Nature Home Holding Company Limited
大自然家居控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2083)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

HIGHLIGHTS:

	2019	2018	**Change**
	RMB'000	*RMB'000*	
Revenue			
— Sales of flooring products	**2,507,761**	2,150,657	**16.6%**
— Sales of customised home decoration products	**764,629**	525,886	**45.4%**
— Provision of trademark and distribution network	**154,396**	241,473	**(36.1)%**
	3,426,786	2,918,016	**17.4%**
Gross profit	**924,563**	890,649	**3.8%**
Profit for the year	**153,943**	145,047	**6.1%**
EBITDA*(note)*	**384,520**	299,047	**28.6%**
Profit attributable to equity shareholders	**162,120**	156,785	**3.4%**
Basic earnings per share	**RMB0.118**	RMB0.109	**8.3%**

	Revenue	**EBITDA**
Compound annual growth rate over the 3 years ended 31 December 2019	14%	40%

Revenue for the year ended 31 December 2019 increased by RMB508,770,000 or 17.4% compared with last year. The growth was mainly attributable to the growth of sales in the project divisions for both flooring and customised home decoration products segments.

EBITDA for the year ended 31 December 2019 increased by RMB85,473,000 or 28.6% compared with last year. The growth was mainly attributable to the net effect of:

— the increase of gross margin percentage to 15.0% (2018: 5.6%) for total revenue from sales of customised home decoration products;

— the decrease of gross margin percentage to 30.5% (2018: 36.1%) for total revenue from sales of flooring products;

— the decrease of total distribution and administration expenses to revenue percentage to 20.4% (2018: 22.9%) for the year; and

— the impact of new accounting policy, IFRS 16, Leases.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the year ended 31 December 2019 (the "Year"), the household furnishing material industry in the People's Republic of China ("PRC") faced enormous challenges, as the China's macro economy and the real estate market were impacted by the international trade dispute. Nature Home Holding Company Limited (the "Company") and its subsidiaries (collectively the "Group", "we" or "us") had experienced a harsh market condition. However, the Group had taken several measures to cope with the severe market condition and built a more solid foundation for future development. With respect to marketing, the Group accelerated its pace in developing project market to a certain degree in order to expand its market share. With respect to products, we kept expanding our market share by our new products (solid wood underfloor heating floorings manufactured by dry pressing method, three-layered solid wood floorings and new water-based paint wooden doors) that were launched in recent years. With respect to production, the Group had developed the layout of overseas production lines. We acquired two Cambodian flooring companies and set up our own flooring plant and substrate plant in Cambodia, which were expected to commence production in mid-2020. In addition, the Group acquired the entire issued share capital of Baltic Wood S.A. ("Baltic") in December 2019, which is a joint stock company incorporated in the Republic of Poland and principally engaged in manufacturing and sale of three-layered engineered flooring products to project customers in Europe, including, among others, property developers and professional contractors. Since the Group does not produce such products in its own factories, the acquisition would enable the Group to expand its own products portfolio and market base. Please refer to the announcement of the Company dated 30 December 2019 for details of the acquisition.

In addition to the strategic layout mentioned above, the Group also continued to improve its internal management and operation system so as to enhance operating efficiency. By doing so, the Group recorded double-digit growth in total revenue for the fourth consecutive year, with the overall revenue increasing by 17.4% from approximately RMB2,918,016,000 in 2018 to approximately RMB3,426,786,000 for the Year.

1. *Flooring Products*

During the Year, the overall performance of the Group's core flooring business was stable, with the total revenue in respect of flooring products of the Group increasing by 11.3% from approximately RMB2,388,340,000 in last year to approximately RMB2,657,593,000 for the Year. Furthermore, total sales volumes of flooring products for the Year was approximately 40,260,000 square meters, remaining stable as compared to the corresponding period of last year.

The business of manufacturing and sale of flooring products

The Group's revenue from manufacturing and sale of flooring products increased by 16.6% from approximately RMB2,150,657,000 in last year to approximately RMB2,507,761,000 for the Year, which has benefited from the growth of the project division, the putting into operation of new plastic and engineered flooring plants and the newly-acquired engineered flooring plants in Cambodia. In respect of its flooring sales network, the Group has established an extensive sales network in the PRC and is a major distributor in the PRC of a number of renowned foreign brands of flooring products. During the Year, the Group continued to optimize its sales network and eliminated inefficient stores. As at 31 December 2019, the total number of flooring stores was 3,484 (31 December 2018: 3,583), of which, there were 3,295 "Nature" stores (31 December 2018: 3,401), and 189 foreign imported brand stores (31 December 2018: 182). During the Year, there were seven new flooring plants of the Group. Currently, the Group owns a total of twelve flooring plants, which are mainly engaged in the manufacturing of laminated floorings, engineered floorings and plastic floorings.

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. Due to the business strategy adjustment, reduction in usage fees of certain products and fierce competition in the high-end flooring products market, the revenue generated from trademark and distribution network usage fees decreased by 37.0% from approximately RMB237,683,000 in last year to approximately RMB149,832,000 for the Year.

2. *Customised Home Decoration Products*

The customised home decoration products of the Group mainly comprise of wooden doors, wardrobes and cabinets. Generally, the Group will manufacture the customised products based on the customers' requirements upon receipt of purchase orders. During the Year, the total revenue generated from the business of customised home decoration products increased by 45.2% from approximately RMB529,676,000 in last year to approximately RMB769,193,000 for the Year. The increase has benefited from the growth of the project division generally.

The business of manufacturing and sale of wooden doors

The wooden door business of the Group turned from loss into profit last year. With the high popularity of the water-based paint wooden doors launched by the Group in recent years and the rapid growth of the project division during the Year, the total revenue increased by 42.5% from approximately RMB253,649,000 in last year to approximately RMB361,513,000 for the Year. As at 31 December 2019, the number of the Group's stores for wooden doors was 647 (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

During the Year, with the rapid growth of the wardrobes and cabinets projects, the total revenue increased by 60.5% from approximately RMB172,976,000 in last year to approximately RMB277,573,000 for the Year. As at 31 December 2019, the Group owned a total of 90 (31 December 2018: 106) wardrobe and cabinet stores. The Group currently owns one production plant for wardrobe and cabinet products and has commenced to construct a new production plant for wardrobe and cabinet products in Taizhou, Jiangsu Province, China.

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 Year, the revenue from the trademark and distribution network usage fees for customised products was approximately RMB4,564,000 (Year 2018: RMB3,790,000).

Other sales business

During the Year, the sales revenue from other home decoration products (namely comprehensive decoration services and wall paper products) of the Group was approximately RMB125,543,000 (Year 2018: RMB99,261,000).

Prospect

In recent years, China's real estate market has gradually moved into a mature period. With the emergence of a new round of consumption upgrading, the demand for home decoration continues to present a tendency of increase year by year, which has actively accelerated the trend of sustained growth of the household furnishing materials industry in China. In addition, market changes have also significantly intensified, such as new technology development, transparency of Internet information, growing trend of younger customer groups, diversification and personalisation of product demand, and integration of cross-sector products, which have an impact on the traditional marketing channels and modes while to a certain extent also bring numerous opportunities for enterprises with core competitiveness and creativity. The Group believes that products, services and sales channels will be critical to success for the household furnishing materials industry in the future. Therefore, we will continue to enhance our core competitiveness in new products launched in recent years, including solid wood underfloor heating floorings manufactured by dry pressing method, solid wood sports floorings, engineered sports floorings and water-based paint wooden doors, while also further improving manufacturing from an intellectual property perspective and enhancing information available to internal management, so as to highlight our advantages on operating efficiency and continuously improve our capabilities on innovation and new product research and development.

For domestic sales channels, the proportion of fine-decorated houses developed by major property developers across the major cities in China increased significantly due to the accelerated development of domestic fine-decorated house market. In the coming year, we will further improve the ratio of sales to project customers (such as developers of real estate projects as well as engineering contractors), to cope with the market changes and expand our market share. Besides, we will also enhance the operation and sales efficiency of our outlets by providing one-stop home decoration services covering design, construction, home decoration and home appliance configuration.

For international business, the Group initiated the strategic layout of international production and sales during the Year, which included establishment of a new flooring plant and acquisition of two flooring plants in Cambodia, as well as acquisition of the entire issued share capital of Baltic in late December 2019. Such activities not only enriched the product mix, but also expanded the international business market. In the coming year, with the completion of the Group's new flooring plant in Cambodia, we will fully take advantage of the international layout of production capacity and access to international sales channels, in a bid to seize business opportunities of the globe.

During the first quarter of 2020, the novel coronavirus outbreak across the world and certain provinces in China were particularly affected. Adhered to assumption of social responsibility, the Group urgently arranged aldehyde-free floorings inventory from vicinity to donate to Huoshenshan (Fire God Mountain) Hospital in Wuhan and sent personnel to participate in floor laying, with an aim to make contributions to the prevention and control of the epidemic in China.

The outbreak of the new coronavirus caused negative impact on the overall consumer market in China. The Group expected that the sales and delivery of products related to most of our projects will therefore be postponed to the second and third quarters. Nevertheless, we believe the impact of the new coronavirus is short-lived, and the overall Chinese economy is still on an upward trajectory, and domestic demand for home improvement services and products remains substantial. In response to the rapid impact of the outbreak, the Group has provided immediate and comprehensive support for the transition of dealers from offline to online sales. In addition, the Group has built a good foundation for international business last year and intended to strengthen its overseas sales, therefore, we remain cautiously optimistic about the business development in the coming year.

The Group's flagship brand "Nature" has been recognized by consumers as an image of quality and safe products and represents healthy life and environmental protection. Since the starting of our household product strategy of providing integrated green home decoration products, we have formed a strategic layout that various green home decoration product brands, including Nature floorings, Nature wooden doors, etc., running together with "Nature" as a leading brand. The steady development over the years has enabled the Group to maintain a strong core competitiveness in the home decoration product market in China, including a wide range of home decoration products, a strong brand image, and a solid sales network foundation, which will help the Group to seize more market share through the launch of competitive products and channel structure adjustment. Despite the difficult environment faced by the home decoration industry in China during the period, the Group still achieved steady growth in the overall business, among which the sales of wooden doors and kitchen closets recorded satisfactory growth. Therefore, in the coming year, in addition to maintaining our leading position in flooring market, we will strengthen the development of these customised home decoration products with the goal of sustained and rapid growth, expand the categories of products, develop and launch new products for gaining market share, in order to create more values for shareholders.

Financial Review

Revenue

During the year ended 31 December 2019, 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) licensing fee income from flooring products manufactured by authorised manufacturers which sell flooring products under the Group's trademarks and distribution network.

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

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

	For the year ended 31 December				
	2019		2018		**Revenue**
Revenue	***RMB'000***	***% of total revenue***	*RMB'000*	*% of total revenue*	**Growth rate %**
Manufacturing and sale of flooring products					
— sales of goods	**2,507,761**	**73.2**	2,150,657	73.7	16.6
— provision of trademark and distribution network	**149,832**	**4.4**	237,683	8.1	(37.0)
	2,657,593	**77.6**	2,388,340	81.8	11.3
Manufacturing and sale of customised home decoration products					
— sales of goods	**764,629**	**22.3**	525,886	18.1	45.4
— provision of trademark and distribution network	**4,564**	**0.1**	3,790	0.1	20.4
	769,193	**22.4**	529,676	18.2	45.2
Total	**3,426,786**	**100.0**	2,918,016	100.0	17.4

The overall revenue increased by 17.4% from approximately RMB2,918,016,000 in last year to approximately RMB3,426,786,000 for the Year.

Revenue from the segment of manufacturing and sale of flooring products increased by 11.3% from approximately RMB2,388,340,000 in last year to approximately RMB2,657,593,000 for the Year. It was mainly attributable to the growth of the sales of self-produced flooring products, especially in the project division.

Revenue from the segment of manufacturing and sale of customised home decoration products increased by 45.2% from approximately RMB529,676,000 in last year to approximately RMB769,193,000 for the Year. It was mainly attributable to the growth of the sales of wooden door, wardrobes and cabinets products, especially in the project division.

Gross Profit

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

	For the year ended 31 December				
	2019		**2018**		**Growth rate**
Gross Profit	***RMB'000***	***GP%***	*RMB'000*	*GP%*	**%**
Manufacturing and sale of flooring products					
— sales of goods	**661,489**	**26.4**	630,642	29.3	4.9
— provision of trademark and distribution network	**147,893**	**98.7**	230,558	97.0	(35.9)
	809,382	**30.5**	861,200	36.1	(6.0)
Manufacturing and sale of customised home decoration products					
— sales of goods	**110,676**	**14.5**	25,773	4.9	329.4
— provision of trademark and distribution network	**4,505**	**98.7**	3,676	97.0	22.6
	115,181	**15.0**	29,449	5.6	291.1
Total	**924,563**	**27.0**	890,649	30.5	3.8
EBITDA	**384,520**	**11.2**	299,047	10.2	28.6

The overall gross profit increased by 3.8% from approximately RMB890,649,000 in last year to approximately RMB924,563,000 for the Year and the overall gross profit margin decreased from 30.5% to 27.0% for the Year.

The segment of manufacturing and sale of flooring products contributed a gross profit of approximately RMB809,382,000 for the Year, representing a decrease of 6.0%, compared to approximately RMB861,200,000 in last year. The gross profit margin decreased from 36.1% to 30.5% for the Year. It was mainly due to the combined effects of the decrease in licensing fee income from provision of trademarks and distribution network and the increase in proportion of sales in project division, of which gross profit margin is relatively lower. Decrease in licensing fee income was mainly due to adjustment of business strategies, lower charges and keen competition in high-end flooring market.

The segment of manufacturing and sale of customised home decoration products contributed a gross profit of approximately RMB115,181,000 for the Year, representing an increase of 291.1%, compared to approximately RMB29,449,000 in last year. The gross profit margin increased from 5.6% to 15.0% for the Year. It was mainly attributable to the increase in volume of production.

EBITDA

The EBITDA increased by 28.6% from approximately RMB299,047,000 in last year to approximately RMB384,520,000 for the Year and the EBITDA margin increased from 10.2% to 11.2% for the Year.

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

Other Income

Other income consists primarily of rental income from operating leases and government grants which are subject to the discretion of the relevant authorities. Other income increased by RMB66,395,000 from approximately RMB25,425,000 in last year to approximately RMB91,820,000 for the Year. It was mainly due to an one-off bargain purchase gain of RMB54,734,000 resulted from acquisition of a subsidiary and dividends income of RMB4,746,000 from equity investments.

Distribution Costs

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

Distribution costs was approximately RMB379,781,000 for the Year, representing an increase of approximately 3.2%, compared to approximately RMB368,037,000 in last year. It was primarily due to the net effect of the increase in decoration allowance to distributors, staff costs and transportation fees; and the decrease in advertising and promotion expenses, and travelling expenses.

The percentage of distribution costs to revenue decreased from 12.6% in last year to 11.1% for the Year.

Administrative Expenses

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

Administrative expenses was approximately RMB317,935,000 for the Year, representing an increase of approximately 5.4%, compared to approximately RMB301,545,000 in last year. It was primarily due to the net effect of (i) the increase in staff costs and loss allowance for receivables; and (ii) the decrease in entertainment and travelling expenses.

The percentage of administrative expenses to revenue decreased from 10.3% in last year to 9.3% for the Year.

Other Operating Expenses

Other operating expenses increased by RMB24,438,000 from approximately RMB36,257,000 in last year to approximately RMB60,695,000 for the Year. It was mainly due to the net effect of (i) the increase in impairment losses of other property, plant and equipment resulted from idle assets and depreciation and related cost of lease-out assets; and (ii) the decrease in loss of debt restructuring and stock damages.

Net Finance Costs

Net finance costs represent the difference between finance income and finance costs. Finance income consists primarily of interest income on bank deposits and certain customers. Finance costs consist primarily of interest expenses on bank and other loans and net foreign exchange loss. Net finance costs increased from approximately RMB27,343,000 in last year to approximately RMB46,985,000 for the Year.

Finance income decreased by 64.8% from approximately RMB56,030,000 in last year to approximately RMB19,695,000 for the Year. It was due to decrease in interest income from project customers.

Finance costs decreased by 20.0% from approximately RMB83,373,000 in last year to approximately RMB66,680,000 for the Year. It was due to decrease in interest expenses resulted from factoring arrangement in 2018.

Income Tax

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

Income tax was approximately RMB57,044,000 for the Year compared to approximately RMB37,845,000 in last year, which was the net effect of the current income tax of approximately RMB67,621,000 and the net deferred tax income of approximately RMB10,577,000. The decrease in deferred tax income was mainly due to an one-off reversal of withholding tax in 2018.

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 RMB162,120,000 for the Year, compared to the profit of approximately RMB156,785,000 in last year.

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 Year, the Group generated net cash inflow of approximately RMB142,349,000 from operating activities (year ended 31 December 2018: RMB620,121,000) and had a net proceeds from bank and other loans of approximately RMB67,721,000 (year ended 31 December 2018: net repayment of RMB80,652,000).

Net Current Assets and Working Capital Sufficiency

As at 31 December 2019, net current assets was approximately RMB1,034,429,000, representing a decrease of 4.0%, compared to approximately RMB1,078,005,000 as at 31 December 2018. The current ratios as at 31 December 2019 and 31 December 2018 were 1.4 and 1.6, respectively.

Cash Conversion Cycle

	Turnover days		
	As at 31 December		**Change**
	2019	2018	*(days)*
Trade and bills receivables and contract assets	**142**	140	2
Inventories	**80**	73	7
Trade and bills payables	**(167)**	(136)	(31)
Net	**55**	77	(22)

The above figures excluded the newly acquired subsidiary at the end of the year of 2019.

As at 31 December 2019, trade and bills receivables and contract assets (excluding long-term receivables) turnover days increased by 2 days to 142 days.

As at 31 December 2019, inventories turnover days increased by 7 days to 80 days.

As at 31 December 2019, trade and bills payables turnover days increased by 31 days to 167 days. It was mainly due to increase in usage of bills for settlements in order to enhance working capital.

Financial Resources

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

	As at 31 December 2019 *RMB'000*	As at 31 December 2018 *RMB'000*
Bills payables	**580,866**	498,071
Bank and other loans: current	**542,472**	593,311
non-current	**296,077**	107,092
Sub-total	**1,419,415**	1,198,474
Less: Cash and cash equivalents	**540,185**	823,843
Pledged and restricted deposits	**412,611**	379,765
Adjusted net debt/(assets)	**466,619**	(5,134)
Total equity	**2,386,602**	2,269,349
Adjusted gearing percentage	**19.6%**	(0.2%)

Our adjusted gearing percentage, which are derived by dividing adjusted net debt/(assets) by total equity of the Group, were 19.6% and negative 0.2% as at 31 December 2019 and 31 December 2018, respectively.

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

Bank and Other Loans

(a) At 31 December 2019, the bank and other loans were repayable as follows:

	At 31 December 2019 *RMB'000*	At 31 December 2018 *RMB'000*
Within 1 year or on demand	**542,472**	593,311
After 2 years but within 5 years	**296,077**	107,092
	838,549	700,403

At 31 December 2019, the bank and other loans were secured as follows:

	At 31 December 2019 *RMB'000*	At 31 December 2018 *RMB'000*
Bank loans *(i)*		
— Secured	**665,964**	546,982
— Unsecured	**172,585**	55,515
Sub-total	**838,549**	602,497
Other loans — secured *(ii)*	**—**	97,906
	838,549	700,403

(i) At 31 December 2019, the Group has secured loans and borrowings amounting to approximately RMB665,964,000 (31 December 2018: RMB546,982,000), of which:

— approximately RMB108,842,000 (31 December 2018: RMB107,092,000) of these secured loans were secured by assets of the Group and guaranteed by certain joint venture partners on the joint and several guarantees;

— approximately RMB57,788,000 (31 December 2018: Nil) of these secured loans were secured by 100% equity interest of a subsidiary; and

— approximately RMB499,334,000 (31 December 2018: RMB439,890,000) of the other secured loans (the "collateral loans") were solely secured by assets of the Group.

(ii) At 31 December 2019, the Group has no secured other loans (31 December 2018: RMB97,906,000).

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

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Restricted deposits	**164,700**	116,000
Other property, plant and equipment	**258,401**	58,586
Right-of-use assets	**139,540**	—
Lease prepayments	**—**	74,619
Investment properties	**169,414**	174,343
Trade and bills receivables	**11,099**	208,273
Inventories	**33,136**	—
	776,290	631,821

(iv) Parts of the Group's banking facilities, amounted to approximately RMB758,326,000 (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 2019 and 31 December 2018, none of the covenants relating to drawn down facilities had been breached.

(v) The unutilised banking facilities as at 31 December 2019 amounted to approximately RMB418,648,000 (31 December 2018: RMB289,346,000).

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

	At 31 December 2019		At 31 December 2018	
	Effective interest rate	**Carrying amount**	Effective interest rate	Carrying amount
	%	***RMB'000***	*%*	*RMB'000*
Variable rate instruments				
Bank loans	**5.39**	**252,196**	4.69	283,753
Fixed rate instruments				
Bank loans	**4.78**	**586,353**	6.20	318,744
Other loans		**—**	8.80	97,906
Total borrowings		**838,549**		700,403
Fixed rate borrowings as a percentage of total borrowings		**70%**		59%

The board of directors (the "Board") of Nature Home Holding Company Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2019. The results have been reviewed by the audit committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019
(Expressed in Renminbi)

	Note	**2019** *RMB'000*	2018 *(Note)* *RMB'000*
Revenue	*2*	**3,426,786**	2,918,016
Cost of sales		**(2,502,223)**	(2,027,367)
Gross profit		**924,563**	890,649
Other income	*3(a)*	**91,820**	25,425
Distribution costs		**(379,781)**	(368,037)
Administrative expenses		**(317,935)**	(301,545)
Other operating expenses	*3(b)*	**(60,695)**	(36,257)
Profit from operations		**257,972**	210,235
Finance income	*4(a)*	**19,695**	56,030
Finance costs	*4(a)*	**(66,680)**	(83,373)
Net finance costs		**(46,985)**	(27,343)
Profit before taxation	*4*	**210,987**	182,892
Income tax	*5(a)*	**(57,044)**	(37,845)
Profit for the year		**153,943**	145,047
Attributable to:			
Equity shareholders of the Company		**162,120**	156,785
Non-controlling interests		**(8,177)**	(11,738)
Profit for the year		**153,943**	145,047
Earnings per share (RMB):			
Basic and diluted	*6*	**0.118**	0.109

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under the transition methods chosen, comparative information is not restated. See note 1(c).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019
(Expressed in Renminbi)

	Note	**2019**	2018
			(Note)
		RMB'000	*RMB'000*
Profit for the year		**153,943**	145,047
Other comprehensive income for the year (after tax and reclassification adjustments)	*7*		
Items that will not be reclassified to profit or loss:			
Equity investments at fair value through other comprehensive income ("FVOCI") — net movement in fair value reserve (non-recycling)		**4,796**	(15,960)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of entities not using RMB as functional currency		**953**	(1,519)
Other comprehensive income for the year		**5,749**	(17,479)
Total comprehensive income for the year		**159,692**	127,568
Attributable to:			
Equity shareholders of the Company		**167,443**	138,598
Non-controlling interests		**(7,751)**	(11,030)
Total comprehensive income for the year		**159,692**	127,568

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under the transition methods chosen, comparative information is not restated. See note 1(c).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2019
(Expressed in Renminbi)

	Note	2019	2018 (Note)
		RMB'000	RMB'000
Non-current assets			
Investment properties		**230,533**	185,174
Other property, plant and equipment		**967,155**	780,847
		1,197,688	966,021
Intangible assets		**20,160**	14,410
Right-of-use assets		**238,470**	—
Lease prepayments		**—**	140,856
Goodwill		**11,612**	—
Interests in associates and joint venture		**7,441**	1,666
Other financial assets		**76,917**	84,038
Deposits, prepayments and other receivables		**61,650**	26,629
Long-term receivables		**—**	40,411
Deferred tax assets		**85,561**	36,311
		1,699,499	1,310,342
Current assets			
Inventories		**743,647**	424,483
Trade and bills receivables	8(a)	**1,516,631**	1,007,158
Current portion of long-term receivables	8(b)	**18,762**	30,347
Contract assets		**123,622**	42,589
Deposits, prepayments and other receivables		**271,185**	267,932
Restricted deposits		**412,611**	379,765
Cash and cash equivalents		**540,185**	823,843
		3,626,643	2,976,117
Current liabilities			
Trade and bills payables	9	**1,390,062**	897,245
Contract liabilities		**132,204**	86,759
Deposits received, accruals and other payables		**468,861**	304,138
Bank and other loans		**542,472**	593,311
Lease liabilities		**26,667**	—
Current taxation		**31,948**	16,659
		2,592,214	1,898,112
Net current assets		**1,034,429**	1,078,005
Total assets less current liabilities		**2,733,928**	2,388,347
Non-current liabilities			
Bank and other loans		**296,077**	107,092
Lease liabilities		**42,745**	—
Deferred tax liabilities		**8,504**	11,906
		347,326	118,998
NET ASSETS		**2,386,602**	2,269,349

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

For the year ended 31 December 2019
(Expressed in Renminbi)

	2019	2018
	RMB'000	*RMB'000*
CAPITAL AND RESERVES		
Share capital	**8,998**	9,391
Reserves	**2,282,675**	2,203,108
Total equity attributable to equity shareholders of the Company	**2,291,673**	2,212,499
Non-controlling interests	**94,929**	56,850
TOTAL EQUITY	**2,386,602**	2,269,349

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under the transition methods chosen, comparative information is not restated. See note 1(c).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company													
	Share capital	Share premium	Share held for the Share Award Scheme	Other treasury Shares	Capital redemption reserve	Statutory surplus reserve	Exchange reserve	Fair value reserve (recycling)	Fair value reserve (non-recycling)	Other reserves	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*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 2019														
Profit for the year	—	—	—	—	—	—	—	—	—	—	162,120	162,120	(8,177)	153,943
Other comprehensive income	—	—	—	—	—	—	527	—	4,796	—	—	5,323	426	5,749
Total comprehensive income	—	—	—	—	—	—	527	—	4,796	—	162,120	167,443	(7,751)	159,692
Capital injection from non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	—	130	130
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	40,440	40,440
Liquidation of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	(320)	(320)
Transfer to statutory surplus reserve	—	—	—	—	—	1,788	—	—	—	—	(1,788)	—	—	—
Share options forfeited during the year	—	—	—	—	—	—	—	—	—	(1,004)	1,004	—	—	—
Equity settled Share Award Scheme	—	(2,874)	16,833	—	—	—	—	—	—	(12,937)	—	1,022	—	1,022
Purchase and cancel of own shares	(393)	(77,183)	—	—	—	—	—	—	—	—	—	(77,576)	—	(77,576)
Acquisition of non-controlling interests	—	—	—	—	—	—	—	—	—	—	(5,599)	(5,599)	5,599	—
As at 31 December 2019	**8,998**	**837,796**	**—**	**(2,382)**	**84**	**217,621**	**(12,736)**	**—**	**5,378**	**53,523**	**1,183,391**	**2,291,673**	**94,929**	**2,386,602**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

For the year ended 31 December 2019

(Expressed in Renminbi)

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

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under the transition methods chosen, comparative information is not restated. See note 1(c).

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2019
(Expressed in Renminbi)

	2019	2018
		(Note)
	RMB'000	*RMB'000*
Operating activities		
Cash generated from operations	**194,681**	686,384
Tax paid:		
— The People's Republic of China (the "PRC") income tax paid	**(52,332)**	(66,263)
— Non-PRC income tax paid	**—**	—
Net cash generated from operating activities	**142,349**	620,121
Investing activities		
Payment for acquisition of non-current assets	**(188,449)**	(193,187)
Proceeds from disposal of property, plant and equipment and intangible assets	**3,562**	1,012
Payment for acquisition of securities classified as FVOCI	**—**	(29,540)
Proceeds from sale of financial assets at FVOCI	**10,000**	1,268
Dividends received from investments	**4,746**	—
Net cash outflow from acquisition of subsidiaries	**(149,542)**	—
Payment to non-controlling shareholders of a subsidiary from liquidation	**(248)**	—
Payment for investing in a joint venture	**(4,500)**	—
Payment for acquisition of interests in associates	**(100)**	(1,388)
Interest received	**15,611**	9,794
Capitalised interest paid	**—**	(2,750)
Net cash used in investing activities	**(308,920)**	(214,791)

CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

For the year ended 31 December 2019
(Expressed in Renminbi)

	2019	2018
		(Note)
	RMB'000	*RMB'000*
Financing activities		
Proceeds from bank and other loans	**745,635**	656,187
Repayment of bank and other loans	**(677,914)**	(736,839)
Proceeds from maturity of restricted deposit	**352,325**	12,863
Payment for restricted deposit	**(385,171)**	(150,707)
Capital element of lease rentals paid	**(19,194)**	—
Interest element of lease rentals paid	**(3,460)**	—
Interest paid	**(53,063)**	(76,642)
Purchase of own shares	**(77,576)**	(41,036)
Capital injection of non-controlling interests	**130**	2,528
Net cash used in financing activities	**(118,288)**	(333,646)
Net (decrease)/increase in cash and cash equivalents	**(284,859)**	71,684
Cash and cash equivalents at 1 January	**823,843**	749,862
Effect of foreign exchange rate changes	**1,201**	2,297
Cash and cash equivalents at 31 December	**540,185**	823,843

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under the transition methods chosen, comparative information is not restated. See note 1(c).

NOTES TO THE FINANCIAL INFORMATION

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial information

The consolidated financial information for the year ended 31 December 2019 comprise the Company and its subsidiaries and the Group's interests in associates and joint venture.

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

- equity investments; and
- derivative financial instruments.

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

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

(c) Changes in accounting policies

The IASB has issued a 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. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

IFRS 16, *Leases*

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

IFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

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. *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.

b. *Lessee accounting and transitional impact*

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 which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment.

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

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

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

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

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

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

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

The right-of-use assets in relation to leases previously classified as operating leases have been recognised as if IFRS 16 had always been applied since the commencement date of the lease by using the relevant incremental borrowing rate at the date of initial application of IFRS 16.

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 assets is identified as right-of-use assets. There is no impact on the opening balance of equity.

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**

c. *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 year.

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 give an indication of the estimated impact of the adoption of IFRS 16 on the Group's financial result, segment results and cash flows for the year ended 31 December 2019, by adjusting the amounts reported under IFRS 16 in these consolidated 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 in 2019 instead of IFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under IAS 17.

	2019				2018
	Amounts reported under IFRS 16 (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 year ended 31 December 2019 impacted by the adoption of IFRS 16:					
Profit from operations	**257,972**	**23,585**	**(29,354)**	**252,203**	210,235
Finance costs	**(66,680)**	**3,460**	**—**	**(63,220)**	(83,373)
Profit before taxation	**210,987**	**27,045**	**(29,354)**	**208,678**	182,892
Profit for the year	**153,943**	**27,893**	**(29,354)**	**152,482**	145,047
Reportable segment gross profit for the year ended 31 December 2019 *(note 2(b))* **impacted by the adoption of IFRS 16:**					
— Manufacturing and sale of flooring products	**809,382**	**11,036**	**(9,612)**	**810,806**	861,200
— Manufacturing and sale of customized home decoration products	**115,181**	**884**	**(3,260)**	**112,805**	29,449
— Total	**924,563**	**11,920**	**(12,872)**	**923,611**	890,649

	2019			2018
	Amounts reported under IFRS 16	**Estimated amounts related to operating lease as if under IAS 17** ***(note 1 & 2)***	**Hypothetical amounts for 2019 as if under IAS 17**	Compared to amounts reported under IAS 17
	(A)	**(B)**	**(C = A + B)**	
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*
Line items in the condensed consolidated cash flow statement for the year ended 31 December 2019 impacted by the adoption of IFRS 16:				
Cash generated from/(used in) operations	**194,681**	**(22,654)**	**172,027**	686,384
Net cash generated from/(used in) operating activities	**142,349**	**(22,654)**	**119,695**	620,121
Capital element of lease rentals paid	**(19,194)**	**19,194**	**—**	—
Interest element of lease rentals paid	**(3,460)**	**3,460**	**—**	—
Net cash (used in)/generated from financing activities	**(118,288)**	**22,654**	**(95,634)**	(333,646)

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 differences 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 generated from operating activities and net cash used in financing activities as if IAS 17 still applied.

d. *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.

2 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are manufacturing and sale of home decoration products and provision of trademark and distribution network. Further details regarding the Group's principal activities are disclosed in note 2(b).

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

	2019	2018
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service line		
— Manufacturing and sale of flooring products		
— Sale of goods	**2,507,761**	2,150,657
— Provision of trademark and distribution network	**149,832**	237,683
— Manufacturing and sale of customised home decoration products		
— Sale of goods	**764,629**	525,886
— Provision of trademark and distribution network	**4,564**	3,790
	3,426,786	2,918,016

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in notes 2(b)(i) and 2(b)(iii).

The Group's customer base is diversified and includes only one (2018: one) customer with whom transactions have exceeded 10% of the Group's revenue for the year ended 31 December 2019. In 2019, revenue from sales of home decoration products to this customer amounted to approximately RMB438,963,000 (2018: RMB328,874,000) and arose only in PRC by geographical region in which the home decoration products division is active.

All manufacture and sale contracts are expected to be delivered to the customer within one year or less. Therefore, no transaction price allocated to the remaining performance obligations as at reporting date are disclosed.

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (flooring products and customised home decoration products) and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resources allocation and performance assessment. 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 licensing fee income from products manufactured by authorised manufacturers which sell flooring products under the Group's trademarks and distribution network.

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

(i) *Segment results, assets and liabilities*

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

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

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

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resources allocation and assessment of segment performance for the years ended 31 December 2019 and 2018 is set out below:

	Manufacturing and sale of flooring products		Manufacturing and sale of customized home decoration products		Total	
	2019	2018 *(Note)*	**2019**	2018 *(Note)*	**2019**	2018 *(Note)*
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Sales of goods: disaggregated by timing or revenue recognition						
Point in time	**2,162,493**	2,018,551	**422,458**	311,259	**2,584,951**	2,329,810
Over time	**345,268**	132,106	**342,171**	214,627	**687,439**	346,733
Subtotal of sales of goods	**2,507,761**	2,150,657	**764,629**	525,886	**3,272,390**	2,676,543
Provision of trademark and distribution network	**149,832**	237,683	**4,564**	3,790	**154,396**	241,473
Revenue from external customers	**2,657,593**	2,388,340	**769,193**	529,676	**3,426,786**	2,918,016
Inter-segment revenue	**1,381**	1,080	**14,191**	10,437	**15,572**	11,517
Reportable segment revenue	**2,658,974**	2,389,420	**783,384**	540,113	**3,442,358**	2,929,533
Reportable segment gross profit	**809,382**	861,200	**115,181**	29,449	**924,563**	890,649
Interest income	**16,924**	55,633	**2,771**	397	**19,695**	56,030
Interest expense	**(55,776)**	(70,621)	**(4,193)**	(6,021)	**(59,969)**	(76,642)
Depreciation and amortisation for the year	**(86,958)**	(58,758)	**(39,590)**	(30,054)	**(126,548)**	(88,812)
Impairment losses recognised for property, plant and equipment during the year	**(6,953)**	(1,505)	**(30,267)**	(15,051)	**(37,220)**	(16,556)
Net impairment losses recognised for trade receivables and contract assets during the year	**(2,964)**	(16,334)	**(762)**	(8,659)	**(3,726)**	(24,993)
Net impairment losses recognised for deposits, prepayments and other receivables during the year	**2,584**	(7,425)	**(1,156)**	(5,182)	**1,428**	(12,607)
Reportable segment assets	**4,850,138**	2,983,073	**1,467,500**	667,210	**6,317,638**	3,650,283
Additions to non-current segment assets during the year	**239,936**	142,973	**24,016**	20,238	**263,952**	163,211
Reportable segment liabilities	**3,370,283**	2,105,902	**1,196,482**	296,332	**4,566,765**	2,402,234

Note: The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).

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

	2019	2018
		(Note)
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**3,442,358**	2,929,533
Elimination of inter-segment revenue	**(15,572)**	(11,517)
Consolidated revenue	**3,426,786**	2,918,016
Assets		
Reportable segment assets	**6,317,638**	3,650,283
Elimination of inter-segment balances	**(1,200,393)**	(261,076)
Elimination of receivables from corporate headquarters	**(1,130,615)**	(659,692)
	3,986,630	2,729,515
Cash and cash equivalents	**540,185**	823,843
Restricted deposits	**412,611**	379,765
Interests in associates and joint venture	**7,441**	1,666
Other non-current financial assets	**76,917**	84,038
Deferred tax assets	**85,561**	36,311
Unallocated head office and corporate assets	**216,797**	231,321
Consolidated total assets	**5,326,142**	4,286,459
Liabilities		
Reportable segment liabilities	**4,566,765**	2,402,234
Elimination of inter-segment balances	**(1,200,393)**	(72,188)
Elimination of payables to corporate headquarters	**(1,352,514)**	(1,090,068)
	2,013,858	1,239,978
Bank and other loans	**838,549**	700,403
Current taxation	**31,948**	16,659
Deferred tax liabilities	**8,504**	11,906
Unallocated head office and corporate liabilities	**46,681**	48,164
Consolidated total liabilities	**2,939,540**	2,017,110

Note: The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).

(iii) ***Geographic information***

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's investment properties, other property, plant and equipment, intangible assets, right-of-use assets, goodwill and interests in associates and joint venture ("specified non-current assets"). The geographical location of customers is based on the location of customers. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of investment properties, other property, plant and equipment and right-of-use assets; the location of the operation to which they are allocated, in the case of intangible assets, goodwill, and interests in associates and joint venture.

	Revenue from external customers		**Specified non-current assets**	
	2019	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
The PRC, Hong Kong and Macau	**3,293,187**	2,836,014	**1,179,009**	1,075,175
USA	**126,378**	80,858	**6,260**	1,703
Peru	**7,221**	1,144	**30,208**	46,075
Cambodia	**—**	—	**142,205**	—
Poland	**—**	—	**117,689**	—
	3,426,786	2,918,016	**1,475,371**	1,122,953

3 OTHER INCOME/OTHER OPERATING EXPENSES

(a) Other income

	2019	2018
	RMB'000	*RMB'000*
Bargain purchase gain *(i)*	**54,734**	—
Government grants *(ii)*	**7,932**	10,682
Share of profits less losses of associates and joint venture	**175**	—
Dividends income from equity investments	**4,746**	—
Rental income from operating leases		
— investment properties	**9,746**	2,884
— machineries	**8,357**	7,006
Others	**6,130**	4,853
	91,820	25,425

(i) Bargain purchase gain in connection with the acquisition of a subsidiary.

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

(b) Other operating expenses

	2019	2018
	RMB'000	*RMB'000*
Share of profits less losses of associates	**—**	1,292
Net loss on disposal of property, plant and equipment	**1,557**	1,292
Impairment loss of other property, plant and equipment	**37,220**	16,556
Depreciation and related cost of lease-out assets		
— investment properties	**8,152**	—
— machineries	**8,191**	—
Loss of debt restructuring	**—**	7,911
Donations	**1,484**	1,651
Stock damages	**—**	3,149
Others	**4,091**	4,406
	60,695	36,257

4 PROFIT BEFORE TAXATION

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

(a) Finance income and finance costs

	2019	2018
		(Note)
	RMB'000	*RMB'000*
Interest income on bank deposit and others	**(19,695)**	(56,030)
Finance income	**(19,695)**	(56,030)
Interest expense on bank loan and others	**56,509**	79,392
Interest on lease liabilities	**3,460**	—
Less: interest expense capitalised	**—**	(2,750)
Net interest expense	**59,969**	76,642
Net foreign exchange loss	**6,711**	6,731
Finance costs	**66,680**	83,373

Note: The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).

(b) Staff costs

	2019	2018
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**380,726**	318,335
Contributions to defined contribution retirement plan	**17,209**	14,565
Equity settled share-based payment expenses	**1,022**	5,693
	398,957	338,593

(c) Other items

	2019	2018
		(Note)
	RMB'000	*RMB'000*
Cost of inventories *(i)*	**2,500,225**	2,020,128
Impairment losses recognised		
— Long-term receivables	**50,210**	—
— Trade and bills receivables and contract assets	**3,726**	24,993
— Deposits, prepayments and other receivables	**(1,428)**	12,607
— Other property, plant and equipment	**37,220**	16,556
Depreciation		
— owned property, plant and equipment	**99,203**	81,584
— right-of-use assets	**23,585**	—
Amortisation		
— lease prepayments	**—**	3,789
— intangible assets	**3,760**	3,439
Operating lease charges: minimum lease payments	**16,781**	21,143
Auditors' remuneration		
— audit services	**5,073**	4,406
— other services	**1,492**	—
Research and development costs (other than depreciation and amortisation)	**15,358**	18,291

Note: The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).

(i) For the year ended 31 December 2019, cost of inventories includes RMB220,305,000 (2018: RMB191,382,000) relating to staff costs, depreciation and amortisation expenses and lease expenses, amounts of which are also included in the respective total amounts disclosed separately above or in note 4(b) for each of these types of expenses.

5 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2019	2018
	RMB'000	*RMB'000*
Current tax		
Provision for income tax	**57,945**	60,110
Provision for withholding tax	**10,220**	—
Over-provision in respect of prior years	**(544)**	(5,223)
	67,621	54,887
Deferred tax		
Reversal of temporary differences	**(4,031)**	(3,988)
Reverse of withholding tax on retained profits	**(6,546)**	(13,054)
	(10,577)	(17,042)
	57,044	37,845

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

	2019	2018
	RMB'000	*RMB'000*
Profit before taxation	**210,987**	182,892
Notional tax on profit before taxation, calculated at the rates applicable to the jurisdictions concerned	**61,255**	62,100
Effect of tax concessions *(vii) (viii)*	**(27,808)**	(31,535)
Tax effect of:		
— non-deductible expenses	**369**	1,873
— non-taxable income	**(10,435)**	(915)
— current-year losses for which no deferred tax asset is recognised	**31,605**	26,244
Effect of previous tax loss not recognised in prior years but utilised in current year	**(1,072)**	(1,645)
Over-provision in respect of prior years	**(544)**	(5,223)
Provision/(reverse) of dividend withholding tax	**3,674**	(13,054)
Income tax expense	**57,044**	37,845

(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% (2018: 21%) and state income tax for the year ended 31 December 2019.

(iii) The Group's subsidiaries incorporated in Hong Kong were subject to Hong Kong Profits Tax rate of 16.5% (2018: 16.5%), except that the first HKD2 million estimated assessable profits calculated at 8.25%, for the year ended 31 December 2019 (2018: 8.25%).

(iv) The Group's subsidiaries incorporated in Macau were subject to Macau Complementary Tax. The provision for Macau Complementary Tax for the years ended 31 December 2019 and 2018 is calculated at the rate of 12%, of which assessable profits of the first MOP300,000 is exempted from tax.

(v) The Group's subsidiaries incorporated in Peru were subject to income tax rates from 5% to 29.5% for the year ended 31 December 2019 (2018: 5% to 29.5%).

(vi) The statutory income tax rate applicable to the Group's subsidiaries in the PRC is 25% for the years ended 31 December 2019 and 2018. One of the subsidiaries enjoys the preferential income tax rate for small enterprise of 5% as at 31 December 2019.

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

(viii) Nature (Zhongshan) Wood Industry Co., Ltd. ("Nature Zhongshan") has qualified as a High and New Technology Enterprise ("HNTE") in 2016 and is entitled to preferential corporate income tax rate of 15% until 2021.

(ix) The Group's subsidiaries incorporated in Poland were subject to income tax rate of 19% for the year ended 31 December 2019. One of the subsidiaries is entitled to an income tax relief up to 50% of its total investment.

(x) The Group's subsidiaries incorporated in Cambodia are recognised as Qualified Investment Project ("QIP") and is exempted from income tax for export businesses.

6. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit for the year attributable to equity shareholders of the Company of RMB162,120,000 (2018: RMB156,785,000) and the weighted average of 1,376,554,000 ordinary shares (2018: 1,434,311,000) in issue, calculated as follows:

Weighted average number of ordinary shares

	2019	2018
	'000	*'000*
Issued ordinary shares at 1 January	**1,437,382**	1,468,238
Effect of purchase of shares	**(54,822)**	(31,717)
Treasury shares	**(6,006)**	(2,210)
Weighted average number of ordinary shares at 31 December	**1,376,554**	1,434,311

(b) Diluted earnings per share

For the years ended 31 December 2019 and 2018, the effect of the Company's outstanding share options was anti-dilutive. Therefore, diluted earnings per share were the same as the basic earnings per share.

7 OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income

	2019			2018		
	Before-tax amount	**Tax expense**	**Net-of tax amount**	Before-tax amount	Tax expense	Net-of tax amount
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Exchange differences on translation of financial statements of entities not using RMB as functional currency	**953**	**—**	**953**	(1,519)	—	(1,519)
Equity investments at FVOCI: net movement in fair value reserve (non-recycling)	**3,260**	**1,536**	**4,796**	(20,826)	4,866	(15,960)
Other comprehensive income	**4,213**	**1,536**	**5,749**	(22,345)	4,866	(17,479)

8 TRADE AND BILLS RECEIVABLES

(a) Trade and bills receivables comprises:

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
Trade receivables	**1,601,578**	1,083,485
Bills receivables	**22,927**	43,753
Less: loss allowance	**(107,874)**	(120,080)
	1,516,631	1,007,158

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

As at 31 December 2019, trade receivables of RMB11,099,000 (2018: RMB178,273,000) and nil bills receivables (2018: RMB30,000,000) were pledged to a bank to secure banking facilities obtained by the Group.

Ageing analysis

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

	2019 *RMB'000*	2018 *RMB'000*
Within 1 month	**512,261**	347,403
1 to 3 months	**444,635**	402,826
3 to 6 months	**249,513**	99,514
6 to 12 months	**234,932**	89,499
More than 12 months	**75,290**	67,916
	1,516,631	1,007,158

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

(b) Long-term receivables comprises:

	2019	2018
	RMB'000	*RMB'000*
After 1 year but within 2 years	**—**	46,669
Less: loss of debt restructuring	**—**	(6,258)
	—	40,411
Within 1 year	**68,972**	32,000
Less: loss allowance	**(50,210)**	—
loss of debt restructuring	**—**	(1,653)
	18,762	30,347
	18,762	70,758

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

(ii) As at 31 December 2019, those customers default in repayment of restructured receivables. The credit risk of these receivables is significant increased. As a result, a lifetime expected credit loss of RMB50,210,000 is recognised in "administrative expenses" (note 4(c)).

9 TRADE AND BILLS PAYABLES

	2019	2018
	RMB'000	*RMB'000*
Trade creditors	**809,196**	399,174
Bills payables	**580,866**	498,071
	1,390,062	897,245

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

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

	2019	2018
	RMB'000	*RMB'000*
Within 1 month	**528,336**	226,331
1 to 3 months	**488,406**	217,790
3 to 6 months	**307,290**	311,437
6 to 12 months	**27,665**	71,050
Above 1 year	**38,365**	70,637
	1,390,062	897,245

10 DIVIDENDS

The Board has resolved not to declare any dividends for the year ended 31 December 2019 (year ended 31 December 2018: Nil).

CAPITAL EXPENDITURES

Capital expenditures amounted to approximately RMB186,905,000 for the Year (year ended 31 December 2018: RMB192,721,000). It primarily related to purchases of property, plant and equipment.

Commitments and Contingent Liabilities

(a) ***Capital Commitments***

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

	At 31 December 2019	At 31 December 2018
	RMB'000	*RMB'000*
Contracted for	**57,540**	14,122

(b) ***Contingent liabilities***

There were two outstanding litigations commenced by a constructor and a supplier against certain subsidiaries of the Group claiming construction fee and trade payables of RMB2,337,000. 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 find against them. No provision has therefore been made in respect of these claims.

FOREIGN CURRENCY RISK

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e., a currency other than the functional currency of the entity to which the transactions relate. The currencies giving rise to this risk are primarily Renminbi ("RMB"), United States Dollars ("USD"), Macau Pataca ("MOP"), Peruvian Nuevo Sol ("PEN"), Euro ("EUR") and Polish Zloty ("PLN"). On the other hand, our bank and other loans, cash and cash equivalents are primarily in RMB, USD, EUR, Hong Kong Dollars ("HKD") and PLN. 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 31 December 2019, the Group had 4,964 employees (at 31 December 2018: 3,067). Relevant staff cost was approximately RMB398,957,000 (including share award scheme expenses of approximately RMB1,022,000) for the Year compared to approximately RMB338,593,000 (including share award scheme expenses of approximately RMB5,693,000) for the year ended 31 December 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

On 30 December 2019, the Company, Boville Investments sp. z.o.o. (a wholly-owned subsidiary of the Company), ("Boville") and the 7 vendors (the "Vendors") entered into an investment agreement (including all Schedules annexed thereto) (the "Agreement"), pursuant to which Boville has agreed to purchase, and the Vendors have agreed to sell, an aggregate of 10,000,000 issued shares ("Share(s)") of Baltic Wood S.A., ("Baltic"), representing the entire issued share capital of Baltic (the "Acquisition").

On 30 December 2019, Boville entered into a supplemental agreement with one of the Vendors, Mr. Zawierucha, pursuant to which the Company agreed to increase the consideration payable to Mr. Zawierucha by EUR6.00 per Share. The total additional consideration payable to Mr. Zawierucha is EUR300,000 (the "Additional Consideration").

The total consideration for the Acquisition comprises (i) the first tranche price in the fixed amount of EUR13,275,000 ("First Tranche Price"); and (ii) the second tranche price (the "Second Tranche Price") to be determined (subject to adjustment) in accordance with the following formula: 25% × EBITDA (profit before net finance costs, income tax, depreciation and amortization) of Baltic for the year ended 31 December 2019 under International Financial Reporting Standards × 5.75.

The total payment to be made by the Group for the purpose of the Acquisition inclusive of the First Tranche Price, the Second Tranche Price and the Additional Consideration is expected not to exceed EUR18,662,000 (equivalent to approximately HKD161,157,000).

Baltic is a joint stock company incorporated in the Republic of Poland. Baltic is principally engaged in manufacturing and sale of flooring products mainly in Europe and Asia. Baltic owns a production plant in Jasło, the Republic of Poland, which mainly manufactures three-layer engineered wood flooring products with a production capacity of approximately 1.6 million square meters per annum. Baltic's major markets include countries in Europe and the PRC. Baltic is a flooring products manufacturer for project customers in Europe which include, among others, property developers and professional contractors and it also sells its products under the brand "Baltic Wood" mainly in Asian market.

The Directors believe that the Acquisition is an opportunity to further strengthen the Group's business strategy of exploring the international flooring market and to create substantial synergies with the Group's current flooring businesses. The main type of products manufactured and sold by Baltic is three-layer engineered wood flooring and the products are mainly sold to project customers in Europe, which include, among others, property developers and professional contractors. Since the Group does not produce such products in its own factories, the Acquisition would enable the Group to expand its own products portfolio and customers base.

Please refer to the announcement of the Company dated 30 December 2019 for further details of the Acquisition.

The completion of the Acquisition has taken place on 30 December 2019.

Save as disclosed above, the Group did not have other material acquisition or disposal of subsidiaries, associated companies or joint ventures for the year ended 31 December 2019.

SUBSEQUENT EVENTS

Subsequent to 31 December 2019, the novel coronavirus ("COVID-19") outbreak across the world and certain provinces in the PRC were particularly affected. The impacts of the outbreak of COVID-19 on the businesses of the Group in the first quarter of 2020 are set out below:

— the Group currently owns 12 production plants in the PRC. Although none of these is located in Hubei Province, the PRC, travel restrictions and other precaution measures imposed by relevant local authorities resulted in delaying commencement of operation in manufacturing plants of the Group in the PRC after the Chinese New Year holidays and as well as the logistics arrangement.

— the businesses of some suppliers and distributors of the Group have been temporarily closed.

— the outbreak of COVID-19 caused negative impact on the overall consumer market in the PRC in the first quarter of 2020.

— sales and delivery of products related to most of our projects are expected to be postponed to the second and third quarters of 2020.

As at the date of this announcement, all production plants and the majority of retail stores of the Group have resumed operation.

As the outbreak of COVID-19 continues to spread throughout the world, the Group estimates that the degree of the impact of COVID-19 will depend on the duration of the epidemic and the outcome of various preventive measures undertaken by respective countries across the globe.

Given the dynamic circumstances and uncertainties across the global markets, the overall financial impact of the outbreak of COVID-19, which will be reflected in the Group's 2020 interim and annual financial statements, could not be reasonably estimated at this stage.

FUTURE PLANS FOR MATERIAL INVESTMENTS

There was no specific plan for material investments and acquisition of material capital assets as at 31 December 2019.

PURCHASE, SALE OR REDEMPTION OF THE SECURITIES

During the Year, the Company repurchased a total 58,000,000 shares of the Company on the Stock Exchange at an aggregate consideration of HKD89,875,140 pursuant to the share repurchase mandate approved by the shareholders of the Company at the annual general meeting held on 29 June 2018. Details of the repurchases are summarised as follows:

Date of repurchase	Price per share Highest	Price per share Lowest	Number of ordinary shares of USD0.001 each	Total consideration
	HKD	*HKD*		*HKD*
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

FINAL DIVIDEND

The Board does not recommend the declaration and payment of dividend for the year ended 31 December 2019.

CORPORATE GOVERNANCE

The Company is committed to achieving high standards of corporate governance by focusing on principles of integrity, accountability, transparency, independence, responsibility and fairness. The Company has developed and implemented sound governance policies and measures. The Board will continue to review and monitor the corporate governance of the Company with reference to the

Corporate Governance Code (the "Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") so as to maintain a high standard of corporate governance of the Company.

During the year ended 31 December 2019, except for the following deviations, the Company has complied with the applicable code provisions of the Code.

Code Provision E.1.2

The roles of Chairman and President of the Company are currently performed by Mr. Se Hok Pan and Mr. Se is responsible for formulating overall strategic planning and business development of the Group and effective functioning of the Board as well as day-to-day management of the Group's operation and overseeing the Group's business. As such, the Company has deviated from the code provision A.2.1 under the Code which requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

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

Code Provision E.1.2

The chairman of the audit committee and remuneration committee of the Company were unable to attend the annual general meeting of the Company held on 6 June 2019 due to their other business engagements.

However, the Chairman and President, the company secretary, and the external auditors of the Company attended the AGM to collect views of the shareholders of the Company and/or answer questions at the AGM.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. All directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code throughout the year ended 31 December 2019.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

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

AUDIT COMMITTEE

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

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

Mr. Ho King Fung, Eric

Mr. Teoh Chun Ming

The chief responsibilities of the Audit Committee include making recommendations to the Board on the appointment, reappointment and removal of the external auditors and to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of such auditors; reviewing the interim and annual reports and accounts of the Group; and supervising the financial reporting process and effectiveness of internal control system of the Group. The Audit Committee has reviewed and discussed this announcement and the financial statements for the year ended 31 December 2019.

SCOPE OF WORK OF KPMG

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

APPRECIATION

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

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

Hong Kong, 30 March 2020

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