in a change to the composition of its reportable segments. For the year ended 31 December 2018, we generate revenue from two business segments: (1) manufacturing and sale of flooring products; and (2) manufacturing and sale of customised home decoration products.

"Manufacturing and sale of flooring products" represents the revenue generated from (i) sales of self-produced flooring products; (ii) sales of trading flooring products; and (iii) fee income from flooring products manufactured by authorised manufacturers which sell flooring products under the Group's trademarks and distribution network.

"Manufacturing and sale of customised home decoration products" represents the revenue generated from (i) sales of self-produced home decoration products other than flooring products, including wooden doors, wardrobes, cabinets and wall papers; (ii) sales of trading customised home decoration products; and (iii) fee income from customised home decoration products manufactured by authorised manufacturers which sell customised home decoration products under the Group's trademarks and distribution network.

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

	For the year ended 31 December				
	2018		2017		**Revenue**
Revenue	***RMB'000***	***% of total revenue***	*RMB'000*	*% of total revenue*	**Growth rate %**
Manufacturing and sale of flooring products					
— sales of goods	**2,150,657**	**73.7**	1,880,630	73.7	14.4
— provision of trademark and distribution network	**237,683**	**8.1**	230,443	9.1	3.1
	2,388,340	**81.8**	2,111,073	82.8	13.1
Manufacturing and sale of customised home decoration products					
— sales of goods	**525,886**	**18.1**	439,573	17.2	19.6
— provision of trademark and distribution network	**3,790**	**0.1**	—	—	—
	529,676	**18.2**	439,573	17.2	20.5
Total	**2,918,016**	**100.0**	2,550,646	100.0	14.4

For the year ended 31 December 2018, the overall revenue increased by 14.4% to approximately RMB2,918,016,000 compared to approximately RMB2,550,646,000 for the year ended 31 December 2017.

Revenue from the segment of manufacturing and sale of flooring products increased by 13.1% to approximately RMB2,388,340,000 for the Year compared to approximately RMB2,111,073,000 for the year ended 31 December 2017. It was mainly attributable to the growth of the sales of self-produced flooring products, especially in the project division.

Revenue from the segment of manufacturing and sale of customised home decoration products increased by 20.5% to approximately RMB529,676,000 for the Year compared to approximately RMB439,573,000 for the year ended 31 December 2017. It was mainly attributable to the strong growth of the sales of wooden door products.

Gross Profit

Set forth below is the gross profit generated from each business segment for the years indicated:

	For the year ended 31 December				
	2018		2017		**Growth rate**
Gross Profit	***RMB'000***	***GP%***	*RMB'000*	*GP%*	***%***
Manufacturing and sale of flooring products					
— sales of goods	**630,642**	**29.3**	523,498	27.8	20.5
— provision of trademark and distribution network	**230,558**	**97.0**	224,952	97.6	2.5
	861,200	**36.1**	748,450	35.5	15.1
Manufacturing and sale of customised home decoration products					
— sales of goods	**25,773**	**4.9**	28,233	6.4	(8.7)
— provision of trademark and distribution network	**3,676**	**97.0**	—	—	—
	29,449	**5.6**	28,233	6.4	4.3
Total	**890,649**	**30.5**	776,683	30.5	14.7
EBITDA	**299,047**	**10.2**	227,787	8.9	31.3

For the year ended 31 December 2018, the overall gross profit increased by 14.7% to approximately RMB890,649,000 compared to approximately RMB776,683,000 for the year ended 31 December 2017 and the gross profit margin remained at 30.5% which was in line with the increase in overall revenue.

The segment of manufacturing and sale of flooring products contributed a gross profit of approximately RMB861,200,000 for the Year, representing an increase of 15.1%, compared to approximately RMB748,450,000 for the year ended 31 December 2017. It was attributable to the increase in revenue and the gross profit margin. The gross profit margin increased to 36.1% compared to 35.5% for the year ended 31 December 2017.

The segment of manufacturing and sale of customised home decoration products contributed a gross profit of approximately RMB29,449,000 for the Year, representing an increase of 4.3%, compared to approximately RMB28,233,000 for the year ended 31 December 2017. It was attributable to the net effect of the increase in revenue and the decrease in gross profit margin. The gross profit margin was 5.6% for the year ended 31 December 2018 compared to 6.4% for the year ended 31 December 2017.

EBITDA

For the year ended 31 December 2018, the EBITDA increased by 31.3% to approximately RMB299,047,000 compared to approximately RMB227,787,000 for the year ended 31 December 2017 and the EBITDA margin increased to 10.2% from 8.9% for the year ended 31 December 2017.

EBITDA is defined as profit before net finance costs, income tax, depreciation and amortisation.

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. Other income decreased by 14.6% to approximately RMB25,425,000 for the Year, compared to approximately RMB29,785,000 for the year ended 31 December 2017. It was mainly due to the decrease in rental income for the year.

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 RMB368,037,000 for the Year, representing an increase of approximately 5.2%, compared to approximately RMB349,743,000 for the year ended 31 December 2017. It was primarily due to the net effect of (i) increase in advertising and promotion, and transportation expenses resulted from increase in sales; and (ii) decrease in decoration allowance to distributors.

The percentage of distribution costs to revenue decreased to 12.6% compared to 13.7% for the year ended 31 December 2017.

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 RMB301,545,000 for the Year, representing an increase of approximately 15.0%, compared to approximately RMB262,225,000 for the year ended 31 December 2017. It was primarily due to the increase in staff costs and loss allowance for trade receivables.

The percentage of administrative expenses to revenue was 10.3% for the Year compared to 10.3% for the year ended 31 December 2017.

Other Operating Expenses

Other operating expenses decreased by 29.1% to approximately RMB36,257,000 for the Year, compared to approximately RMB51,172,000 for the year ended 31 December 2017. It was mainly due to the net effect of (i) impairment losses of other property, plant and equipment resulted from closure of wall paper plant in 2018; and (ii) fair value change of equity investments recognised in other comprehensive income resulted from the new accounting standard coming into effect (see note 1(c)(i)).

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 certain customers. Finance costs consist primarily of interest expenses on bank and other loans and net foreign exchange loss. Net finance costs increased to approximately RMB27,343,000 for the Year from approximately RMB6,661,000 for the year ended 31 December 2017.

Finance income increased by 145.6% to approximately RMB56,030,000 for the Year compared to approximately RMB22,815,000 for the year ended 31 December 2017. It was primarily due to (i) increase in interest income from project customers; and (ii) decrease in foreign exchange gain.

Finance costs increased by 182.9% to approximately RMB83,373,000 for the Year as compared to approximately RMB29,476,000 for the year ended 31 December 2017. It was mainly due to (i) increase in interest expenses resulted from factoring arrangement; and (ii) increase 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 RMB37,845,000 for the Year compared to approximately RMB83,201,000 for the year ended 31 December 2017, which was the net effect of the current income tax of approximately RMB54,887,000 and the net deferred tax income of approximately RMB17,042,000. The increase in deferred tax income was mainly due to reversal of withholding tax on realization.

Profit Attributable to Equity Shareholders of the Company

Resulting from the factors mentioned above, the profit attributable to equity shareholders of the Company was approximately RMB156,785,000 for the Year, compared to the profit of approximately RMB68,182,000 for the year ended 31 December 2017.

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 Year, the Group generated net cash inflow of approximately RMB620,121,000 from operating activities (year ended 31 December 2017: RMB122,134,000) and made a net repayment of bank and other loans of approximately RMB80,652,000 (year ended 31 December 2017: RMB126,747,000).

Net Current Assets and Working Capital Sufficiency

As at 31 December 2018, net current assets was approximately RMB1,078,005,000, representing a decrease of 5.0%, compared to approximately RMB1,134,778,000 as at 31 December 2017. The current ratios as at 31 December 2018 and 31 December 2017 were 1.6 and 1.7, respectively.

Cash Conversion Cycle

	Turnover days		
	As at 31 December		Change
	2018	2017	*(days)*
Trade and bills receivables and contract assets	**140**	163	(23)
Inventories	**73**	82	(9)
Trade and bills payables	**(136)**	(123)	(13)
Net	**77**	122	(45)

As at 31 December 2018, trade and bills receivables and contract assets (excluding long-term receivables) turnover days decreased by 23 days to 140 days. It was mainly due to significant decrease in receivables from property developers as at 31 December 2018 resulted from the change in settlement arrangement.

As at 31 December 2018, inventories turnover days decreased by 9 days to 73 days.

As at 31 December 2018, trade and bills payables turnover days increased by 13 days to 136 days. It was mainly due to increase in usage of bills for settlements in order to enhance working capital.

Financial Resources

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

	As at 31 December 2018	As at 31 December 2017
	RMB'000	*RMB'000*
Bills payables	**498,071**	200,900
Bank and other loans: current	**593,311**	665,361
non-current	**107,092**	103,900
Sub-total	**1,198,474**	970,161
Less: Cash and cash equivalents	**823,843**	749,862
Pledged and restricted deposits	**379,765**	241,921
Adjusted net assets	**(5,134)**	(21,622)
Total equity	**2,269,349**	2,180,679
Adjusted gearing percentage	**(0.2%)**	(1.0%)

Our adjusted gearing percentage, which are derived by dividing adjusted net assets by total equity of the Group, were negative 0.2% and negative 1.0% as at 31 December 2018 and 31 December 2017, respectively.

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

Bank and Other Loans

(a) At 31 December 2018, the bank and other loans were repayable as follows:

	At 31 December 2018	At 31 December 2017
	RMB'000	*RMB'000*
Within 1 year or on demand	**593,311**	665,361
After 2 years but within 5 years	**107,092**	103,900
	700,403	769,261

At 31 December 2018, the bank and other loans were secured as follows:

	At 31 December 2018	At 31 December 2017
	RMB'000	*RMB'000*
Bank loans *(i)*		
— Secured	**546,982**	712,595
— Unsecured	**55,515**	56,666
Sub-total	**602,497**	769,261
Other loans — secured *(ii)*	**97,906**	—
	700,403	769,261

(i) At 31 December 2018, the Group has secured loans and borrowings amounting to approximately RMB546,982,000 (31 December 2017: RMB712,595,000), of which:

— approximately RMB107,092,000 (31 December 2017: RMB123,400,000) of these secured loans were secured by assets of the Group and guaranteed by the third parties on the joint and several guarantees;

— approximately RMB439,890,000 (31 December 2017: RMB589,195,000) of the Group (the "collateral loans") were solely secured by assets of the Group;

These third-party guarantors are minority shareholders of a subsidiary of the Company.

(ii) At 31 December 2018, the Group has secured other loans amounting to approximately RMB97,906,000 (31 December 2017: Nil), of which:

— RMB49,206,000 (31 December 2017: Nil) was borrowed from a financial leasing company and secured by other property, plant and equipment with net book value of approximately RMB23,994,000; and

— RMB48,700,000 (31 December 2017: Nil) was borrowed from a commercial factoring company and secured by a commercial bills receivable which were included as "trade receivables" with net book value of approximately RMB48,700,000.

(iii) The pledged assets of the Group are as following:

	At 31 December 2018	At 31 December 2017
	RMB'000	*RMB'000*
Restricted deposits	**116,000**	116,000
Other property, plant and equipment	**58,586**	149,008
Lease prepayments	**74,619**	75,821
Investment properties	**174,343**	—
Trade and bills receivables	**208,273**	481,309
	631,821	822,138

(iv) Parts of the Group's banking facilities, amounted to approximately RMB671,240,000 (31 December 2017: RMB610,502,000) are subject to the fulfilment of covenants relating to certain of the subsidiaries' balance sheet ratios, which are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. At 31 December 2018 and 31 December 2017, none of the covenants relating to drawn down facilities had been breached.

(v) The unutilised banking facilities as at 31 December 2018 amounted to approximately RMB289,346,000 (31 December 2017: RMB281,717,000).

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

	At 31 December 2018		At 31 December 2017	
	Effective interest rate	**Carrying amount**	Effective interest rate	Carrying amount
	%	***RMB'000***	*%*	*RMB'000*
Variable rate instruments				
Bank loans	**4.69**	**283,753**	4.23	305,452
Fixed rate instruments				
Bank loans	**6.20**	**318,744**	5.48	463,809
Other loans	**8.80**	**97,906**	—	—
Total borrowings		**700,403**		769,261
Fixed rate borrowings as a percentage of total borrowings		**59%**		60%

Capital Expenditures

Capital expenditures amounted to approximately RMB192,721,000 for the Year (year ended 31 December 2017: RMB128,447,000). 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 consolidated financial statements were as follows:

	At 31 December 2018	At 31 December 2017
	RMB'000	*RMB'000*
Contracted for	**14,122**	41,732

(b) *Operating Lease Commitments*

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

	At 31 December 2018	At 31 December 2017
	RMB'000	*RMB'000*
Within 1 year	**27,098**	20,232
After 1 year but within 3 years	**26,969**	13,976
After 3 years but within 5 years	**9,179**	1,993
After 5 years	**3,144**	3,640
	66,390	39,841

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

Foreign Currency Risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e., a currency other than the functional currency of the entity to which the transactions relate. The currencies giving rise to this risk are primarily Renminbi ("RMB"), United States Dollars ("USD"), Macau Pataca ("MOP"), Peruvian Nuevo Sol ("PEN"), Euro ("EUR") and British Pounds ("GBP"). On the other hand, our bank and other loans, cash and cash equivalents are primarily in RMB, USD, EUR and Hong Kong Dollars ("HKD"). The Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

Employees

As at 31 December 2018, the Group had 3,067 employees (at 31 December 2017: 3,124). Relevant staff cost was approximately RMB338,593,000 (including share award scheme expenses of approximately RMB5,693,000) for the Year compared to approximately RMB297,838,000 (including share award scheme expenses of approximately RMB9,841,000) for the year ended 31 December 2017. The Group will regularly review remuneration and benefits of its employees according 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

The Group did not have any material acquisition or disposal of subsidiaries, associated companies or joint ventures for the year ended 31 December 2018.

Subsequent Events

No significant events took place subsequent to 31 December 2018.

Future Plans for Material Investments

There was no specific plan for material investments and acquisition of material capital assets as at 31 December 2018.

PURCHASE, SALE OR REDEMPTION OF THE SECURITIES

For the year ended 31 December 2018, the Company repurchased a total 30,856,000 shares of the Company (the "Shares") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate consideration of HK$48,534,399 pursuant to the share repurchase mandates approved by the shareholders of the Company at the annual general meetings held on 31 May 2017 and 29 June 2018, respectively. Details of the repurchases are summarised as follows:

Date of repurchase	Price per share Highest	Lowest	Number of ordinary shares of USD0.001 each	Total consideration
	HK$	*HK$*		*HK$*
14 May 2018	1.49	1.43	1,000,000	1,479,810
15 May 2018	1.49	1.48	500,000	744,650
17 May 2018	1.51	1.50	1,000,000	1,507,000
18 May 2018	1.49	1.48	1,000,000	1,488,700
24 May 2018	1.49	1.48	1,000,000	1,490,000
30 May 2018	1.46	1.46	1,000,000	1,460,000
31 May 2018	1.49	1.47	1,000,000	1,481,500
5 June 2018	1.49	1.49	1,000,000	1,490,000
6 June 2018	1.50	1.48	1,000,000	1,488,600
13 June 2018	1.68	1.55	1,396,000	2,284,833
14 June 2018	1.71	1.65	2,000,000	3,371,800
19 June 2018	1.68	1.64	500,000	836,800
28 June 2018	1.65	1.60	460,000	750,076
9 July 2018	1.62	1.59	1,000,000	1,604,710
13 July 2018	1.60	1.58	1,000,000	1,589,640
16 July 2018	1.59	1.59	500,000	795,000
17 July 2018	1.62	1.61	500,000	806,000
18 July 2018	1.63	1.62	500,000	813,000

Date of repurchase	Price per share Highest	Lowest	Number of ordinary shares of USD0.001 each	Total consideration
	HK$	*HK$*		*HK$*
19 July 2018	1.61	1.60	500,000	803,500
20 July 2018	1.61	1.59	500,000	798,900
23 July 2018	1.62	1.61	500,000	806,000
24 July 2018	1.66	1.63	500,000	820,500
25 July 2018	1.68	1.66	500,000	834,420
3 September 2018	1.60	1.58	2,000,000	3,185,310
4 September 2018	1.59	1.58	2,000,000	3,168,680
5 September 2018	1.59	1.58	2,000,000	3,160,500
7 September 2018	1.58	1.57	2,000,000	3,144,500
10 September 2018	1.58	1.56	2,000,000	3,152,000
12 October 2018	1.62	1.53	2,000,000	3,177,970
Total:			30,856,000	48,534,399

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2018.

FINAL DIVIDEND

The Board does not recommend any payment of dividend for the year ended 31 December 2018.

CORPORATE GOVERNANCE

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

During the year ended 31 December 2018, except for a deviation from the code provision A.2.1 which requires that the roles of chairman and chief executive should not be performed by the same individual, the Company has complied with the applicable code provisions of the Code.

With effect from 1 February 2018, Mr. Liang Zhihua ceased to be the President of the Company and Mr. Se Hok Pan was appointed the President of the Company. Mr. Se is the Chairman and an executive director of the Company. Following the appointment of Mr. Se as the President of the Company, the roles of Chairman and President of the Company are performed by Mr. Se and Mr. Se is responsible for formulating overall strategic planning and business development of the Group and effective functioning of the Board as well as day-to-day management of the Group's operation and overseeing the Group's business. As such, since the appointment of Mr. Se as the President of the Company with effect from 1 February 2018, the Company has deviated from the code provision A.2.1 under the Code which requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Se is a co-founder of the Group and was appointed as a director of the Company on 27 July 2007. Mr. Se is instrumental to the Group's growth and business expansion since its establishment in 2004. The Company believes that the combination of the roles of Chairman and President can promote the efficient formulation and implementation of the Company's strategies which will enable the Group to seize business development opportunities efficiently. The Company believes that through the supervision of the Board and its independent non-executive Directors, sufficient safeguards are in place to ensure balance of powers within the Board so that the interests of the shareholders of the Company are adequately and fairly represented.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. All directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code throughout the year ended 31 December 2018.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This final results announcement is published on the websites of the Stock Exchange *(http://www.hkexnews.hk)* and the Company *(http://www.nature-home.com.hk)*. The annual report will be dispatched to the shareholders and will be available on the websites of the Stock Exchange and the Company in due course.

AUDIT COMMITTEE

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

Mr. Chan Siu Wing, Raymond *(Chairman)*

Mr. Ho King Fung, Eric

Mr. Teoh Chun Ming

The chief responsibilities of the Audit Committee include making recommendations to the Board on the appointment, reappointment and removal of the external auditors and to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of such auditors; reviewing the interim and annual reports and accounts of the Group; and supervising the financial reporting process and effectiveness of internal control system of the Group. The Audit Committee has reviewed and discussed this announcement and the financial statements for the year ended 31 December 2018.

SCOPE OF WORK OF KPMG

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

APPRECIATION

On behalf of the Board of Directors, I hereby express our sincere gratitude to the outstanding contributions and endless efforts made by the management and all employees, as well as the strong support from all our customers, business partners, and shareholders.

RE-DESIGNATION OF DIRECTOR

The Board announces that Mr. Liang Zhihua ("Mr. Liang"), an executive Director, has been re-designated as a non-executive Director with effect from 28 March 2019.

Mr. Liang, age 55, was appointed an executive Director and the President of the Company with effect from 1 January 2014 and ceased to be the President of the Company with effect from 1 February 2018. He is also a director of certain operating subsidiaries of the Group. Mr. Liang joined the Group in 2006 and has since held various managerial positions in the general affairs, human resources and production departments as well as the President's Office of the Group. He has over ten years of experience in the flooring products industry. Mr. Liang is the brother-in-law of Mr. She Jian Bin, Mr. Se Hok Pan and Ms. Un Son I.

Mr. Liang has entered into a service contract with the Company for a term of three years commencing from 1 February 2018 which can be terminated by either party serving on the other not less than three months' notice. Mr. Liang is subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the articles of association of the Company. Mr. Liang's director's fee is fixed at HK$200,000 per annum by reference to his duties and responsibilities, remuneration policy of the Company and the prevailing market conditions.

Save as disclosed above, Mr. Liang does not have any relationship with any other directors, senior management, substantial shareholders or controlling shareholders of the Company. He has not held any directorship in the last three years in any public companies the securities of which are listed on any securities market Hong Kong or overseas and other major appointments. As at the date of this announcement, Mr. Liang holds share options involving 22,000,000 Shares and award Shares granted pursuant to the share award scheme of the Company involving 2,500,000 Shares in the Company. Save for such share options and award Shares, Mr. Liang does not have any interest in the Shares within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Save as disclosed above, there are no other matters relating to the re-designation of Mr. Liang that need to be brought to the attention of the shareholders of the Company nor is there any other information that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules. Mr. Liang confirms that there is no disagreement with the Board.

By order of the Board
Nature Home Holding Company Limited
Se Hok Pan
Chairman

Hong Kong, 28 March 2019

As at the date of this announcement, the board of directors of the Company comprises Mr. SE Hok Pan, Ms. UN Son I and Mr. SHE Jian Bin as executive directors; Mr. LIANG Zhihua and Mr. TEOH Chun Ming as non-executive directors; Professor LI Kwok Cheung, Arthur, Mr. CHAN Siu Wing, Raymond and Mr. HO King Fung, Eric as independent non-executive directors.