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Nature Home Holding Company Limited

大自然家居控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2083)

ANNOUNCEMENT OF RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

HIGHLIGHTS:

	Six months ended 30 June		Change
	2020	2019	
	RMB'000	RMB'000	
Revenue			
— Sales of flooring products	946,464	952,362	(0.6%)
— Sales of customised home decoration products	427,690	264,712	61.6%
— Provision of trademark and distribution network	30,358	65,020	(53.3%)
	1,404,512	1,282,094	9.5%
Gross profit	325,162	344,136	(5.5%)
(Loss)/profit for the period	(34,205)	34,932	(197.9%)
EBITDA ^(note)	61,724	124,780	(50.5%)
(Loss)/profit attributable to equity shareholders	(30,545)	40,677	(175.1%)
Basic (loss)/earnings per share	RMB(0.022)	RMB0.029	(175.9%)

Seasonality of Operation

	Twelve months ended 30 June		Change
	2020	2019	
	RMB'000	RMB'000	
Revenue	3,549,204	2,908,447	22.0%
Gross profit	905,589	821,860	10.2%

The Group recorded a consolidated net loss of approximately RMB34,205,000 for the six months ended 30 June 2020 as compared to the consolidated net profit of approximately RMB34,932,000 for the corresponding period in 2019. The loss was mainly due to negative impacts of the outbreak of the Epidemic worldwide.

At a result of a series of measures implemented by the PRC government to cope with the Epidemic, the retail sales of the Group were greatly affected but resumed to normal in late of the second quarter of 2020. On the other hand, benefiting from the faster resumption of the PRC property market, the project sales of the Group recorded a double-digit growth for the Period. Besides, the flooring plants acquired last year also contributed the increase in sales of the Group for the Period. As a result of the above, the Group's revenue and gross profit for the six months ended 30 June 2020 increased by 9.5% and decreased by 5.5%, respectively, as compared to the corresponding period in 2019.

The home decoration products market is traditionally featured with peak season in the fourth quarter and low season in the first quarter. For rolling twelve months ended 30 June 2020, the Group's revenue and gross profit increased by 22.0% and 10.2%, respectively.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the first quarter of 2020, novel coronavirus epidemic (the “Epidemic”) broke out in the People’s Republic of China (the “PRC”) and around the world. In response to the Epidemic, the PRC government has implemented a series of measures at different levels such as travel restrictions, community quarantine and lockdowns in provinces and cities across the country, resulting in a postponement of the production resumption of most of the Group’s factories in the PRC after the Chinese New Year holiday, which have gradually resumed normal since March 2020.

The Epidemic and the above-mentioned measures have hit the consumer market and the retail sales of home decoration products in the PRC were greatly affected. Certain distributors of the Group were also temporarily closed for business and only resumed normal operation in the second quarter of 2020. As a result, the Group recorded a decrease in retail sales of home decoration products for the six months ended 30 June 2020 (the “Period”) as compared with the corresponding period of last year. However, the Group’s project sales had been affected by the Epidemic to a lesser degree. Benefiting from the faster resumption of large property developer, the Group’s project business also realised a faster resumption. In particular, the project sales covering the three major types of products (namely, flooring, wooden doors and wardrobes and cabinets) recorded a double-digit growth as compared with the corresponding period of last year. The Group still recorded an increase in the overall sales for the Period as compared with the corresponding period of last year. The overall sales increased by 9.5% from approximately RMB1,282,094,000 in the corresponding period of last year to approximately RMB1,404,512,000 for the Period.

As a corporate pursuing the philosophy of “green, environmental friendly, health and safety”, the Group has always advocated that citizens of the earth should “love and respect nature”. The global outbreak of the novel coronavirus has given us a deeper understanding of the meaning of “respect for nature”. In order to uphold its social responsibilities, the Group urgently arranged aldehyde-free floorings inventory from vicinity to donate to Huoshenshan (Fire God Mountain) Hospital in Wuhan in February 2020, and sent personnel to participate in floor laying, with an aim to make contributions to the prevention and control of the Epidemic in China.

1. Flooring Products

The total revenue in respect of flooring products of the Group decreased by 3.9% from approximately RMB1,015,208,000 in the corresponding period of last year to approximately RMB975,452,000 for the Period.

The business of manufacturing and sale of flooring products

As the retail sales of the Group's flooring products accounted for a relatively large portion, this business segment was highly affected by the Epidemic. Flooring sales decreased by 0.6% as compared to the corresponding period of last year to approximately RMB946,464,000, of which retail sales fell by approximately 49%, while project sales increased by approximately 26%. In addition, the Group carried out a series of strategic overseas business investments last year, including the acquisition of a three-layered engineered flooring plant in Poland, and the acquisition and establishment of new flooring factories in Cambodia, which increased the source of sales revenue for the Group during the Period. During the Period, the Epidemic was severe in the United States and its economic activities were seriously affected, as a result, most of the new orders of the Cambodian factories were postponed to the second half of the year. In addition, although European countries have also been affected by the Epidemic, the commercial sales of our Polish factory were affected to a lesser degree.

In respect of its flooring sales network, the Group has established an extensive sales network in the PRC. As at 30 June 2020, the total number of flooring stores was 3,204 (31 December 2019: 3,484). The Group currently owns 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. During the Period, the sales of solid wood and engineered flooring products manufactured by the Group's authorised manufacturers recorded a significant decrease as the impact of Epidemic on the retail sales is relatively greater. The revenue generated from trademark and distribution network usage fees for flooring products decreased by 53.9% to approximately RMB28,988,000 from that of the same period of last year.

2. Customised Home Decoration Products

The customised home decoration products of the Group mainly comprise of wooden doors, wardrobes and cabinets. Generally, the Group will manufacture the customised products based on the customers' requirements upon receipt of purchase orders. During the Period, as benefited from the significant increase in the project sales, the total sales for wooden doors, wardrobes and cabinets still recorded an increase, representing an increase in total revenue of 60.8% from approximately RMB266,886,000 for the same period of last year to approximately RMB429,060,000 for the Period, despite the decrease in the retail sales of customised home decoration products.

The business of manufacturing and sale of wooden doors

The revenue of wooden door business increased by 52.9% to approximately RMB190,628,000 as compared to the same period of last year. As at 30 June 2020, the Group owned a total of 819 (31 December 2019: 647) wooden door stores. The Group currently owns three wooden door production plants.

The business of manufacturing and sale of wardrobes and cabinets

The revenue of wardrobe and cabinet business increased by 84.0% to approximately RMB189,414,000 as compared to the same period of last year. As at 30 June 2020, the Group owned a total of 81 (31 December 2019: 90) wardrobe and cabinet stores. The Group currently owns one production plant for wardrobe and cabinet products and another plant under construction will be put into production in the third quarter.

Provision of trademarks and distribution network for customised products

The Group has authorised its independent manufacturers to produce "Nature" brand customised products. These authorised manufacturers will directly sell those customised products to the distributors within the distribution network of the Group, with trademark and distribution network usage fees payable to the Group. During the Period, the revenue from the trademark and distribution network usage fees for customised products decreased by 37.0% to approximately RMB1,370,000 as compared to the same period of last year.

Other sales business

During the Period, the sales revenue from other home decoration products (namely comprehensive decoration services and products) increased by 28.4% to approximately RMB47,648,000 as compared to the same period of last year.

Prospect

In the second half of 2020, there are still many uncertainties about global and Chinese economies, such as the severe situation of the Epidemic around the world, the repeated Epidemic situation in China, the deterioration of Sino-US relations and international trade disputes. In the short term, the Group's business is largely affected by these uncertainties.

Nevertheless, we believe the impact of the Epidemic is short-lived. As for the domestic market, in the medium to long term, the overall Chinese economy is still on an upward trajectory, and domestic demand for home improvement services and products remains substantial. Coupled with the fast-growing and increasing share of hardbound housing market in the PRC, the Group will continue to develop more commercial and project customers in the second half of the year in order to sustain sales growth and maintain market share. In addition, although the Epidemic hit traditional retailing and marketing models, it accelerated market transformation from which many internet technology companies and online sales platforms are benefited. The Group expects that those home decoration product companies that rely heavily on old marketing models will be gradually phased out in the medium to long term. The Group will adhere to its household product strategy of “providing integrated green home decoration products and services” to explore future directions for change by combining online and offline experiences.

As for overseas markets, the deployment of the Group's flooring plants in Cambodia has been completed, which can facilitate the Group's expansion in the United States and international markets as well as mitigate the trade risks that may arise from the deteriorating Sino-US relations. Coupled with the stable sales of the Poland plant in the European market, we expect the Group's overseas sales and proportion with further increase, apart from the temporary impact of the Epidemic.

Despite global economic activities suffering different degrees of disruptions during the Period, the Group with well-established brand and solid sales network can also maintain growth in its overall business, with wooden doors and wardrobes and cabinets continuing to record high growth rates. Given that the Group is working hard to catch up with the retail sales shortfall in the first half of the year with economic activities gradually returning to normal from the second quarter onwards as the Epidemic in China came under control, and that the Group has laid a good foundation for international business and plans to strengthen overseas sales, we remain cautiously optimistic for our business development in the second half of the year.

FINANCIAL REVIEW

Revenue

For the Period, we generate revenue from two business segments: (1) manufacturing and sale of flooring products; and (2) manufacturing and sale of customised home decoration products.

“Manufacturing and sale of flooring products” represents the revenue generated from (i) sales of self-produced flooring products; (ii) sales of trading flooring products; and (iii) 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 and cabinets; (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 periods indicated:

Revenue	For the six months ended 30 June				Revenue Growth rate %
	2020		2019		
	RMB'000	% of total revenue	RMB'000	% of total revenue	
Manufacturing and sale of flooring products					
— sales of goods	946,464	67.4	952,362	74.3	(0.6)
— provision of trademark and distribution network	28,988	2.1	62,846	4.9	(53.9)
	<u>975,452</u>	<u>69.5</u>	<u>1,015,208</u>	<u>79.2</u>	<u>(3.9)</u>
Manufacturing and sale of customised home decoration products					
— sales of goods	427,690	30.4	264,712	20.6	61.6
— provision of trademark and distribution network	1,370	0.1	2,174	0.2	(37.0)
	<u>429,060</u>	<u>30.5</u>	<u>266,886</u>	<u>20.8</u>	<u>60.8</u>
Total	<u>1,404,512</u>	<u>100.0</u>	<u>1,282,094</u>	<u>100.0</u>	<u>9.5</u>

The overall revenue increased by 9.5% from approximately RMB1,282,094,000 for the corresponding period of 2019 to approximately RMB1,404,512,000 for the Period.

Revenue from the segment of manufacturing and sale of flooring products decreased by 3.9% from approximately RMB1,015,208,000 for the corresponding period of 2019 to approximately RMB975,452,000 for the Period. It was mainly attributable to the net effect of (i) the drop in sales of domestic retail division; (ii) the increase in sales of domestic project division; and (iii) the increase in sales in overseas market.

Revenue from the segment of manufacturing and sale of customised home decoration products increased by 60.8% from approximately RMB266,886,000 for the corresponding period of 2019 to approximately RMB429,060,000 for the Period. It was mainly attributable to the net effect of (i) the drop in sales of retail division; and (ii) the increase in sales of project division.

Gross Profit

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

	For the six months ended 30 June				Growth rate %
	2020		2019		
Gross Profit	RMB'000	GP%	RMB'000	GP%	
Manufacturing and sale of flooring products					
— sales of goods	210,234	22.2	264,521	27.8	(20.5)
— provision of trademark and distribution network	<u>26,897</u>	<u>92.8</u>	<u>62,116</u>	<u>98.8</u>	<u>(56.7)</u>
	<u>237,131</u>	<u>24.3</u>	<u>326,637</u>	<u>32.2</u>	<u>(27.4)</u>
Manufacturing and sale of customised home decoration products					
— sales of goods	86,760	20.3	15,350	5.8	465.2
— provision of trademark and distribution network	<u>1,271</u>	<u>92.8</u>	<u>2,149</u>	<u>98.9</u>	<u>(40.9)</u>
	<u>88,031</u>	<u>20.5</u>	<u>17,499</u>	<u>6.6</u>	<u>403.1</u>
Total	<u>325,162</u>	<u>23.2</u>	<u>344,136</u>	<u>26.8</u>	<u>(5.5)</u>
EBITDA	<u>61,724</u>	<u>4.4</u>	<u>124,780</u>	<u>9.7</u>	<u>(50.5)</u>

The overall gross profit decreased by 5.5% from approximately RMB344,136,000 for the corresponding period of 2019 to approximately RMB325,162,000 for the Period and the overall gross profit margin decreased from 26.8% to 23.2% for the Period.

The segment of manufacturing and sale of flooring products contributed a gross profit of approximately RMB237,131,000 for the Period, representing a decrease of 27.4%, compared to approximately RMB326,637,000 for the corresponding period of 2019. The gross profit margin decreased from 32.2% to 24.3% for the Period. It was mainly due to the combined effects of (i) the decrease in licensing fee income from provision of trademarks and distribution network; and (ii) the increase in proportion of sales in project division, of which gross profit margin is relatively lower.

The segment of manufacturing and sale of customised home decoration products contributed a gross profit of approximately RMB88,031,000 for the Period, representing an increase of 403.1%, compared to approximately RMB17,499,000 for the corresponding period of 2019. The gross profit margin increased from 6.6% to 20.5% for the Period. It was mainly attributable to the decrease in unit costs resulted from the increase in volume of production.

EBITDA

The EBITDA decreased by 50.5% from approximately RMB124,780,000 for the corresponding period of 2019 to approximately RMB61,724,000 for the Period and the EBITDA margin decreased from 9.7% to 4.4% for the Period.

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

Other Income

Other income consists primarily of rental income from operating leases and government grants which are subject to the discretion of the relevant authorities. Other income decreased by RMB588,000 from approximately RMB18,201,000 for the corresponding period of 2019 to approximately RMB17,613,000 for the Period.

Distribution Costs

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

Distribution costs were approximately RMB176,076,000 for the Period, representing an increase of approximately 9.2%, compared to approximately RMB161,254,000 for the corresponding period of 2019. It was primarily due to the net effect of (i) the increase in decoration allowance to distributors and staff costs; and (ii) the decrease in advertising and promotion expenses, storage fee and travelling expenses.

The percentage of distribution costs to revenue decreased from 12.6% for the corresponding period of 2019 to 12.5% for the Period.

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 were approximately RMB130,921,000 for the Period, representing an increase of approximately 8.3%, compared to approximately RMB120,906,000 for the corresponding period of 2019. It was primarily due to the net effect of (i) the increase in staff costs and loss allowance for other receivables; and (ii) the decrease in research and development expenses, travelling expenses and consultancy fees.

The percentage of administrative expenses to revenue decreased from 9.4% for the corresponding period of 2019 to 9.3% for the Period.

Other Operating Expenses

Other operating expenses increased by RMB13,561,000 from approximately RMB9,215,000 for the corresponding period of 2019 to approximately RMB22,776,000 for the Period. It was mainly due to the increase in net foreign exchange loss and net loss on disposal of property, plant and equipment.

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. Net finance costs increased from approximately RMB12,900,000 for the corresponding period of 2019 to approximately RMB15,279,000 for the Period.

Finance income increased by 162.4% from approximately RMB9,838,000 for the corresponding period of 2019 to approximately RMB25,812,000 for the Period. It was mainly attributable to the increase in interest income from project customers.

Finance costs increased by 80.7% from approximately RMB22,738,000 for the corresponding period of 2019 to approximately RMB41,091,000 for the Period. It was mainly due to the increase in bank loans.

Income Tax

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

Income tax was approximately RMB4,822,000 for the Period compared to approximately RMB17,931,000 for the corresponding period of 2019, which was the net effect of the current income tax of approximately RMB18,353,000 and the net deferred tax income of approximately RMB13,531,000. The decrease in income tax was mainly due to the decrease in profit of our PRC operations during the Period.

Profit Attributable to Equity Shareholders of the Company

Resulting from the factors mentioned above, the loss attributable to equity shareholders of the Company was approximately RMB30,545,000 for the Period, compared to the profit of approximately RMB40,677,000 for the corresponding period of 2019.

LIQUIDITY

Cash Flow

The Group meets its working capital and other capital requirements principally with the following: (i) cash generated from operations; and (ii) proceeds from loans and borrowings. The Group has adopted a prudent financial management approach towards its treasury policy. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

During the Period, the Group used net cash of approximately RMB466,159,000 in operating activities (six months ended 30 June 2019: RMB269,793,000) and had a net proceeds from bank and other loans of approximately RMB585,927,000 (six months ended 30 June 2019: RMB184,558,000). In response to the changes in marketing channels and to capture the market opportunities, the proportion of sales in project division was increased significantly. The operating activities of project division was mainly financed by loans.

Net Current Assets and Working Capital Sufficiency

As at 30 June 2020, net current assets was approximately RMB1,080,706,000, representing an increase of 4.5%, compared to approximately RMB1,034,429,000 as at 31 December 2019. The current ratios as at 30 June 2020 and 31 December 2019 were 1.4 and 1.4, respectively.

Cash Conversion Cycle

	<u>Turnover days</u>		
	For rolling 12 months ended		
	30 June	31 December	Change
	2020	2019	(days)
		<i>Note</i>	
Trade and bills receivables and contract assets	168	142	26
Inventories	93	80	13
Trade and bills payables	<u>(152)</u>	<u>(167)</u>	<u>15</u>
Net	<u>109</u>	<u>55</u>	<u>54</u>

As at 30 June 2020, trade and bills receivables and contract assets (excluding long-term receivables) turnover days increased by 26 days to 168 days. It was mainly due to the increase in the proportion of sales in project division, of which the credit terms are longer.

As at 30 June 2020, inventories turnover days increased by 13 days to 93 days.

As at 30 June 2020, trade and bills payables turnover days decreased by 15 days to 152 days.

Note: The comparative figures excluded the newly acquired subsidiary at the end of the year of 2019.

FINANCIAL RESOURCES

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

	As at 30 June 2020 <i>RMB'000</i>	As at 31 December 2019 <i>RMB'000</i>
Bills payables	497,148	580,866
Bank and other loans:		
current	1,017,116	542,472
non-current	<u>411,472</u>	<u>296,077</u>
Sub-total	1,925,736	1,419,415
Less:		
Cash and cash equivalents	(555,497)	(540,185)
Restricted deposits	<u>(379,245)</u>	<u>(412,611)</u>
Adjusted net debt	<u>990,994</u>	<u>466,619</u>
Total equity	<u>2,381,724</u>	<u>2,386,602</u>
Adjusted gearing percentage	<u>41.6%</u>	<u>19.6%</u>

Our adjusted gearing percentage, which are derived by dividing adjusted net debt by total equity of the Group, were 41.6% and 19.6% as at 30 June 2020 and 31 December 2019, respectively.

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

Bank loans

(a) At 30 June 2020, the bank loans were repayable as follows:

	At 30 June 2020 <i>RMB'000</i>	At 31 December 2019 <i>RMB'000</i>
Within 1 year or on demand	1,017,116	542,472
After 1 year but within 2 years	37,912	—
After 2 years but within 5 years	373,560	296,077
	<u>1,428,588</u>	<u>838,549</u>

At 30 June 2020, the bank loans were secured as follows:

	At 30 June 2020 <i>RMB'000</i>	At 31 December 2019 <i>RMB'000</i>
Secured (i)	978,833	665,964
Unsecured	449,755	172,585
	<u>1,428,588</u>	<u>838,549</u>

(i) At 30 June 2020, the Group has secured loans and borrowings amounting to approximately RMB978,833,000 (31 December 2019: RMB665,964,000), of which:

- approximately RMB108,842,000 (31 December 2019: RMB108,842,000) of these secured loans were secured by assets of the Group and guaranteed by certain non-controlling shareholders;
- approximately RMB129,430,000 (31 December 2019: RMB57,788,000) of these secured loans were secured by 100% equity interest of certain subsidiaries; and
- approximately RMB740,561,000 (31 December 2019: RMB499,334,000) of these secured loans were secured by assets of the Group.

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

	At 30 June 2020 <i>RMB'000</i>	At 31 December 2019 <i>RMB'000</i>
Restricted deposits	169,744	164,700
Other property, plant and equipment	332,904	258,401
Right-of-use assets	171,556	139,540
Investment properties	165,784	169,414
Trade and bills receivables	137,172	11,099
Inventories	<u>35,585</u>	<u>33,136</u>
	<u>1,012,745</u>	<u>776,290</u>

(iii) Parts of the Group's banking facilities, amounted to approximately RMB757,641,000 (31 December 2019: RMB758,326,000) are subject to the fulfilment of covenants relating to certain of the subsidiaries' balance sheet ratios, which are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. At 30 June 2020 and 31 December 2019, none of the covenants relating to drawn down facilities had been breached.

(iv) The unutilised banking facilities as at 30 June 2020 amounted to approximately RMB586,016,000 (31 December 2019: RMB418,648,000).

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

	At 30 June 2020		At 31 December 2019	
	Effective	Carrying	Effective	Carrying
	interest rate	amount	interest rate	amount
	%	RMB'000	%	RMB'000
Variable rate instruments				
Bank loans	4.26	<u>264,340</u>	5.39	<u>252,196</u>
Fixed rate instruments				
Bank loans	5.00	<u>1,164,248</u>	4.78	<u>586,353</u>
Total borrowings		<u><u>1,428,588</u></u>		<u><u>838,549</u></u>
Fixed rate borrowings as a percentage of total borrowings		<u><u>81%</u></u>		<u><u>70%</u></u>

The board of directors (the “Board”) of Nature Home Holding Company Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2020. The results have been reviewed by KPMG and the audit committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2020	2019
		RMB'000	RMB'000
Revenue	3	1,404,512	1,282,094
Cost of sales		<u>(1,079,350)</u>	<u>(937,958)</u>
Gross profit		325,162	344,136
Other income	5(a)	17,613	18,201
Distribution costs		(176,076)	(161,254)
Administrative expenses		(130,921)	(120,906)
Impairment losses on trade receivables and contract assets		(27,106)	(5,199)
Other operating expenses	5(b)	<u>(22,776)</u>	<u>(9,215)</u>
(Loss)/profit from operations		<u>(14,104)</u>	<u>65,763</u>
Finance income		25,812	9,838
Finance costs		<u>(41,091)</u>	<u>(22,738)</u>
Net finance costs	6(a)	<u>(15,279)</u>	<u>(12,900)</u>
(Loss)/profit before taxation	6	(29,383)	52,863
Income tax	7	<u>(4,822)</u>	<u>(17,931)</u>
(Loss)/profit for the period		<u>(34,205)</u>	<u>34,932</u>
Attributable to:			
Equity shareholders of the Company		(30,545)	40,677
Non-controlling interests		<u>(3,660)</u>	<u>(5,745)</u>
(Loss)/profit for the period		<u>(34,205)</u>	<u>34,932</u>
(Loss)/earnings per share (RMB):	8		
Basic and diluted		<u>(0.022)</u>	<u>0.029</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

(Expressed in Renminbi)

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
(Loss)/profit for the period	(34,205)	34,932
Other comprehensive (loss)/income for the period (after tax and reclassification adjustments)		
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)	5,832	6,829
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of the financial statements of entities not using RMB as functional currency	<u>(9,405)</u>	<u>(2,385)</u>
Other comprehensive (loss)/income for the period	<u>(3,573)</u>	<u>4,444</u>
Total comprehensive (loss)/income for the period	<u>(37,778)</u>	<u>39,376</u>
Attributable to:		
Equity shareholders of the Company	(34,884)	45,149
Non-controlling interests	<u>(2,894)</u>	<u>(5,773)</u>
Total comprehensive (loss)/income for the period	<u>(37,778)</u>	<u>39,376</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

(Expressed in Renminbi)

	At	At
	30 June	31 December
	2020	2019
<i>Note</i>	RMB'000	RMB'000
Non-current assets		
Investment properties	233,055	230,533
Other property, plant and equipment	1,019,132	967,155
	1,252,187	1,197,688
Intangible assets	18,505	20,160
Right-of-use assets	228,289	238,470
Goodwill	11,910	11,612
Interest in associates	7,606	7,441
Other financial assets	112,226	76,917
Deposits, prepayments and other receivables	34,964	61,650
Deferred tax assets	95,520	85,561
	1,761,207	1,699,499
Current assets		
Inventories	838,573	743,647
Trade and bills receivables	1,701,269	1,516,631
Current portion of long-term receivables	17,948	18,762
Contract assets	207,878	123,622
Deposits, prepayments and other receivables	336,592	271,185
Restricted deposits	379,245	412,611
Cash and cash equivalents	555,497	540,185
	4,037,002	3,626,643

		At 30 June 2020 <i>RMB'000</i>	At 31 December 2019 <i>RMB'000</i>
	<i>Note</i>		
Current liabilities			
Trade and bills payables	10	1,298,694	1,390,062
Contract liabilities		181,090	132,204
Deposits received, accruals and other payables		415,845	468,861
Bank loans		1,017,116	542,472
Lease liabilities		26,601	26,667
Current taxation		<u>16,950</u>	<u>31,948</u>
		<u>2,956,296</u>	<u>2,592,214</u>
Net current assets		<u>1,080,706</u>	<u>1,034,429</u>
Total assets less current liabilities		<u>2,841,913</u>	<u>2,733,928</u>
Non-current liabilities			
Bank loans		411,472	296,077
Lease liabilities		38,495	42,745
Deferred tax liabilities		<u>10,222</u>	<u>8,504</u>
		<u>460,189</u>	<u>347,326</u>
NET ASSETS		<u>2,381,724</u>	<u>2,386,602</u>
CAPITAL AND RESERVES			
Share capital		8,998	8,998
Reserves		<u>2,247,783</u>	<u>2,282,675</u>
Total equity attributable to equity shareholders of the Company		2,256,781	2,291,673
Non-controlling interests		<u>124,943</u>	<u>94,929</u>
TOTAL EQUITY		<u>2,381,724</u>	<u>2,386,602</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

(Expressed in Renminbi)

	Attributable to equity shareholders of the Company											Non-controlling interests	Total equity
	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 (non-recycling)	Other reserves	Retained profits	Total		
	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 the six months ended 30 June 2019													
Profit for the period	—	—	—	—	—	—	—	—	—	40,677	40,677	(5,745)	34,932
Other comprehensive income	—	—	—	—	—	—	(2,357)	6,829	—	—	4,472	(28)	4,444
Total comprehensive income	—	—	—	—	—	—	(2,357)	6,829	—	40,677	45,149	(5,773)	39,376
Share options forfeited during the period	—	—	—	—	—	—	—	—	(125)	125	—	—	—
Equity-settled share award scheme	—	(2,874)	16,833	—	—	—	—	—	(12,937)	—	1,022	—	1,022
Purchase and cancel of own shares	(393)	(77,183)	—	—	—	—	—	—	—	—	(77,576)	—	(77,576)
Appropriation to statutory reserve	—	—	—	—	—	1,788	—	—	—	(1,788)	—	—	—
Liquidation of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	(330)	(330)
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	10,784	10,784
Balance at 30 June 2019	8,998	837,796	—	(2,382)	84	217,621	(15,620)	7,411	54,402	1,066,668	2,174,978	61,512	2,236,490
	Attributable to equity shareholders of the Company											Non-controlling interests	Total equity
	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 (non-recycling)	Other reserves	Retained profits	Total		
	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 30 June 2019 and 1 July 2019	8,998	837,796	—	(2,382)	84	217,621	(15,620)	7,411	54,402	1,066,668	2,174,978	61,512	2,236,490
Changes in equity for the six months ended 31 December 2019													
Profit for the period	—	—	—	—	—	—	—	—	—	121,443	121,443	(2,432)	119,011
Other comprehensive income	—	—	—	—	—	—	2,884	(2,033)	—	—	851	454	1,305
Total comprehensive income	—	—	—	—	—	—	2,884	(2,033)	—	121,443	122,294	(1,978)	120,316
Share options forfeited during the period	—	—	—	—	—	—	—	—	(879)	879	—	—	—
Capital injection from non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	130	130
Acquisition of non-controlling interests	—	—	—	—	—	—	—	—	—	(5,599)	(5,599)	5,599	—
Liquidation of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	10	10
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	29,656	29,656
Balance 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

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 (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
Balance at 1 January 2020	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
Changes in equity for the six months ended 30 June 2020													
Profit for the period	—	—	—	—	—	—	—	—	—	(30,545)	(30,545)	(3,660)	(34,205)
Other comprehensive income	—	—	—	—	—	—	(10,171)	5,832	—	—	(4,339)	766	(3,573)
Total comprehensive income	—	—	—	—	—	—	(10,171)	5,832	—	(30,545)	(34,884)	(2,894)	(37,778)
Share options forfeited during the period	—	—	—	—	—	—	—	—	(14,722)	14,722	—	—	—
Sale of equity interests in a subsidiary	—	—	—	—	—	—	—	—	—	(8)	(8)	908	900
Capital injection from non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	32,000	32,000
Balance at 30 June 2020	8,998	837,796	—	(2,382)	84	217,621	(22,907)	11,210	38,801	1,167,560	2,256,781	124,943	2,381,724

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2020

(Expressed in Renminbi)

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Operating activities		
Cash used in operations	(432,801)	(246,745)
Tax paid	(33,358)	(23,048)
Net cash used in operating activities	(466,159)	(269,793)
Investing activities		
Payment for the purchase of other property, plant and equipment	(104,110)	(66,435)
Proceeds from the disposal of other property, plant and equipment	7,810	2,623
Payment for the leased land	—	(11,565)
Payment for the acquisition of subsidiaries	—	(41,143)
Payment for acquisition of equity investment classified as FVOCI	(25,000)	—
Proceeds from sales of equity interest in a subsidiary	900	—
Other net cash flows generated from investing activities	4,589	13,429
Net cash used in investing activities	(115,811)	(103,091)
Financing activities		
Proceeds from bank loans	980,476	445,355
Repayment of bank loans	(394,549)	(260,797)
Capital element of lease rentals paid	(13,864)	(8,835)
Interest element of lease rentals paid	(1,854)	(1,609)
Payment on purchase of own shares	—	(77,576)
Proceeds of contribution from non-controlling interests holder	32,000	—
Interest paid	(39,237)	(21,129)
Net cash flows generated from restricted deposit	33,366	18,275
Net cash generated from financing activities	596,338	93,684
Net increase/(decrease) in cash and cash equivalents	14,368	(279,200)
Cash and cash equivalents at 1 January	540,185	823,843
Effect of foreign exchanges rates changes	944	154
Cash and cash equivalents at 30 June	555,497	544,797

NOTES TO THE FINANCIAL INFORMATION

1 BASIS OF PREPARATION

This interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (“IASB”). It was authorised for issue on 26 August 2020.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

This interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of Nature Home Holding Company Limited (the “Company”) and its subsidiaries (together, the “Group”) since the 2019 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

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

2 CHANGES IN ACCOUNTING POLICIES

The Group has applied the amendment to IFRS 16, *COVID-19-Related Rent Concessions*, issued by the IASB to the financial information for the current accounting period.

Other than the amendment to IFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended IFRS 16 is discussed below:

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic (“COVID-19-related rent concessions”) are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the interim reporting period. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 January 2020.

3 REVENUE AND SEGMENT REPORTING

The Group manages its business by different lines of businesses (flooring products and customized home decoration products). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment.

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

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

(a) Disaggregation of revenue

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products of service line		
● Manufacturing and sale of flooring products		
— Sale of goods	946,464	952,362
— Provision of trademark and distribution network	28,988	62,846
● Manufacturing and sale of customised home decoration products		
— Sale of goods	427,690	264,712
— Provision of trademark and distribution network	1,370	2,174
	<u>1,404,512</u>	<u>1,282,094</u>
Disaggregated by geographic location of customers		
— The PRC, Hong Kong and Macau	1,145,318	1,260,048
— USA	172,537	22,046
— Other countries	86,657	—
	<u>1,404,512</u>	<u>1,282,094</u>

The Group's customer base is diversified and only one customer with whom transactions have exceeded 10% of the Group's revenues for the six months ended 30 June 2020 (six months ended 30 June 2019: one). For the six months ended 30 June 2020, revenues from sales of home decoration products to this customer amounted to approximately RMB212,848,000 (six months ended 30 June 2019: RMB172,985,000) and arose only in the PRC by geographical region in which the home decoration products division is active.

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

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

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

	Manufacturing and sale of flooring products		Manufacturing and sale of customised home decoration products		Total	
	2020	2019	2020	2019	2020	2019
For the six months ended 30 June	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Disaggregated by timing or revenue recognition						
Point in time	790,539	779,141	98,441	133,205	888,980	912,346
Over time	<u>155,925</u>	<u>173,221</u>	<u>329,249</u>	<u>131,507</u>	<u>485,174</u>	<u>304,728</u>
Subtotal of sales of goods	946,464	952,362	427,690	264,712	1,374,154	1,217,074
Provision of trademark and distribution network	<u>28,988</u>	<u>62,846</u>	<u>1,370</u>	<u>2,174</u>	<u>30,358</u>	<u>65,020</u>
Revenue from external customers	975,452	1,015,208	429,060	266,886	1,404,512	1,282,094
Inter-segment revenue	<u>1,908</u>	<u>635</u>	<u>6,498</u>	<u>7,566</u>	<u>8,406</u>	<u>8,201</u>
Reportable segment revenue	<u>977,360</u>	<u>1,015,843</u>	<u>435,558</u>	<u>274,452</u>	<u>1,412,918</u>	<u>1,290,295</u>
Reportable segment gross profit	<u>237,131</u>	<u>326,637</u>	<u>88,031</u>	<u>17,499</u>	<u>325,162</u>	<u>344,136</u>
As at 30 June/31 December						
Reportable segment assets	4,478,592	3,531,560	1,520,663	1,140,006	5,999,255	4,671,566
Additions to non-current segment assets during the period	128,996	65,933	11,839	8,749	140,835	74,682
Reportable segment liabilities	2,532,718	2,250,139	1,199,805	734,696	3,732,523	2,984,835

(c) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Revenue		
Reportable segment revenue	1,412,918	1,290,295
Elimination of inter-segment revenue	<u>(8,406)</u>	<u>(8,201)</u>
Consolidated revenue	<u>1,404,512</u>	<u>1,282,094</u>

4 SEASONALITY OF OPERATIONS

Based on past experience, the Group's principal activity of selling home decoration products achieves higher sales in the fourth quarter and lower sales in the first quarter, compared to average quarter sales in the year, due to increased demand in home decoration market before year end and decreased demand during the long Spring Festival holiday period. As a result, the Group typically reports lower revenue and segment results for the first half of the year, than the second half.

For the twelve months ended 30 June 2020, the Group reported revenue of RMB3,549,204,000 (twelve months ended 30 June 2019: RMB2,908,447,000), and gross profit of RMB905,589,000 (twelve months ended 30 June 2019: RMB821,860,000).

5 OTHER INCOME/OTHER OPERATING EXPENSES

(a) Other income

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Government grants (i)	3,069	6,167
Rental income from operating leases		
— investment properties	6,451	3,528
— machineries	4,062	3,427
Others	<u>4,031</u>	<u>5,079</u>
	<u>17,613</u>	<u>18,201</u>

- (i) Government grants for the six months ended 30 June 2020 mainly represented unconditional cash awards granted by the government authorities in the PRC.

(b) Other operating expenses

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Net loss on disposal of other property, plant and equipment	3,058	294
Donations	1,158	1,310
Depreciation and related cost of lease-out assets		
— investment properties	7,036	3,385
— machineries	3,120	3,344
Net foreign exchange loss	5,585	—
Others	2,819	882
	<u>22,776</u>	<u>9,215</u>

6 PROFIT BEFORE TAXATION

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

(a) Finance income and finance costs

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Interest income on bank deposits and others	<u>(25,812)</u>	<u>(9,838)</u>
Interest expense on bank loans and others	39,237	21,129
Interest on lease liabilities	<u>1,854</u>	<u>1,609</u>
Finance costs	<u>41,091</u>	<u>22,738</u>
Net finance costs recognised in profit or loss	<u>15,279</u>	<u>12,900</u>

(b) Other items

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Impairment losses on deposits, prepayments and other receivables	11,251	6,694
Depreciation		
— owned property, plant and equipment	58,307	46,910
— right-of-use assets	15,404	9,943
Amortisation	2,117	2,164
Research and development costs (other than depreciation and amortisation)	3,662	7,738
Inventory write-down and losses net of reversals	16,925	8,343
Short-term and low value lease charges	5,657	3,216
Equity-settled share-based payment expenses	—	1,022

7 INCOME TAX

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Current tax		
Provision for income tax	14,321	26,565
Withholding tax	3,650	—
Over-provision in respect of prior years	382	(544)
	18,353	26,021
Deferred tax		
Origination and reversal of temporary differences	(13,531)	(8,090)
	4,822	17,931

Notes:

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (ii) The Group’s subsidiaries incorporated in the USA were subject to federal income tax at 21% (21% for the six months ended 30 June 2019) and state income tax for the six months ended 30 June 2020.
- (iii) The Group’s subsidiaries incorporated in Hong Kong were subject to Hong Kong Profits Tax rate of 16.5% except that the first HKD2 million estimated assessable profits calculated at 8.25% for the six months ended 30 June 2020 (8.25% for the six months ended 30 June 2019).

- (iv) The Group's subsidiaries incorporated in Macau were subject to Macau Complementary Tax. The provision for Macau Complementary Tax for the six months ended 30 June 2020 and 2019 is calculated at the rate of 12%, of which assessable profits of the first MOP300,000 is exempted from tax.
- (v) Taxable income for the subsidiaries of the Company in the PRC is subject to PRC income tax rate of 25%, unless otherwise specified below:

Guangxi Baijing Flooring Co., Ltd ("Guangxi Baijing") 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%.

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

- (vi) At 30 June 2020, no deferred tax liabilities were recognised in respect of the dividend withholding tax relating to the undistributed profits of the Company's subsidiaries (31 December 2019: nil), as the Company controls the dividend policy of these subsidiaries. The Directors of the Group determined that the undistributed profits of the Company's subsidiaries would not be distributed in the foreseeable future.

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

	At 30 June 2020	At 31 December 2019
	<i>RMB'000</i>	<i>RMB'000</i>
Distributable profits earned by PRC subsidiaries on or after 1 January 2008	<u>1,632,142</u>	<u>1,668,227</u>

As all of the Company's PRC subsidiaries are directly or indirectly owned by a Hong Kong or Macau incorporated subsidiary, a rate of 5% is applicable to the PRC dividend withholding tax if the holding company is a qualified tax resident. Otherwise, a rate of 10% is applicable.

8 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of the basic (loss)/earnings per share is based on the loss attributable to equity shareholders of the Company of RMB30,545,000 (six months ended 30 June 2019: profit of RMB40,677,000) and the weighted average of 1,377,172,000 ordinary shares (six months ended 30 June 2019: 1,402,679,000) in issue during the interim period.

Weighted average number of ordinary shares

	Six months ended 30 June	
	2020	2019
	'000	'000
Issued ordinary shares at 1 January	1,379,382	1,437,382
Effect of purchase of own share	—	(32,493)
Treasury shares	<u>(2,210)</u>	<u>(2,210)</u>
Weighted average number of ordinary shares at 30 June	<u><u>1,377,172</u></u>	<u><u>1,402,679</u></u>

(b) Diluted (loss)/earnings per share

During the six months ended 30 June 2020 and 2019, the effect of the Company's outstanding share options was anti-dilutive. Therefore, diluted (loss)/earnings per share were the same as the basic earnings per share.

9 TRADE AND BILLS RECEIVABLES

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

	At 30 June	At 31 December
	2020	2019
	RMB'000	RMB'000
Within 1 month	380,931	512,261
1 to 3 months	376,856	444,635
3 to 6 months	443,116	249,513
6 to 12 months	406,208	234,932
Over 12 months	<u>94,158</u>	<u>75,290</u>
	<u><u>1,701,269</u></u>	<u><u>1,516,631</u></u>

As at 30 June 2020, trade debtors of RMB137,172,000 (31 December 2019: trade receivables of RMB11,099,000) were pledged to banks to secure bank loans obtained by the Group.

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

As at 30 June 2020, 22% (31 December 2019: 13%) and 43% (31 December 2019: 34%) of the total trade receivables and contract assets was due from the Group's largest customer and the five largest customers respectively.

10 TRADE AND BILLS PAYABLES

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

	At 30 June 2020	At 31 December 2019
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	426,596	528,336
1 to 3 months	431,859	488,406
3 to 6 months	299,220	307,290
6 to 12 months	88,068	27,665
Over 12 months	52,951	38,365
	<u>1,298,694</u>	<u>1,390,062</u>

11. DIVIDENDS

The Board has resolved not to declare any interim dividends for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

CAPITAL EXPENDITURES

Capital expenditures amounted to approximately RMB104,110,000 for the Period (six months ended 30 June 2019: RMB63,812,000). It primarily related to purchases of property, plant and equipment.

Commitments and Contingent liabilities

(a) Capital commitments

	At 30 June 2020 <i>RMB'000</i>	At 31 December 2019 <i>RMB'000</i>
Contracted for	<u>29,162</u>	<u>57,540</u>

(b) Contingent liabilities

The Group continues to deny any liability in respect of the claims. Based on the advice of the Group's legal counsels, the directors of the Group believes it is not probable that the courts will fine against them. No provision has therefore been made in respect of 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 30 June 2020, the Group had 5,025 employees (at 31 December 2019: 4,964). Relevant staff cost was approximately RMB226,377,000 (including share award scheme expenses of approximately RMB Nil) for the Period compared to approximately RMB165,561,000 (including share award scheme expenses of approximately RMB1,022,000) for the corresponding period of 2019. The Group will regularly review remuneration and benefits of its employees according to the relevant market practice

and individual performance of the employees. In addition to basic salary, employees are entitled to other benefits including social insurance contribution, employee provident fund schemes, share option schemes and share award scheme.

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

The Group did not have any material acquisition or disposal of subsidiaries, associated companies or joint ventures for the Period.

SUBSEQUENT EVENTS

No significant events took place subsequent to 30 June 2020.

FUTURE PLANS FOR MATERIAL INVESTMENTS

There was no specific plan for material investments and acquisition of material capital assets as at 30 June 2020.

PURCHASE, SALE OR REDEMPTION OF THE SECURITIES

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

INTERIM DIVIDEND

The Board does not recommend the payment of dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

CORPORATE GOVERNANCE

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

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. All directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code throughout the six months ended 30 June 2020.

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

The Group's interim results will be included in the Company's interim report for the six months ended 30 June 2020 which will be published on the website of the Stock Exchange and the Company's website at www.nature-home.com.hk and will be dispatched to the Company's shareholders in due course.

AUDIT COMMITTEE

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

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

Mr. Ho King Fung, Eric

Mr. Teoh Chun Ming

The chief responsibilities of the Audit Committee include making recommendations to the Board on the appointment, reappointment and removal of the external auditors and to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of such auditors; reviewing the interim and annual reports and accounts of the Group; and supervising the financial reporting process and effectiveness of internal control system of the Group. The Audit Committee has reviewed and discussed the interim results for the six months ended 30 June 2020.

APPRECIATION

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

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

Hong Kong, 26 August 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.