Nature Home Holding Company Limited
大自然家居控股有限公司
(Incorporated in the Cayman Islands with limited liability)
Stock code: 2083

INTERIM REPORT 2019

CONTENTS

CORPORATE INFORMATION

Board of Directors

Executive Directors

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

Non-executive Directors

Mr. Liang Zhihua
Mr. Teoh Chun Ming

Independent Non-executive Directors

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

Audit Committee

Mr. Chan Siu Wing, Raymond *(Chairman)*
Mr. Teoh Chun Ming
Mr. Ho King Fung, Eric

Remuneration Committee

Professor Li Kwok Cheung, Arthur *(Chairman)*
Mr. Teoh Chun Ming
Mr. Ho King Fung, Eric

Nomination Committee

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

Corporate Governance Committee

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

Executive Committee

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

Company Secretary

Mr. Lai Kwok Keung, Alex

Authorised Representatives

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

Auditors

KPMG

Principal Bankers

Industrial and Commercial Bank of China
Shunde Rural Commercial Bank
China Merchants Bank

Registered Office

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

Principal Place of Business in Hong Kong

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

CORPORATE INFORMATION (CONTINUED)

Head Office in the PRC

1 Zhi Cheng Road
Daliang Street
Shunde, Foshan City
Guangdong Province
The PRC

Office in Macau

Alameda Dr. Carlos D'Assumpcao
No. 249, 13 Andar, L&M13 Edif
China Civic Plaza
Macau

Principal Share Registrar and Transfer Office

SMP Partners (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor
Services Limited
Shops 1712–1716
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183 Queen's Road East
Wanchai
Hong Kong

Website

www.nature-home.com.hk

Stock Code

2083

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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

"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
		% of total		% of total	Growth rate
Revenue	**RMB'000**	**revenue**	RMB'000	revenue	%
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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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. The Group has adopted a prudent financial management approach towards its treasury policy. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time. 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

	Turnover days		
	As at		
	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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(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 RMB'000	At 31 December 2018 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).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(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%

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 and Contingent Liabilities

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

Details of contingent liabilities are set out in note 20 to the unaudited condensed consolidated interim financial statements in this report.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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. The Group does not have any hedging policy for foreign currencies in place and does not currently hedge transactions undertaken in foreign currencies. However, the Board will remain alert to any relevant risks and, if necessary, consider to hedge any material potential foreign exchange risk.

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.

OTHER INFORMATION

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

As at 30 June 2019, the interests and short positions of the Directors or the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or as notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") were as follows:

	Number of shares held			
Name of Director	**Personal Interest**	**Corporate Interest**	**Total**	**Percentage of shareholding** (Note 1)
Mr. Se Hok Pan *(Chairman and President)*	20,000,000	663,768,000	685,268,000	49.68%
	1,500,000 (Note 2)	(Note 3)		
	21,500,000			
Ms. Un Son I	1,500,000 (Note 2)	663,768,000	665,268,000	48.23%
		(Note 3)		
Mr. She Jian Bin	1,500,000	Nil	3,000,000	0.22%
	1,500,000 (Note 2)			
	3,000,000			
Mr. Liang Zhihua	2,500,000	Nil	24,500,000	1.78%
	22,000,000 (Note 2)			
	25,076,780			
Mr. Teoh Chun Ming	3,000,000 (Note 2)	Nil	3,000,000	0.22%
Professor Li Kwok Cheung, Arthur	1,000,000 (Note 2)	Nil	1,000,000	0.07%
Mr. Chan Siu Wing, Raymond	1,000,000 (Note 2)	Nil	1,000,000	0.07%
Mr. Ho King Fung, Eric	1,000,000 (Note 2)	Nil	1,000,000	0.07%

Notes:

1. Based on 1,379,381,990 shares of the Company in issue as at 30 June 2019.

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

OTHER INFORMATION (CONTINUED)

3. 663,768,000 shares are owned by Freewings Development Co., Ltd.. Freewings Development Co., Ltd. is a private company owned by Team One Investments Limited as to 60.19% and Trader World Limited as to 39.81%. Team One Investments Limited and Trader World Limited are wholly-owned by Mr. Se Hok Pan and Ms. Un Son I, respectively.

4. All interests stated are long positions.

Substantial Shareholders

As at 30 June 2019, the following persons (other than the Directors or the chief executive of the Company) has interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholders	Capacity and nature of interest	Number of shares held		Percentage of shares in issue
		Long position	Short position	(Note 1)
Freewings Development Co., Ltd. (Note 2)	Beneficial owner	663,768,000	—	48.12%
Team One Investments Limited (Note 2)	Interest in controlled corporations	663,768,000	—	48.12%
Trader World Limited (Note 2)	Interest in controlled corporations	663,768,000	—	48.12%
DeHua TB New Decoration Material Co,. Ltd (Note 3)	Beneficial owner	269,999,990	—	19.57%
Weng Hou Investment Company Limited	Beneficial owner	92,300,000	—	6.69%

Notes:

1. Based on 1,379,381,990 shares of the Company in issue as at 30 June 2019.

2. Freewings Development Co., Ltd. is a private company owned by Team One Investments Limited as to 60.19% and Trader World Limited as to 39.81%. Team One Investments Limited and Trader World Limited are wholly-owned by Mr. Se Hok Pan and Ms. Un Son I, respectively. Mr. Se Hok Pan and Ms. Un Son I are directors of Freewings Development Co., Ltd..

3. DeHua TB New Decoration Material Co., Ltd is a company incorporated in the PRC and the shares of which are listed on the Shenzhen Stock Exchange.

Save as disclosed above, the Directors are not aware that there is any party who, as at 30 June 2019, had interests or short positions in the shares and underlying shares of the Company, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

OTHER INFORMATION (CONTINUED)

Rights to Acquire Company's Securities

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

Share Option Schemes

Pre-IPO Share Option Scheme

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

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

For the options granted on 17 December 2008

Vesting period	Maximum cumulative percentage of options vested
30 December 2008	10%
30 December 2009	20%
30 December of the year of the date of listing i.e. 26 May 2011 (the "Listing Date")	40%
30 December of the year 12 months from the Listing Date	70%
30 December of the year 24 months from the Listing Date	100%

OTHER INFORMATION (CONTINUED)

For the options granted on 1 July 2010

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

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

Further details of the principal terms of the Pre-IPO Share Option Scheme are set out in the prospectus of the Company dated 16 May 2011. Details of the share options movements during the six months ended 30 June 2019 under the Pre-IPO Share Option Scheme are as follows:

Category of participants	Date of grant	Exercise period	Exercise price per share	No. of shares involved in the options outstanding at the beginning of the period	Exercised during the period	Lapsed during the period	No. of shares involved in the options outstanding at period end
Directors of the Company							
Liang Zhihua	1/7/2010	1/7/2010–30/6/2020	HK$3.38	7,000,000	–	–	7,000,000
Teoh Chun Ming	1/7/2010	1/7/2010–30/6/2020	HK$3.38	1,500,000	–	–	1,500,000
Employees							
Employees	1/7/2010	1/7/2010–30/6/2020	HK$3.38	3,500,000	–	–	3,500,000
Total				12,000,000	–	–	12,000,000

Save as disclosed above, no option under the Pre-IPO Share Option Scheme has been granted, cancelled or lapsed during the six months ended 30 June 2019. No further option will be granted under the Pre-IPO Share Option Scheme after the listing of the Company.

OTHER INFORMATION (CONTINUED)

Share Option Scheme

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

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

Details of the share options movements during the six months ended 30 June 2019 under the Share Option Scheme are as follows:

Category of participants	Date of Grant	No. of shares involved in the options outstanding at the beginning of the period	Exercised during the period	Lapsed during the period	No. of shares involved in the options outstanding at period end
Directors of the Company					
Se Hok Pan	4 January 2012	1,500,000	—	—	1,500,000
Un Son I	4 January 2012	1,500,000	—	—	1,500,000
She Jian Bin	4 January 2012	1,500,000	—	—	1,500,000
Liang Zhihua	4 January 2012	15,000,000	—	—	15,000,000
Teoh Chun Ming	4 January 2012	1,500,000	—	—	1,500,000
Li Kwok Cheung, Arthur	4 January 2012	1,000,000	—	—	1,000,000
Chan Siu Wing, Raymond	4 January 2012	1,000,000	—	—	1,000,000
Ho King Fung, Eric	4 January 2012	1,000,000	—	—	1,000,000
Employees					
Employees	4 January 2012	40,800,000	—	—	40,800,000
	8 October 2013	13,600,000	—	200,000	13,400,000
Total		78,400,000	—	200,000	78,200,000

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

OTHER INFORMATION (CONTINUED)

Save as disclosed above, no option under the Share Option Scheme has been granted, cancelled or lapsed during the six months ended 30 June 2019.

Share Award Scheme

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

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

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

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

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

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

OTHER INFORMATION (CONTINUED)

Details of the award shares outstanding and movements during the six months ended 30 June 2019 under the Share Award Scheme are set out as follows:

			Number of Award Shares				
Category of participant	Date of Grant	Vesting Date	Outstanding at the beginning of the Period	Granted during the Period	Lapsed during the Period	Vested during the Period	Outstanding at the end of the Period
Directors of the Company							
She Jian Bin	25 April 2016	31 March 2019	1,500,000	—	—	1,500,000	—
Liang Zhihua	25 April 2016	31 March 2019	2,500,000	—	—	2,500,000	—
Employees							
Employees	25 April 2016	(i) 50% on 31 March 2018; and (ii) 50% on 31 March 2019	11,395,000	—	—	11,395,000	—
Total			15,395,000	—	—	15,395,000	—

All outstanding award shares have been vested during the Period. No award shares have been granted, cancelled or lapsed during the six months ended 30 June 2019.

Compliance with the Corporate Governance Code

During the Period, save as disclosed below, the Company has complied with the applicable code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules (the "Code"), except for a deviation from the code provision A.2.1 which requires that the roles of chairman and chief executives 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"). 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 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.

OTHER INFORMATION (CONTINUED)

Audit Committee

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

Independent Non-executive Directors

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

Non-executive Director

Mr. Teoh Chun Ming

The chief responsibilities of the Audit Committee include making recommendations to the board on the appointment, reappointment and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors, and any questions of the 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 and this report.

Remuneration Committee

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

Independent Non-executive Directors

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

Non-executive Director

Mr. Teoh Chun Ming

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

OTHER INFORMATION (CONTINUED)

Nomination Committee

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

Executive Director

Mr. Se Hok Pan *(Chairman)*

Independent Non-executive Directors

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

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

Corporate Governance Committee

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

Executive Director

Mr. Se Hok Pan *(Chairman)*

Non-executive Director

Mr. Teoh Chun Ming

Independent Non-executive Director

Mr. Ho King Fung, Eric

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

OTHER INFORMATION (CONTINUED)

Purchases, Sale or Redemption of Listed 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 HK$	Price per share Lowest HK$	Number of ordinary shares of USD0.001 each	Total consideration 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 did not recommend the payment of dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

Change in Directors' Biographical Details under Rule 13.51B(1) of the Listing Rules

There has been no change in the Directors' biographical details which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

REVIEW REPORT

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

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 29 to 72 which comprises the consolidated statement of financial position of Nature Home Holding Company Limited (the "Company") as of 30 June 2019 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting,* issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

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

Scope of review

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

REVIEW REPORT (CONTINUED)

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

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

28 August 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	Note	Six months ended 30 June 2019 RMB'000	2018 (Note) 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.

The notes on pages 37 to 72 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 18(a).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019—unaudited
(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.

The notes on pages 37 to 72 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019—unaudited
(Expressed in Renminbi)

	Note	At 30 June 2019 RMB'000	At 31 December 2018 (Note) RMB'000
Non-current assets			
Investment properties	10	**184,394**	185,174
Other property, plant and equipment	10	**784,820**	780,847
		969,214	966,021
Intangible assets		**20,476**	14,410
Right-of-use assets	10	**213,796**	—
Lease prepayments	10	**—**	140,856
Interest in associates		**2,699**	1,666
Other financial assets	11	**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	12	**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	13	**361,490**	379,765
Cash and cash equivalents	14	**544,797**	823,843
		3,102,641	2,976,117
Current liabilities			
Trade and bills payables	15	**895,952**	897,245
Contract liabilities		**118,312**	86,759
Deposits received, accruals and other payables		**302,642**	304,138
Bank and other loans	16	**708,831**	593,311
Lease liabilities		**19,298**	—
Current taxation		**19,632**	16,659
		2,064,667	1,898,112
Net current assets		**1,037,974**	1,078,005
Total assets less current liabilities		**2,461,993**	2,388,347

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2019—unaudited
(Expressed in Renminbi)

	Note	At 30 June 2019 RMB'000	At 31 December 2018 (Note) RMB'000
Non-current liabilities			
Bank loans	16	**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.

The notes on pages 37 to 72 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

	Attributable to equity shareholders of the Company												
	Share capital RMB'000	Share premium RMB'000	Share held for the Share Award Scheme (Note 17(b)) 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 (note 17(a))	–	–	–	–	–	–	–	–	(4,404)	4,404	–	–	–
Shares award exercised (note 17(b))	–	(1,722)	12,054	–	–	–	–	–	(10,332)	–	–	–	–
Equity-settled share award scheme (note 17(b))	–	–	–	–	–	–	–	–	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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

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

	Attributable to equity shareholders of the Company												
	Share capital RMB'000	Share premium RMB'000	Share held for the Share Award Scheme (Note 17(b)) 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.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

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

	Attributable to equity shareholders of the Company												
	Share capital RMB'000	Share premium RMB'000	Share held for the Share Award Scheme (Note 17(b)) 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 (note 17(a))	–	–	–	–	–	–	–	–	(125)	125	–	–	–
Equity-settled share award scheme (note 17(b))	–	(2,874)	16,833	–	–	–	–	–	(12,937)	–	1,022	–	1,022
Purchase and cancel of own shares (note 18(b))	(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

The notes on pages 37 to 72 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

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

		Six months ended 30 June	
		2019	2018
			(Note)
	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	14	**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.

The notes on pages 37 to 72 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

1 Basis of Preparation

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

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

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

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with the Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. KPMG's independent review report to the Board of Directors is included on pages 27 to 28.

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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

2 Changes in Accounting Policies (Continued)

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 as disclosed in note 20(b).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

2 Changes in Accounting Policies (Continued)

IFRS 16, *Leases* (Continued)

(a) Changes in the accounting policies (Continued)

(ii) Lessee accounting (Continued)

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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

2 Changes in Accounting Policies (Continued)

IFRS 16, *Leases* (Continued)

(a) Changes in the accounting policies (Continued)

(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;

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

2 Changes in Accounting Policies (Continued)

IFRS 16, *Leases* (Continued)

(c) Transitional impact (Continued)

(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 disclosed in note 20(b) 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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

2 Changes in Accounting Policies (Continued)

IFRS 16, *Leases* (Continued)

(c) Transitional impact (Continued)

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 RMB'000	Capitalisation of operating lease contracts RMB'000	Carrying amount at 1 January 2019 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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

2 Changes in Accounting Policies (Continued)

IFRS 16, *Leases* (Continued)

(c) Transitional impact (Continued)

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 RMB'000	At 1 January 2019 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 RMB'000	Total minimum lease payments RMB'000	Present value of the minimum lease payments RMB'000	Total minimum lease payments 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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

2 Changes in Accounting Policies (Continued)

IFRS 16, *Leases* (Continued)

(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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

2 Changes in Accounting Policies (Continued)

IFRS 16, *Leases* (Continued)

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

	2019				2018
	Amounts reported under IFRS 16 (A) RMB'000	Add back: IFRS 16 depreciation and interest expense (B) RMB'000	Deduct: Estimated amounts related to operating lease as if under IAS 17 (note 1) (C) RMB'000	Hypothetical amounts for 2019 as if under IAS 17 (D=A+B–C) RMB'000	Compared to amounts reported for 2018 under IAS 17 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 impacted by the adoption of IFRS 16 (note 3(b)):					
– 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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

2 Changes in Accounting Policies (Continued)

IFRS 16, *Leases* (Continued)

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

	2019			2018
	Amounts reported under IFRS 16 (A) RMB'000	Estimated amounts related to operating lease as if under IAS 17 (note 1 & 2) (B) RMB'000	Hypothetical amounts for 2019 as if under IAS 17 (C=A+B) RMB'000	Compared to amounts reported under IAS 17 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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

3 Revenue and Segment Reporting (Continued)

(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 of 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 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).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

3 Revenue and Segment Reporting (Continued)

(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.

	Manufacturing and sale of flooring products		Manufacturing and sale of customized home decoration products		Total	
For the six months ended 30 June	2019	2018 (Note)	2019	2018 (Note)	2019	2018 (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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

3 Revenue and Segment Reporting (Continued)

(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).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

6 Profit Before Taxation (Continued)

(b) Other items

	Note	Six months ended 30 June 2019 RMB'000	2018 (Note) 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	17(b)	**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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

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$2,000,000 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. 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. 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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

7 Income Tax (Continued)

Notes: (Continued)

(vi) (Continued)

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

	At 30 June 2019 RMB'000	At 31 December 2018 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 RMB40,667,000 (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 '000	2018 '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 RMB40,667,000 (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).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

9 Other Comprehensive Income

	Six months ended 30 June 2019			Six months ended 30 June 2018		
	Before-tax amount RMB'000	Tax expense RMB'000	Net-of-tax amount RMB'000	Before-tax amount RMB'000	Tax expense RMB'000	Net-of-tax amount RMB'000
Exchange differences on translation of the financial statements of entities not using RMB as functional currency	**(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 Investment Properties, Other Property, Plant and Equipment and Lease Prepayments

(a) Right-of-use assets

As discussed in note 2, the Group has initially applied IFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases (include lease prepayments) under IAS 17. Further details on the net book value of the Group's right-of-use assets by class of underlying asset are set out in note 2.

During the six months ended 30 June 2019, the Group entered into a number of lease agreements for use of properties, and therefore recognised the additions to right-of-use assets of RMB42,779,000.

(b) Acquisitions and disposals of owned assets

During the six months ended 30 June 2019, the Group acquired items of plant and machinery with a cost of RMB49,414,000 (six months ended 30 June 2018: RMB73,018,000).

(c) Assets pledged

As at 30 June 2019, investment properties, other property, plant and equipment, right-of-use assets and lease prepayment with carrying amount of RMB171,368,000, RMB204,684,000 and RMB141,461,000 and nil (31 December 2018: RMB174,343,000, RMB58,586,000, nil and RMB74,619,000) respectively were pledged for bank loans (note 16).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

11 Other Financial Assets

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Designated as fair value through other comprehensive income		
— Listed	**72,757**	55,554
— Unlisted	**18,000**	28,484
	90,757	84,038

(a) Designated as fair value through other comprehensive income

	Equity securities RMB'000
Balance at 1 January 2019	84,038
Change in fair value recognised in other comprehensive income	7,550
Disposal	(1,000)
Exchange difference	169
Balance at 30 June 2019	90,757

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

12 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 (note 16).

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.

13 Restricted Deposits

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

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Bank loan (note 16)	158,604	116,000
Bills payable	181,550	248,059
Others	21,336	15,706
	361,490	379,765

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

14 Cash and Cash Equivalents

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Cash at bank and on hand	**544,797**	823,843

At 30 June 2019, cash and cash equivalents placed with banks in mainland China amounted to RMB477,651,000 (31 December 2018: RMB756,735,000). Remittance of funds out of mainland China is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

15 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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

16 Bank and Other Loans

At 30 June 2019, the bank loans were repayable as follows:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Within 1 year or on demand		
Bank Loans	**660,131**	495,405
Other Loans	**48,700**	97,906
	708,831	593,311
After 2 years but within 5 years		
Bank Loans	**177,347**	107,092
	886,178	700,403

At 30 June 2019, the bank 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 loan-secured (ii)	**48,700**	97,906
	886,178	700,403

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

16 Bank and Other Loans (Continued)

Notes:

(i) At 30 June 2019, the Group has secured bank loans and borrowings amounting to 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 RMB48,700,000 (31 December 2018: RMB97,906,000)

— 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.

— Nil (31 December 2018: RMB 49,206,000) was borrowed from a financial leasing company.

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

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Restricted deposits (note 13)	**158,604**	116,000
Other property, plant and equipment (note 10)	**204,684**	58,586
Right-of-use assets/lease prepayments (note 10)	**141,461**	74,619
Investment properties (note 10)	**171,368**	174,343
Trade and bills receivables (note 12)	**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 31 December 2018 and 30 June 2019, 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).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

17 Equity Settled Share-Based Transactions

(a) Share option scheme

The Company has two share option schemes which were adopted on 16 December 2008 ("Pre-IPO Plan") and 3 May 2011 ("Post-IPO Plan") respectively whereby the directors of the Company are authorised at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up share options at a consideration of HK$1 to the subscribe for shares of the Company. Each option entitles the option holders to subscribe one ordinary share of the Company.

Plans	Date of grant	Batch	Numbers of options granted	Vesting period	Exercise price HK$	Contractual life of options	Remaining contractual life
Options granted to employees:							
Pre-IPO Plan	1 July 2010	Batch 6	1,200,000	1 July 2010 to 30 December 2010	3.38	10 years	1 year
	1 July 2010	Batch 7	3,600,000	1 July 2010 to 30 December 2011	3.38	10 years	1 year
	1 July 2010	Batch 8	3,600,000	1 July 2010 to 30 December 2012	3.38	10 years	1 year
	1 July 2010	Batch 9	3,600,000	1 July 2010 to 30 December 2013	3.38	10 years	1 year
Post-IPO Plan	4 January 2012	Batch 10	58,000,000	4 January 2012 to 4 January 2015	1.45	10 years	2.52 years
	8 October 2013	Batch 11	31,500,000	8 October 2013 to 8 October 2016	1.61	10 years	4.28 years
Options granted to directors:							
Post-IPO Plan	4 January 2012	Batch 10	10,000,000	4 January 2012 to 4 January 2015	1.45	10 years	2.52 years
		Total	111,500,000				

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

17 Equity Settled Share-Based Transactions (Continued)

(a) Share option scheme (Continued)

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

	Six months ended 30 June			
	2019		2018	
	Weighted average exercise price HK$	Number of options '000	Weighted average exercise price HK$	Number of options '000
Outstanding at the beginning of the period	1.73	90,400	1.78	106,460
Forfeited during the period	1.61	(200)	1.82	(7,148)
Outstanding at the end of the period	1.73	90,200	1.78	99,312
Exercisable at the end of the period	1.73	90,200	1.78	99,312

The share options outstanding at 30 June 2019 and 31 December 2018 had an exercise price of HK$1.45–3.38 and a weighted-average remaining contractual life of 2.6 years (31 December 2018: 3.1 years). No options were exercised during the six months ended 30 June 2019 and 2018.

During the six months ended 30 June 2019, the Group reversed RMB125,000 (six months ended 30 June 2018: RMB4,404,000) in respect of forfeited share options from several resigned staffs.

(b) Share Award Scheme

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

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

17 Equity Settled Share-Based Transactions (Continued)

(b) Share Award Scheme (Continued)

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

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

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

	Average purchase price	No. of shares held	Value of shares	
	HK$	'000	HK$'000	RMB'000
Shares held for the Share Award Scheme as at 31 December 2018	1.26	15,395	19,397	16,833
Vested during the period	1.26	(15,395)	(19,397)	(16,833)
Shares held for the Share Award Scheme as at 30 June 2019		—	—	—

(ii) Details of the Company's Share Award Scheme are as follows:

Date of grant	Vesting date	Number of Awarded Shares granted	forfeited	vested	modified	unvested
		'000	'000	'000	'000	'000
25 April 2016	31 March 2018	14,500	(1,105)	(11,395)	(2,000)	—
25 April 2016	31 March 2019	14,500	(1,105)	(15,395)	2,000	—
		29,000	(2,210)	(26,790)	—	—

The estimated fair value of the Awarded Shares on the grant date is determined by reference to the market price of the Company's shares.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

17 Equity Settled Share-Based Transactions (Continued)

The Group recognised share award expenses of RMB1,022,000 during the six months ended 30 June 2019 (six months ended 30 June 2018: RMB3,605,000) with a corresponding increase in a capital reserve within equity in accordance with the accounting policy adopted for share-based payments.

The Group has extended the vesting period of 2,000,000 share awarded to two directors in the Share Award Scheme, the vesting date of which was extended from 31 March 2018 to 31 March 2019.

18 Capital, Reserves and Dividends

(a) 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).

(b) Purchase of own shares

During the interim period, the Company repurchased its own shares on The Stock Exchange of Hong Kong Limited as follows:

Month	Number of shares repurchased	Highest price paid per share HK$	Lowest price paid per share HK$	Aggregate price paid RMB'000
January 2019	58,000,000	1.55	1.54	77,576

The reserve for the Company's other treasury shares comprises the cost of the Company's shares held by the Group. At 30 June 2019, the Group held 2,210,000 of the Company's shares.

(c) Capital management

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

18 Capital, Reserves and Dividends (Continued)

(c) Capital management (Continued)

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

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

The Group's adjusted net debt-to-capital ratio at the end of the current and previous reporting period was as follows:

	30 June 2019 RMB'000	31 December 2018 RMB'000
Current liabilities:		
Bill payables	**408,284**	498,071
Bank and other loans	**708,831**	593,311
	1,117,115	1,091,382
Non-current liabilities:		
Bank and other loans	**177,347**	107,092
Total debt	**1,294,462**	1,198,474
Less: Cash and cash equivalents	**544,797**	823,843
Restricted deposit	**361,490**	379,765
Adjusted net debt/(assets)	**388,175**	(5,134)
Adjusted capital	**2,236,490**	2,269,349
Adjusted net debt-to-capital ratio	**17.4%**	–0.2%

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

19 Financial Risk Management and Fair Values

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

— Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

— Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

— Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value at 30 June 2019 RMB'000	Fair value measurements as at 30 June 2019 categorised into			Fair value at 31 December 2018 RMB'000	Fair value measurements as at 31 December 2018 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements								
Assets:								
Non-trading listed equity securities	72,757	72,757	–	–	55,554	55,554	–	–
Unlisted equity securities	18,000	–	–	18,000	28,484	–	–	28,484

During the six months ended 30 June 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. Unlisted equity securities, were categorised into Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

19 Financial Risk Management and Fair Values (Continued)

(a) Financial assets and liabilities measured at fair value (Continued)

(i) Fair value hierarchy (Continued)

The fair value of unlisted equity equities is determined using the cost as approximation of fair value, as the investees were pre-revenue entity, when there was no catalyst for a change in fair value, and insufficient recent information was available to measure fair value. The movement during the period in the balance of Level 3 fair value measurements is as follows:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Unlisted equity securities:		
At 1 January	28,484	28,274
Net changes in fair value recognised in other comprehensive income during the period/year	(10,484)	210
At 30 June/31 December	18,000	28,484

From 1 January 2019, any gains or losses arising from the remeasurement of the Group's unlisted equity securities held for strategic purposes are recognised in the fair value reserve (non-recycling) in other comprehensive income. Upon disposal of the equity securities, the amount accumulated in other comprehensive income is transferred directly to retained earnings.

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

The carrying amounts of the Group's financial instruments carried at cost are not materially different from their fair values as at 31 December 2018 and 30 June 2019.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

20 Commitments and Contingent Liabilities

(a) Capital commitments outstanding at 30 June 2019 not provided for in the interim financial report

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

(b) At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	At 31 December 2018 RMB'000
Within 1 year	27,098
After 1 year but within 3 years	26,969
After 3 years but within 5 years	9,179
After 5 years	3,144
	66,390

The Group is the lessee in respect of a number of properties and items of plant and machinery and office equipment held under leases which were previously classified as operating leases under IAS 17. The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 2). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 2.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

20 Commitments and Contingent Liabilities (Continued)

(c) Contingent liabilities

There were three outstanding litigations commenced by a constructor and a client against certain subsidiaries of the Group claiming construction fee of RMB988,000. The subsidiaries continue to deny any liability in respect of the claims and based on the advice of the Group's legal counsels, the directors of the Group do not believe it probable that the courts will fine against them. No provision has therefore been made in respect of these claims.

21 Material Related Party Transactions

(a) Key management personnel compensation

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

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Short-term employee benefits	**5,661**	4,425
Post-employment benefits	**2**	10
Equity-settled share-based payment expenses	**152**	538
	5,815	4,973

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

21 Material Related Party Transactions (Continued)

(b) Related party transactions

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Distribution network usage fees from Foshan Shunde Youzong Home Company Limited ("佛山市順德區優眾家居有限公司", "Youzong Home")	**879**	644
Rental income from Youzong Home	**153**	—
Purchase goods from Youzong Home	**5,451**	85
Lease property from Foshan Shunde Dajia Property Management Company Limited ("佛山市順德區大嘉物業管理有限公司", "Dajia Property Management")	**966**	—
Receive transportation service from Jiawayun (Foshan) Supply Chain Management Company Limited ("家哇雲(佛山)供應鏈管理有限公司", "Jiawayun")	**24,522**	9,059

Distribution network usage fees arose from Youzong Home's sale of home decoration product via the Group's distribution network. During the period, the Group also commenced with Youzong Home to purchase certain consumables for promotion.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

21 Material Related Party Transactions (Continued)

(c) Balances with related parties

(i) Amounts due from related parties

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Swift Top Capital Resources Limited	—	28
Youzong Home	7,406	12,446
Dajia Property Management	609	—
Jiawayun	335	—

(ii) Amounts due to related parties

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Ever Grand Inc Limited	1,019	—
Youzong Home	60	—
Jiawayun Supply Chain Management	1,962	—

22 Comparative Figures

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective method. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2.