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 SIX MONTHS ENDED 30 JUNE 2019

HIGHLIGHTS:

	Six months ended 30 June		
	2019	2018	
	RMB'000	*RMB'000*	**Change**
Revenue			
— Sales of flooring products	**952,362**	985,037	**(3.3%)**
— Sales of customised home decoration products	**264,712**	194,009	**36.4%**
— Provision of trademark and distribution network	**65,020**	112,617	**(42.3%)**
	1,282,094	1,291,663	**(0.7%)**
Gross profit	**344,136**	412,925	**(16.7%)**
Profit before taxation	**52,863**	95,900	**(44.9%)**
EBITDA*(note)*	**124,780**	152,350	**(18.1%)**
Profit attributable to equity shareholders	**40,677**	74,751	**(45.6%)**
Basic earnings per share	**RMB0.029**	RMB0.052	**(44.2%)**

Seasonality of Operation

	Twelve months ended 30 June		
	2019	2018	
	RMB'000	*RMB'000*	**Change**
Revenue	**2,908,447**	2,783,826	**4.5%**
Gross profit	**821,860**	879,343	**(6.5%)**

Revenue for the six months ended 30 June 2019 remained stable and was 0.7% lower than the corresponding period in 2018.

The EBITDA and the profit attributable to shareholders decreased by 18.1% and 45.6% respectively as compared with the corresponding period in 2018, which is primarily due to the weakened luxury household furnishing material market in the PRC as the overall economy of the PRC was impacted by the international trade dispute, which in turn led to a substantial decrease in the trademark and distribution network usage fees charged to the Group's authorised manufacturers for high-end solid wood and engineered flooring products manufactured and sold by them.

The Board does not recommend the declaration and payment of any interim dividend.

Note: For the purposes of this announcement, EBITDA is defined as profit before net finance costs, income tax, depreciation and amortisation. Due to initial application of IFRS 16 at 1 January 2019, EBITDA for the Period included depreciation of right-of-use assets which was previously recognised as lease expense and deducted from EBITDA.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the period of six months ended 30 June 2019 (the "Period"), the household furnishing material industry in the People's Republic of China ("PRC") faced enormous challenges, as the China's macro economy was impacted by the international trade dispute and the real estate market sentiment tended to weaken in the PRC. During the Period, Nature Home Holding Company Limited (the "Company") and its subsidiaries (collectively the "Group", "we" or "us") adhered to the main strategy of focusing on our brand and products and continuously improved its internal management system, so as to address complexities of the market. Therefore, the total revenue of the Group remained stable and decreased by 0.7% from approximately RMB1,291,663,000 in the corresponding period of 2018 to approximately RMB1,282,094,000 for the Period.

1. Flooring Products

The total revenue in respect of flooring products of the Group decreased by 7.4% from approximately RMB1,096,035,000 in the corresponding period of last year to approximately RMB1,015,208,000 for the Period.

The business of manufacturing and sale of flooring products

The Group's revenue from manufacturing and sale of flooring products remained stable and slightly decreased by 3.3% to approximately RMB952,362,000 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 30 June 2019, the total number of flooring stores was 3,561 (31 December 2018: 3,583). The Group currently owns seven production plants for flooring products in the PRC, which are mainly engaged in the manufacturing of laminated floorings and engineered floorings. Besides, the Group is now constructing a plant for engineered floorings in the PRC, and plans to construct and acquire several plants for kitchen and bathroom floorings and engineered floorings in Cambodia, so as to adapt to the new challenges and opportunities in the domestic and international markets 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. During the Period, the sales of solid wood and engineered flooring products manufactured by the Group's authorised manufactures recorded a significant decrease as the impact of macro economy conditions on the sales of high-end flooring products is relatively greater. The revenue generated from trademark and distribution network usage fees for flooring products decreased by 43.4% to approximately RMB62,846,000 from approximately RMB110,998,000 for the same period of 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. During the Period, the business of customised home decoration products continued to improve and recorded a significant increase, with the total revenue increasing by 36.4% from approximately RMB195,628,000 for the same period of last year to approximately RMB266,886,000 for the Period.

The business of manufacturing and sale of wooden doors

With respect to wooden doors business, the Group launched new water-based paint wooden doors last year, naturally integrating raw wood with environmentally friendly water-based paints. 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. During the Period, the Group launched a marketing activity themed with "Water-based Wooden Door Festival" for the first time. Due to the outstanding performance and the precise positioning of the water-based paint wooden door products, the operation of wooden door business recorded continuous growth with revenue increasing by 43.7% to approximately RMB124,644,000 as compared to the same period of last year. As at 30 June 2019, the number of the Group's stores for wooden doors was 618 (31 December 2018: 583) in total. The Group currently owns three wooden door production plants.

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 Period. The revenue increased by 47.3% to approximately RMB102,951,000 attributable to the project delivery cycle. As at 30 June 2019, the Group owned a total of 84 (31 December 2018: 106) wardrobe and cabinet stores. The Group currently owns one production plant for wardrobe and cabinet products.

Provision of trademarks and distribution network for customised products

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 Period, the revenue from the trademark and distribution network usage fees for customised products was approximately RMB2,174,000.

Other sales business

During the Period, the sales revenue from other home decoration products of the Group was approximately RMB37,117,000.

Prospect

As affected by intensifying international trade disputes, more factors of uncertainty emerged and the growth of the overall economy and the home decoration product market in the PRC is expected to slow down in the short term. In the second half of 2019, we anticipate that the PRC's real estate policy will continue the stability-oriented strategy with specific policy for specific city. In addition, driven by the rapid development of hardbound housing market in the PRC, the proportion of hardbound housing supplied by major property developers in hotspot cities across the country will increase significantly. In the first-tier cities and the second-tier cities of key regions in China, the second-hand housing market will continue to grow. Coupled with the transparency of network information, the rejuvenation of target customers and the materialisation of impact of social groups, all of these are bringing new challenges to the traditional marketing channels and models.

The Group believes that brands, products and services are the core of the household furnishing materials industry. We will continue to focus on products and will develop and launch a new series of household products featured with the characteristics of healthy and environmental protection as well as quality and safety to cope with the challenges in the future. In the second half of the year, the Group will increase the proportion of commercial customers to maintain market share. In addition, the Group has launched the production lines in Southeast Asia to explore the international market. We will expand the market share of middle-and high-end flooring products with two core products using dry pressing method, namely the solid wood underfloor heating 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 of environmental protection and high quality to customers. 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, run together with "Nature" as a leading brand. With strong brand and solid sales network foundation, the overall business of the Group remained stable during the Period despite of the difficult environment facing the industry. Specifically, wooden doors, wardrobes and cabinets continued to record satisfactory growth. 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

For the Period, 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 periods indicated:

	For the six months ended 30 June				
	2019		2018		**Revenue**
Revenue	***RMB'000***	***% of total revenue***	*RMB'000*	*% of total revenue*	**Growth rate %**
Manufacturing and sale of flooring products					
— sales of goods	**952,362**	**74.3**	985,037	76.3	(3.3)
— provision of trademark and distribution network	**62,846**	**4.9**	110,998	8.6	(43.4)
	1,015,208	**79.2**	1,096,035	84.9	(7.4)
Manufacturing and sale of customised home decoration products					
— sales of goods	**264,712**	**20.6**	194,009	15.0	36.4
— provision of trademark and distribution network	**2,174**	**0.2**	1,619	0.1	34.3
	266,886	**20.8**	195,628	15.1	36.4
Total	**1,282,094**	**100.0**	1,291,663	100.0	(0.7)

For the Period, the Group generated revenues of approximately RMB1,282,094,000, representing a decrease of 0.7%, as compared with approximately RMB1,291,663,000 for the corresponding period of 2018.

Revenue from the segment of manufacturing and sale of flooring products decreased by 7.4% to approximately RMB1,015,208,000 for the Period compared to approximately RMB1,096,035,000 for the corresponding period of 2018. It was mainly due to the delay of delivery schedule for project orders.

Revenue from the segment of manufacturing and sale of customised home decoration products increased by 36.4% to approximately RMB266,886,000 for the Period compared to approximately RMB195,628,000 for the corresponding period of 2018. It was mainly attributable to the growth of the sales of wooden door, wardrobes and cabinets products.

Gross Profit

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

	For the six months ended 30 June				
	2019		2018		**Growth rate**
Gross Profit	***RMB'000***	***GP %***	*RMB'000*	*GP %*	***%***
Manufacturing and sale of flooring products					
— sales of goods	**264,521**	**27.8**	301,092	30.6	(12.1)
— provision of trademark and distribution network	**62,116**	**98.8**	106,996	96.4	(41.9)
	326,637	**32.2**	408,088	37.2	(20.0)
Manufacturing and sale of customised home decoration products					
— sales of goods	**15,350**	**5.8**	3,276	1.7	368.6
— provision of trademark and distribution network	**2,149**	**98.9**	1,561	96.4	37.7
	17,499	**6.6**	4,837	2.5	261.8
Total	**344,136**	**26.8**	412,925	32.0	(16.7)
EBITDA	**124,780**	**9.7**	152,350	11.8	(18.1)

For the Period, the overall gross profit decreased by 16.7% to approximately RMB344,136,000 compared to approximately RMB412,925,000 for the corresponding period of 2018 and the overall gross profit margin decreased to 26.8% for the Period from 32.0% for the corresponding period of 2018.

The segment of manufacturing and sale of flooring products contributed a gross profit of approximately RMB326,637,000 for the Period, representing a decrease of 20.0%, compared to approximately RMB408,088,000 for the corresponding period of 2018. It was mainly due to the combined results of the decrease in fee income from provision of trademarks and distribution network and the decrease in gross profit margin for sales of flooring products. Decrease in fee income was mainly due to weakened luxury household furnishing material market in the PRC as the overall economy of the PRC was impacted by the international trade dispute. Decrease in gross margin for sales was mainly due to change of products mixture. The gross profit margin decreased to 32.2% for the Period compared to 37.2% for the corresponding period of 2018.

The segment of manufacturing and sale of customised home decoration products contributed a gross profit of approximately RMB17,499,000 for the Period, representing an increase of 261.8%, compared to approximately RMB4,837,000 for the corresponding period of 2018. It was attributable to the combined effect of the increase in revenue and the increase in gross profit margin for wooden door, wardrobes and cabinets products. The gross profit margin was 6.6% for the Period compared to 2.5% for the corresponding period of 2018.

EBITDA

For the Period, the EBITDA decreased by 18.1% to approximately RMB124,780,000 compared to approximately RMB152,350,000 for the corresponding period of 2018 and the EBITDA margin decreased to 9.7% from 11.8% for the corresponding period of 2018.

EBITDA is defined as profit before net finance costs, income tax, depreciation and amortisation. Due to initial application of IFRS 16 at 1 January 2019, EBITDA for the Period included depreciation of right-of-use assets which was previously recognised as lease expense and deducted from EBITDA.

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 increased to approximately RMB18,201,000 for the Period, compared to approximately RMB13,024,000 for the corresponding period of 2018. It was mainly due to the increase in rental income.

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 were approximately RMB161,254,000 for the Period, representing a decrease of approximately 2.7%, compared to approximately RMB165,783,000 for the corresponding period of 2018. It was primarily due to the net effect of the increase in decoration allowance to distributors, staff costs and transportation and storage fees; and the decrease in advertising and promotion expenses, and travelling expenses.

The percentage of distribution costs to revenue was 12.6% compared to 12.8% for the corresponding period of 2018.

Administrative Expenses

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

Administrative expenses were approximately RMB126,105,000 for the Period, representing a decrease of approximately 13.5%, compared to approximately RMB145,730,000 for the corresponding period of 2018. It was primarily due to the net effect of the increase in staff costs; and the decrease in loss allowance for trade receivables.

The percentage of administrative expenses to revenue was 9.8% for the Period compared to 11.3% for the corresponding period of 2018.

Other Operating Expenses

Other operating expenses increased to approximately RMB9,215,000 for the Period, compared to approximately RMB3,033,000 for the corresponding period of 2018. It was mainly due to increased depreciation and related cost of investment properties operated in second half of 2018.

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 net foreign exchange gain. Finance costs consist primarily of interest expenses on bank loans and net foreign exchange loss. Net finance costs decreased to approximately RMB12,900,000 for the Period from approximately RMB15,503,000 for the corresponding period of 2018.

Finance income increased by 33.8% to approximately RMB9,838,000 for the Period compared to approximately RMB7,351,000 for the corresponding period of 2018. It was primarily due to the increase in net foreign exchange gain.

Finance costs decreased by 0.5% to approximately RMB22,738,000 for the Period as compared to approximately RMB22,854,000 for the corresponding period of 2018. It was mainly due to the increase in interest expenses and the decrease in net foreign exchange loss.

Income Tax

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

Income tax was approximately RMB17,931,000 for the Period compared to approximately RMB24,417,000 for the corresponding period of 2018, which was the total effect of the current income tax of approximately RMB26,021,000 and the net deferred tax income of approximately RMB8,090,000. The decrease in income tax was mainly due to the decrease in profit of our PRC operations during the Period.

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 RMB40,677,000 for the Period, compared to approximately RMB74,751,000 for the corresponding period of 2018.

LIQUIDITY

Cash Flow

The Group meets its working capital and other capital requirements principally with the following: (i) cash generated from operations and (ii) proceeds from loans and borrowings. During the Period, the Group used net cash of approximately RMB269,793,000 in operating activities (six months ended 30 June 2018: generated net cash from operating activities of RMB89,106,000) and made a net proceeds from bank and other loans of approximately RMB184,558,000 (six months ended 30 June 2018: repayment of RMB100,827,000).

Net Current Assets and Working Capital Sufficiency

As at 30 June 2019, net current assets was approximately RMB1,037,974,000, representing a decrease of 3.7%, compared to approximately RMB1,078,005,000 as at 31 December 2018. The current ratios as at 30 June 2019 and 31 December 2018 were 1.5 and 1.6 respectively.

Cash Conversion Cycle

	As at		Turnover days
	30 June 2019	31 December 2018	Change *(days)*
Trade and bills receivables and contract assets	**163**	140	23
Inventories	**82**	73	9
Trade and bills payables	**(137)**	(136)	(1)
Net	**108**	77	31

As at 30 June 2019, trade and bills receivables and contract assets (excluding long-term receivables) turnover days increased by 23 days to 163 days. It was mainly due to the increase in the proportion of sales on credit.

As at 30 June 2019, inventories turnover days increased by 9 days to 82 days.

As at 30 June 2019, trade and bills payables turnover days increased by 1 day to 137 days.

FINANCIAL RESOURCES

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

	As at 30 June 2019 *RMB'000*	As at 31 December 2018 *RMB'000*
Bills payables	**408,284**	498,071
Bank and other loans:		
current	**708,831**	593,311
non-current	**177,347**	107,092
Sub-total	**1,294,462**	1,198,474
Less:		
Cash and cash equivalents	**544,797**	823,843
Pledged and restricted deposits	**361,490**	379,765
Adjusted net debts/(assets)	**388,175**	(5,134)
Total equity	**2,236,490**	2,269,349
Adjusted gearing percentage	**17.4%**	(0.2%)

Our adjusted gearing percentage, which are derived by dividing adjusted net debts/(assets) by total equity of the Group, were positive 17.4% and negative 0.2% as at 30 June 2019 and 31 December 2018, respectively.

Adjusted net debts/(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 30 June 2019, the bank and other loans were repayable as follows:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Within 1 year or on demand	**708,831**	593,311
After 2 years but within 5 years	**177,347**	107,092
Total	**886,178**	700,403

At 30 June 2019, the bank and other loans were secured as follows:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Bank loans *(i)*		
— Secured	**768,244**	546,982
— Unsecured	**69,234**	55,515
Sub-total	**837,478**	602,497
Other loans — secured *(ii)*	**48,700**	97,906
	886,178	700,403

(i) At 30 June 2019, the Group has secured bank loans and borrowings amounting to approximately RMB768,244,000 (31 December 2018: RMB546,982,000), of which:

— RMB110,242,000 (31 December 2018: RMB107,092,000) of these loans were secured by assets of the Group and guaranteed by non-controlling shareholders on the joint venture; and

— RMB658,002,000 (31 December 2018: RMB439,890,000) of the Group were solely secured by assets of the Group.

(ii) At 30 June 2019, the Group has secured other loans amounting to approximately RMB48,700,000 (31 December 2018: RMB97,906,000), of which:

— RMB48,700,000 (31 December 2018: RMB48,700,000) was borrowed from a commercial factoring company and secured by commercial bills receivable which were included as "trade receivables" with net book value RMB48,700,000; and

— Nil (31 December 2018: RMB49,206,000) was borrowed from a financial leasing company.

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

	At 30 June 2019	At 31 December 2018
	RMB'000	*RMB'000*
Restricted deposits	**158,604**	116,000
Other property, plant and equipment	**204,684**	58,586
Right-of-use assets/lease prepayments	**141,461**	74,619
Investment properties	**171,368**	174,343
Trade and bills receivables	**149,619**	208,273
	825,736	631,821

(iv) Parts of the Group's banking facilities, amounted to RMB628,437,000 (31 December 2018: RMB671,240,000) 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 30 June 2019 and 31 December 2018, none of the covenants relating to drawn down facilities had been breached.

(v) The unutilised banking facilities as at 30 June 2019 amounted to RMB551,896,000 (31 December 2018: RMB289,346,000).

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

	At 30 June 2019		At 31 December 2018	
	Effective interest rate	**Carrying amount**	Effective interest rate	Carrying amount
	%	***RMB'000***	%	*RMB'000*
Variable rate instruments				
Bank loans	**4.81**	**261,628**	4.69	283,753
Fixed rate instruments				
Bank loans	**5.49**	**575,850**	6.20	318,744
Other loans	**12.00**	**48,700**	8.80	97,906
Total borrowings		**886,178**		700,403
Fixed rate borrowings as a percentage of total borrowings		**70%**		59%

The board of directors (the "Board") of Nature Home Holding Company Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2019. The results have been reviewed by KPMG and the audit committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019
(Expressed in Renminbi)

		Six months ended 30 June	
		2019	2018
			(Note)
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**1,282,094**	1,291,663
Cost of sales		**(937,958)**	(878,738)
Gross profit		**344,136**	412,925
Other income	*5(a)*	**18,201**	13,024
Distribution costs		**(161,254)**	(165,783)
Administrative expenses		**(126,105)**	(145,730)
Other operating expenses	*5(b)*	**(9,215)**	(3,033)
Profit from operations		**65,763**	111,403
Finance income		**9,838**	7,351
Finance costs		**(22,738)**	(22,854)
Net finance costs	*6(a)*	**(12,900)**	(15,503)
Profit before taxation	*6*	**52,863**	95,900
Income tax	*7*	**(17,931)**	(24,417)
Profit for the period		**34,932**	71,483
Attributable to:			
Equity shareholders of the Company		**40,677**	74,751
Non-controlling interests		**(5,745)**	(3,268)
Profit for the period		**34,932**	71,483
Earnings per share (RMB):	*8*		
Basic and diluted		**0.029**	0.052

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019
(Expressed in Renminbi)

		Six months ended 30 June	
		2019	2018
			(Note)
	Note	***RMB'000***	*RMB'000*
Profit for the period		**34,932**	71,483
Other comprehensive income for the period (after tax and reclassification adjustments)	*9*		
Items that will not be reclassified to profit or loss:			
Equity investments at fair value through other comprehensive income — net movement in fair value reserve (non-recycling)		**6,829**	(11,982)
Exchange differences on translation of the financial statements of entities not using RMB as functional currency		**(2,385)**	(518)
Other comprehensive income for the period		**4,444**	(12,500)
Total comprehensive income for the period		**39,376**	58,983
Attributable to:			
Equity shareholders of the Company		**45,149**	62,104
Non-controlling interests		**(5,773)**	(3,121)
Total comprehensive income for the period		**39,376**	58,983

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

(Expressed in Renminbi)

	Note	At 30 June 2019 *RMB'000*	At 31 December 2018 *(Note)* *RMB'000*
Non-current assets			
Investment properties		**184,394**	185,174
Other property, plant and equipment		**784,820**	780,847
		969,214	966,021
Intangible assets		**20,476**	14,410
Right-of-use assets		**213,796**	—
Lease prepayments		**—**	140,856
Interest in associates		**2,699**	1,666
Other financial assets		**90,757**	84,038
Deposits, prepayments and other receivables		**67,748**	26,629
Long-term receivables		**21,708**	40,411
Deferred tax assets		**37,621**	36,311
		1,424,019	1,310,342
Current assets			
Inventories		**506,585**	424,483
Trade and bills receivables	*10*	**1,256,976**	1,007,158
Current portion of long-term receivables		**46,059**	30,347
Contract assets		**107,531**	42,589
Deposits, prepayments and other receivables		**279,203**	267,932
Restricted deposits		**361,490**	379,765
Cash and cash equivalents		**544,797**	823,843
		3,102,641	2,976,117
Current liabilities			
Trade and bills payables	*11*	**895,952**	897,245
Contract liabilities		**118,312**	86,759
Deposits received, accruals and other payables		**302,642**	304,138
Bank and other loans		**708,831**	593,311
Lease liabilities		**19,298**	—
Current taxation		**19,632**	16,659
		2,064,667	1,898,112

	At **30 June 2019**	At 31 December 2018 *(Note)*
	RMB'000	*RMB'000*
Net current assets	**1,037,974**	1,078,005
Total assets less current liabilities	**2,461,993**	2,388,347
Non-current liabilities		
Bank loans	**177,347**	107,092
Lease liabilities	**43,441**	—
Deferred tax liabilities	**4,715**	11,906
	225,503	118,998
NET ASSETS	**2,236,490**	2,269,349
CAPITAL AND RESERVES		
Share capital	**8,998**	9,391
Reserves	**2,165,980**	2,203,108
Total equity attributable to equity shareholders of the Company	**2,174,978**	2,212,499
Non-controlling interests	**61,512**	56,850
TOTAL EQUITY	**2,236,490**	2,269,349

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

(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 (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 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 the six months ended 30 June 2018													
Profit for the period	—	—	—	—	—	—	—	—	—	74,751	74,751	(3,268)	71,483
Other comprehensive income	—	—	—	—	—	—	(665)	(11,982)	—	—	(12,647)	147	(12,500)
Total comprehensive income	—	—	—	—	—	—	(665)	(11,982)	—	74,751	62,104	(3,121)	58,983
Share options forfeited during the period	—	—	—	—	—	—	—	—	(4,404)	4,404	—	—	—
Shares award exercised	—	(1,722)	12,054	—	—	—	—	—	(10,332)	—	—	—	—
Equity-settled share award scheme	—	—	—	—	—	—	—	—	3,605	—	3,605	—	3,605
Purchase of own shares	—	—	—	(16,211)	—	—	—	—	—	—	(16,211)	—	(16,211)
Liquidation of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	(1,275)	(1,275)
Acquisition of non-controlling interests	—	—	—	—	—	—	—	—	—	(1,829)	(1,829)	1,320	(509)
Contribution from non-controlling interests holders	—	—	—	—	—	—	—	—	—	—	—	2,528	2,528
Balance at 30 June 2018 and 1 July 2018	9,596	958,684	(16,833)	(18,593)	84	198,901	(11,701)	4,560	72,181	960,595	2,157,474	64,759	2,222,233

	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 (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 30 June 2018 and 1 July 2018	9,596	958,684	(16,833)	(18,593)	84	198,901	(11,701)	4,560	72,181	960,595	2,157,474	64,759	2,222,233
Changes in equity for the six months ended 31 December 2018													
Profit for the period	—	—	—	—	—	—	—	—	—	82,034	82,034	(8,470)	73,564
Other comprehensive income	—	—	—	—	—	—	(1,562)	(3,978)	—	—	(5,540)	561	(4,979)
Total comprehensive income	—	—	—	—	—	—	(1,562)	(3,978)	—	82,034	76,494	(7,909)	68,585
Transfer to statutory surplus reserve	—	—	—	—	—	16,932	—	—	—	(16,932)	—	—	—
Share options forfeited during the period	—	—	—	—	—	—	—	—	(6,805)	6,805	—	—	—
Equity settled Share Award Scheme	—	—	—	—	—	—	—	—	2,088	—	2,088	—	2,088
Disposal of financial assets	—	—	—	—	—	—	—	—	—	1,268	1,268	—	1,268
Purchase and cancel of own shares	(205)	(40,831)	—	16,211	—	—	—	—	—	—	(24,825)	—	(24,825)
Balance at 31 December 2018 *(Note)*	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

Note: The group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

	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 (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 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
Impact on initial application of IFRS 16	–	–	–	–	–	–	–	–	–	(6,116)	(6,116)	(19)	(6,135)
Adjusted at 1 January 2019	9,391	917,853	(16,833)	(2,382)	84	215,833	(13,263)	582	67,464	1,027,654	2,206,383	56,831	2,263,214
Changes in equity for the six months ended 30 June 2019													
Profit for the period	–	–	–	–	–	–	–	–	–	40,677	40,677	(5,745)	34,932
Other comprehensive income	–	–	–	–	–	–	(2,357)	6,829	–	–	4,472	(28)	4,444
Total comprehensive income	–	–	–	–	–	–	(2,357)	6,829	–	40,677	45,149	(5,773)	39,376
Share options forfeited during the period	–	–	–	–	–	–	–	–	(125)	125	–	–	–
Equity-settled share award scheme	–	(2,874)	16,833	–	–	–	–	–	(12,937)	–	1,022	–	1,022
Purchase and cancel of own shares	(393)	(77,183)	–	–	–	–	–	–	–	–	(77,576)	–	(77,576)
Appropriation to statutory reserve	–	–	–	–	–	1,788	–	–	–	(1,788)	–	–	–
Liquidation of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(330)	(330)
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	10,784	10,784
Balance at 30 June 2019	8,998	837,796	–	(2,382)	84	217,621	(15,620)	7,411	54,402	1,066,668	2,174,978	61,512	2,236,490

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2019
(Expressed in Renminbi)

	Six months ended 30 June	
	2019	2018
		(Note)
	RMB'000	*RMB'000*
Operating activities		
Cash (used in)/generated from operations	**(246,745)**	116,240
Tax paid	**(23,048)**	(27,134)
Net cash (used in)/generated from operating activities	**(269,793)**	89,106
Investing activities		
Payment for the purchase of other property, plant and equipment	**(63,812)**	(97,802)
Payment for the leased land	**(11,565)**	—
Payment for the acquisition of subsidiaries	**(41,143)**	—
Other net cash flows generated from investing activities	**13,429**	3,016
Net cash used in investing activities	**(103,091)**	(94,786)
Financing activities		
Proceeds from bank loans	**445,355**	339,532
Repayment of bank loans	**(260,797)**	(440,359)
Capital element of lease rentals paid	**(8,835)**	—
Interest element of lease rentals paid	**(1,609)**	—
Payment on purchase of own shares	**(77,576)**	(16,211)
Repayment of capital to a non-controlling interests holder due to liquidation of a subsidiary	**—**	(1,275)
Proceeds of contribution from non-controlling interests holders	**—**	2,528
Other net cash flows used in financing activities	**(2,854)**	(15,118)
Net cash generated from/(used in) financing activities	**93,684**	(130,903)
Net decrease in cash and cash equivalents	**(279,200)**	(136,583)
Cash and cash equivalents at 1 January	**823,843**	749,862
Effect of foreign exchanges rates changes	**154**	(356)
Cash and cash equivalents at 30 June	**544,797**	612,923

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

NOTES TO THE FINANCIAL INFORMATION

1. BASIS OF PREPARATION

This interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("IASB"). It was authorised for issue on 28 August 2019.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

This interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of Nature Home Holding Company Limited (the "Company") and its subsidiaries (together the "Group") since the 2018 annual financial statements. The condensed consolidated interim financial information and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

The interim financial information is unaudited, but has been reviewed by KPMG in accordance with the Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants.

2. CHANGES IN ACCOUNTING POLICIES

The IASB has issued a new IFRS, IFRS 16, *Leases*, and a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

Except for IFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

IFRS 16, *Leases*

IFRS 16 replaces IAS 17, *Leases*, and the related interpretations, IFRIC 4, *Determining whether an arrangement contains a lease*, SIC 15, *Operating leases — incentives*, and SIC 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from IAS 17 substantially unchanged.

The Group has initially applied IFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under IAS 17.

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

(a) ***Changes in the accounting policies***

(i) *New definition of a lease*

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) *Lessee accounting*

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment.

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. For the Group, low-value assets are typically laptops or office furniture. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(iii) *Lessor accounting*

The Group leases out properties, and a number of items of machinery as the lessor of operating leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under IAS 17.

Under IFRS 16, when the Group acts as an intermediate lessor in a sublease arrangement, the Group is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. The adoption of IFRS 16 does not have a significant impact on the Group's financial statements in this regard.

(b) *Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies*

Determining the lease term

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(c) *Transitional impact*

At the date of transition to IFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 5.88%.

To ease the transition to IFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of IFRS 16:

(i) the Group elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) when measuring the lease liabilities at the date of initial application of IFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of IFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019
	RMB'000
Operating lease commitments at 31 December 2018	**66,390**
Less: commitments relating to leases exempt from capitalisation:	
— short-term leases and other leases with remaining lease term ending on or before 31 December 2019	**(9,808)**
— leases of low-value assets	**(2,859)**
Less: total future interest expenses	**(5,872)**
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019	**47,851**
Total lease liabilities recognised at 1 January 2019	**47,851**

The right-of-use assets in relation to leases previously classified as operating leases have been recognised as if IFRS 16 has always been applied since the commencement date of the lease but using the relevant incremental borrowing rate as at 1 January 2019.

So far as the impact of the adoption of IFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of IFRS 16, other than changing the captions for the balances. Accordingly, instead of "obligations under finance leases", these amounts are included within "lease liabilities", and the depreciated carrying amount of the corresponding leased asset is identified as a right-of-use asset. There is no impact on the opening balance of equity.

The Group presents right-of-use assets that do not meet the definition of investment property in 'other property, plant and equipment' and presents lease liabilities separately in the statement of financial position.

The following table summarises the impacts of the adoption of IFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018	**Capitalisation of operating lease contracts**	**Carrying amount at 1 January 2019**
	RMB'000	*RMB'000*	*RMB'000*
Line items in the consolidated statement of financial position impacted by the adoption of IFRS 16:			
Right-of-use assets	—	181,447	181,447
Lease prepayment	140,856	(140,856)	—
Deferred tax assets	36,311	1,125	37,436
Total non-current assets	1,310,342	41,716	1,352,058
Lease liabilities (current)	—	13,898	13,898
Current liabilities	1,898,112	13,898	1,912,010
Net current assets	1,078,005	(13,898)	1,064,107
Total assets less current liabilities	2,388,347	27,818	2,416,165
Lease liabilities (non-current)	—	33,953	33,953
Total non-current liabilities	118,998	33,953	152,951
Net assets	2,269,349	(6,135)	2,263,214

The analysis of the book value of the Group's right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to IFRS 16 is as follows:

	At 30 June 2019	At 1 January 2019
	RMB'000	*RMB'000*
Interest in leasehold land held for own use, carried at the depreciated cost	**159,685**	142,968
Other properties, carried at the depreciated cost	**54,111**	38,479
	213,796	181,447

(d) ***Lease liabilities***

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to IFRS 16 are as follows:

	At 30 June 2019		At 1 January 2019	
	Present value of the minimum lease payments	**Total minimum lease payments**	Present value of the minimum lease payments	Total minimum lease payments
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Within 1 year	**19,298**	**22,320**	13,898	16,211
After 1 year but within 2 years	**18,898**	**20,786**	13,345	14,867
After 2 years but within 5 years	**22,001**	**23,521**	18,492	19,935
After 5 years	**2,542**	**3,083**	2,116	2,710
	43,441	**47,390**	33,953	37,512
	62,739	**69,710**	47,851	53,723
Less: total future interest expenses		**(6,971)**		(5,872)
Present value of lease liabilities		**62,739**		47,851

(e) ***Impact on the financial result, segment results and cash flows of the Group***

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if IAS 17 had been applied during the period.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under IAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under IAS 17. Although total cash flows are unaffected, the adoption of IFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

The following tables may give an indication of the estimated impact of adoption of IFRS 16 on the Group's financial result, segment results and cash flows for the six months ended 30 June 2019, by adjusting the amounts reported under IFRS 16 in these interim financial statements to compute estimates of the hypothetical amounts that would have been recognised under IAS 17 if this superseded standard had continued to apply to 2019 instead of IFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under IAS 17.

	2019				2018
	Amounts reported under IFRS 16	**Add back: IFRS 16 depreciation and interest expense**	**Deduct: Estimated amounts related to operating lease as if under IAS 17** *(note 1)*	**Hypothetical amounts for 2019 as if under IAS 17**	Compared to amounts reported for 2018 under IAS 17
	(A)	**(B)**	**(C)**	**(D=A+B–C)**	
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	*RMB'000*
Financial result for the six months ended 30 June 2019 impacted by the adoption of IFRS 16:					
Profit from operations	**65,763**	**9,943**	**(12,163)**	**63,543**	111,403
Finance costs	**(22,738)**	**1,609**	**—**	**(21,129)**	(22,854)
Profit before taxation	**52,863**	**11,552**	**(12,163)**	**52,252**	95,900
Profit for the period	**34,932**	**11,552**	**(12,163)**	**34,321**	71,483
Reportable segment gross profit for the six months ended 30 June 2019 *(note 3(b))* **impacted by the adoption of IFRS 16:**					
— Manufacturing and sale of flooring products	**326,637**	**3,399**	**(4,210)**	**325,826**	408,088
— Manufacturing and sale of customized home decoration products	**17,499**	**442**	**(163)**	**17,778**	4,837
— Total	**344,136**	**3,841**	**(4,373)**	**343,604**	412,925

	2019			2018
	Amounts reported under IFRS 16	**Estimated amounts related to operating lease as if under IAS 17** *(note 1 & 2)*	**Hypothetical amounts for 2019 as if under IAS 17**	Compared to amounts reported under IAS 17
	(A)	**(B)**	**(C=A+B)**	
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*
Line items in the condensed consolidated cash flow statement for the six months ended 30 June 2019 impacted by the adoption of IFRS 16:				
Cash (used in)/generated from operations	**(246,745)**	**(10,444)**	**(257,189)**	116,240
Net cash (used in)/generated from operating activities	**(269,793)**	**(10,444)**	**(280,237)**	89,106
Capital element of lease rentals paid	**(8,835)**	**8,835**	**—**	—
Interest element of lease rentals paid	**(1,609)**	**1,609**	**—**	—
Net cash generated from/(used in) financing activities	**93,684**	**10,444**	**104,128**	(130,903)

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if IAS 17 had still applied in 2019. This estimate assumes that there were no difference between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under IAS 17, if IAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash (used in)/generated from operating activities and net cash generated from/(used in) financing activities as if IAS 17 still applied.

3. REVENUE AND SEGMENT REPORTING

The Group manages its business by different lines of businesses (flooring products and customized 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 resource allocation and performance assessment.

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 manufactures which sell flooring products under the Group's trademarks and distribution network.

— Manufacturing and sale of customized 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 manufactures which sell products under the Group's trademarks and distribution network.

(a) Disaggregation of revenue

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

	Six months ended 30 June	
	2019	2018
		(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	**952,362**	985,037
— Provision of trademark and distribution network	**62,846**	110,998
● Manufacturing and sale of customized home decoration products		
— Sale of goods	**264,712**	194,009
— Provision of trademark and distribution network	**2,174**	1,619
	1,282,094	1,291,663
Disaggregated by geographic location of customers		
— The PRC, Hong Kong and Macau	**1,260,048**	1,256,056
— Peru	**—**	1,213
— USA	**22,046**	34,394
	1,282,094	1,291,663

The Group's customer base is diversified and only one of customer with whom transactions have exceeded 10% of the Group's revenues for the six months ended 30 June 2019 (six months ended 30 June 2018: one). For the six month ended 30 June 2019, revenues from sales of home decoration products to this customer amounted to approximately RMB172,985,000 (six months ended 30 June 2018: RMB281,576,000) and arose only in the PRC by geographical region in which the home decoration products division is active.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in note 3(b).

(b) Information about profit or loss, assets and liabilities

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

For the six months ended 30 June	Manufacturing and sale of flooring products		Manufacturing and sale of customized home decoration products		Total	
	2019	2018	**2019**	2018	**2019**	2018
		(Note)		*(Note)*		*(Note)*
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Disaggregated by timing of revenue recognition						
Point in time	**779,141**	754,242	**133,205**	67,559	**912,346**	821,801
Over time	**173,221**	230,795	**131,507**	126,450	**304,728**	357,245
Subtotal of sales of goods	**952,362**	985,037	**264,712**	194,009	**1,217,074**	1,179,046
Provision of trademark and distribution network	**62,846**	110,998	**2,174**	1,619	**65,020**	112,617
Revenue from external customers	**1,015,208**	1,096,035	**266,886**	195,628	**1,282,094**	1,291,663
Inter-segment revenue	**635**	911	**7,566**	1,846	**8,201**	2,757
Reportable segment revenue	**1,015,843**	1,096,946	**274,452**	197,474	**1,290,295**	1,294,420
Reportable segment gross profit	**326,637**	408,088	**17,499**	4,837	**344,136**	412,925
As at 30 June/31 December						
Reportable segment assets	**3,531,560**	2,983,073	**1,140,006**	667,210	**4,671,566**	3,650,283
Additions to non-current segment assets during the period	**65,933**	57,676	**8,749**	4,866	**74,682**	62,542
Reportable segment liabilities	**2,250,139**	2,105,902	**734,696**	296,332	**2,984,835**	2,402,234

(c) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2019	2018
		(Note)
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**1,290,295**	1,294,420
Elimination of inter-segment revenue	**(8,201)**	(2,757)
Consolidated revenue	**1,282,094**	1,291,663

Note: The group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

4. SEASONALITY OF OPERATIONS

The Group's principal activities of selling home decoration products, on average experiences 30–40% higher sales in the fourth quarter and 30–40% lower sales in the first quarter, compared to average quarter sales in the year, due to the increased demand in home decoration market before year end and decreased demand during the long Spring Festival holiday period. The Group anticipates this demand by increasing its production to build up inventories during the second half of the year. As a result, the Group typically reports lower revenues and segment results for the first half of the year, than the second half.

For the twelve months ended 30 June 2019, the Group reported revenue of RMB2,908,447,000 (twelve months ended 30 June 2018: RMB2,783,826,000), and gross profit of RMB821,860,000 (twelve months ended 30 June 2018: RMB879,343,000).

5. OTHER INCOME/OTHER OPERATING EXPENSES

(a) Other income

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Government grants*(i)*	**6,167**	6,291
Rental income from operating leases		
— investment properties	**3,528**	163
— machineries	**3,427**	3,238
Others	**5,079**	3,332
	18,201	13,024

(i) Government grants for the six months ended 30 June 2019 mainly represented unconditional cash awards granted by the government authorities in the PRC.

(b) **Other operating expenses**

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Net loss on disposal of other property, plant and equipment	**294**	826
Donations	**1,310**	1,164
Depreciation and related cost of lease-out assets		
— investment properties	**3,385**	—
— machineries	**3,344**	—
Others	**882**	1,043
	9,215	3,033

6. PROFIT BEFORE TAXATION

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

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Interest income on bank deposits	**(8,109)**	(7,351)
Net foreign exchange gain	**(1,729)**	—
Finance income	**(9,838)**	(7,351)
Interest expense on bank loans	**21,129**	15,995
Interest on lease liabilities	**1,609**	—
Less: interest expense capitalised	**—**	(2,750)
Net interest expense	**22,738**	13,245
Net foreign exchange loss	**—**	9,609
Finance costs	**22,738**	22,854
Net finance costs recognised in profit or loss	**12,900**	15,503

(b) Other items

	Six months ended 30 June	
	2019	2018
		(Note)
	RMB'000	*RMB'000*
Net impairment losses		
— Trade and bills receivables and contract assets	**5,199**	16,893
— Deposits, prepayments and other receivables	**6,694**	16,103
Depreciation		
— owned property, plant and equipment	**46,910**	37,419
— right-of-use assets	**9,943**	—
Amortisation	**2,164**	3,528
Research and development costs (other than depreciation and amortisation)	**7,738**	7,552
Write-down of inventory	**8,343**	9,823
Short-term and low value lease charges	**3,216**	—
Operating lease charges	**—**	10,713
Share Award Scheme	**1,022**	3,605

Note: The Group has initially applied IFRS 16 at 1 January 2019. Under the transition methods chosen, comparative information is not restated. See note 2.

7. INCOME TAX

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Current tax		
Provision for income tax	**26,565**	36,406
Over-provision in respect of prior years	**(544)**	(5,223)
	26,021	31,183
Deferred tax		
Origination and reversal of temporary differences	**(8,090)**	(6,766)
	17,931	24,417

Notes:

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

(ii) The Group's subsidiaries incorporated in the USA were subject to federal income tax at 21% (15% to 35% for the six months ended 30 June 2018) and state income tax for the six months ended 30 June 2019.

(iii) The Group's subsidiaries incorporated in Hong Kong were subject to Hong Kong Profits Tax rate of 16.5% except that the first HK$2 million estimated assessable profits calculated at 8.25% for the six months ended 30 June 2019 (16.5% for the six months ended 30 June 2018).

(iv) The Group's subsidiaries incorporated in Macau were subject to Macau Complementary Tax. The provision for Macau Complementary Tax for the six months ended 30 June 2019 and 2018 is calculated at the rate of 12%, of which assessable profits of the first MOP300,000 is exempted from tax.

(v) Taxable income for the subsidiaries of the Company in the PRC is subject to PRC income tax rate of 25%, unless otherwise specified below:

Guangxi Baijing Flooring Co., Ltd ("Guangxi Baijing") enjoys preferential enterprise income tax rate of 9% for the six months ended 30 June 2019 and 2018, which is based on 15% preferential tax rate for qualified enterprise located in the western region of the PRC with an additional 40% exemption agreed by the local taxation bureau from 2016 to 2020.

Nature (Zhongshan) Wood Industry Co., Ltd. ("Nature (Zhongshan)") was qualified as a High-tech enterprise to enjoy a preferential enterprise income tax rate of 15% from 2017 pursuant to documents issued by local government authorities from 2018 to 2019.

(vi) At 30 June 2019, nil deferred tax liabilities (31 December 2018: RMB6,546,000) was recognised in respect of the dividend withholding tax relating to the undistributed profits of the Company's subsidiaries, as the Company controls the dividend policy of these subsidiaries. The Directors of the Group determined that the undistributed profits of the Company's subsidiaries would not be distributed in the foreseeable future except for those proposed dividend.

The amounts of remaining undistributed profit of the Company's subsidiaries are set out below:

	At 30 June 2019	At 31 December 2018
	RMB'000	*RMB'000*
Distributable profits earned by PRC subsidiaries on or after 1 January 2008	**1,500,392**	1,436,005

As all of the Company's PRC subsidiaries are directly or indirectly owned by a Hong Kong or Macau incorporated subsidiary which is not a qualified tax resident, a rate of 10% is applicable to the PRC dividend withholding tax.

8. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB40,677,000 (six months ended 30 June 2018: RMB74,751,000) and the weighted average of 1,402,679,000 ordinary shares (six months ended 30 June 2018: 1,443,167,000) in issue during the interim period.

Weighted average number of ordinary shares

	Six months ended 30 June	
	2019	2018
	'000	*'000*
Issued ordinary shares at 1 January	**1,437,382**	1,468,238
Effect of purchase of own shares	**(34,703)**	(3,978)
Effect of outstanding shares purchased under the Share Award Scheme	**—**	(21,093)
Weighted average number of ordinary shares at 30 June	**1,402,679**	1,443,167

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the parent of RMB40,677,000 (six months ended 30 June 2018: RMB74,751,000) and the weighted average number of ordinary shares of 1,403,410,000 after adjusting of share options granted (2018: 1,434,311,000 shares).

9. OTHER COMPREHENSIVE INCOME

	Six months ended 30 June 2019			Six months ended 30 June 2018		
	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 the financial statements of entities not using RMB as functional currency	**(2,385)**	**—**	**(2,385)**	(518)	—	(518)
Net movement in fair value reserve of equity investment through other comprehensive income	**7,550**	**(721)**	**6,829**	(15,976)	3,994	(11,982)
Other comprehensive income	**5,165**	**(721)**	**4,444**	(16,494)	3,994	(12,500)

10. TRADE AND BILLS RECEIVABLES

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

	At 30 June 2019 *RMB'000*	At 31 December 2018 *RMB'000*
Within 1 month	**419,481**	347,403
1 to 3 months	**258,932**	402,826
3 to 6 months	**135,813**	99,514
6 to 12 months	**393,891**	89,499
Over 12 months	**48,859**	67,916
	1,256,976	1,007,158

As at 30 June 2019, trade debtors of RMB119,619,000 (31 December 2018: RMB178,273,000) were pledged to banks to secure bank loans obtained by the Group.

Trade and bills receivables are due within 30 to 365 days from the date of billing. Debtors with balances past due, the Group will request debtors to settle all outstanding balances or negotiate the payment terms. Normally, the Group does not obtain collateral from customers.

11. TRADE AND BILLS PAYABLES

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

	At 30 June 2019 *RMB'000*	At 31 December 2018 *RMB'000*
Within 1 month	**378,155**	226,331
1 to 3 months	**225,611**	217,790
3 to 6 months	**235,800**	311,437
6 to 12 months	**14,160**	71,050
Over 12 months	**42,226**	70,637
	895,952	897,245

12. DIVIDENDS

The Board has resolved not to declare any interim dividends for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

CAPITAL EXPENDITURES

Capital expenditures amounted to RMB63,812,000 for the Period (six months ended 30 June 2018: RMB97,802,000). It primarily related to purchases of property, plant and equipment.

COMMITMENTS

Capital Commitments

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

	As at 30 June 2019	As at 31 December 2018
	RMB'000	*RMB'000*
Contracted for	**75,718**	14,122

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, Euro ("EUR") and British Pounds. On the other hand, our bank loans, cash and cash equivalents are primarily denominated in RMB, USD, EUR and Hong Kong Dollars ("HK$"). 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 30 June 2019, the Group had 3,128 employees (at 31 December 2018: 3,067). Relevant staff cost was approximately RMB165,561,000 (including share award scheme expenses of approximately RMB1,022,000) for the Period compared to approximately RMB151,430,000 (including share award scheme expenses of approximately RMB3,605,000) for the corresponding period of 2018. 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 Period.

SUBSEQUENT EVENTS

No significant events took place subsequent to 30 June 2019.

FUTURE PLANS FOR MATERIAL INVESTMENTS

There was no specific plan for material investments and acquisition of material capital assets as at 30 June 2019.

PURCHASE, SALE OR REDEMPTION OF THE SECURITIES

During the Period, the Company repurchased a total 58,000,000 shares of the Company on the Stock Exchange at an aggregate consideration of HK$89,875,140 pursuant to the share repurchase mandate approved by the shareholders of the Company at the annual general meeting held on 29 June 2018. Details of the repurchases are summarised as follows:

Date of repurchase	Price per share Highest	Price per share Lowest	Number of ordinary shares of USD0.001 each	Total consideration
	HK$	*HK$*		*HK$*
14 January 2019	1.55	1.54	4,000,000	6,186,790
15 January 2019	1.55	1.54	4,000,000	6,199,400
16 January 2019	1.55	1.55	4,000,000	6,200,000
17 January 2019	1.55	1.55	4,000,000	6,200,000
18 January 2019	1.55	1.55	4,000,000	6,200,000
21 January 2019	1.55	1.55	6,000,000	9,300,000
22 January 2019	1.55	1.55	6,000,000	9,300,000
23 January 2019	1.55	1.55	6,000,000	9,300,000
24 January 2019	1.55	1.55	6,000,000	9,300,000
25 January 2019	1.55	1.54	6,000,000	9,298,950
28 January 2019	1.55	1.54	4,000,000	6,190,000
29 January 2019	1.55	1.55	4,000,000	6,200,000
Total:			58,000,000	89,875,140

INTERIM DIVIDEND

The Board does not recommend the payment of dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

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 of Hong Kong Limited (the "Listing Rules") so as to maintain a high standard of corporate governance of the Company.

During the Period, the Company has complied with the applicable code provisions of the Code, except for the code provision A.2.1 which requires that the roles of chairman and chief executive should be separated and should not be performed by the same individual.

Currently, the roles of Chairman and President of the Company are performed by Mr. Se Hok Pan. Mr. Se Hok Pan is a co-founder of the Group and was appointed director of the Company on 27 July 2007. Mr. Se is responsible for formulating overall strategic planning, business development and management of the Company and 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 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" 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 six months ended 30 June 2019.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The Group's interim results will be included in the Company's interim report for the six months ended 30 June 2019 which will be published on the website of the Stock Exchange and the Company's website at www.nature-home.com.hk and will be dispatched to the Company's shareholders 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 the interim results for the six months ended 30 June 2019.

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.

By Order of the Board
Nature Home Holding Company Limited
Se Hok Pan
Chairman and Executive Director

Hong Kong, 28 August 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.