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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 YEAR ENDED 31 DECEMBER 2020

HIGHLIGHTS:

	2020 RMB'000	2019 RMB'000	Change
Revenue			
— Flooring products segment	2,865,209	2,657,593	7.8%
— Customised home decoration products segment	1,066,223	769,193	38.6%
	3,931,432	3,426,786	14.7%
Gross profit	997,872	924,563	7.9%
Profit for the year	14,218	153,943	(90.8)%
EBITDA ^(note)	277,215	384,520	(27.9)%
Profit attributable to equity shareholders	17,899	162,120	(89.0)%
Basic earnings per share	RMB0.013	RMB0.118	(89.0)%
	Revenue	EBITDA	
Compound annual growth rate over the 4 years ended 31 December 2020	14.1%	18.9%	

The pandemic and the series of measures implemented by the PRC government to cope with the pandemic have hit the consumer market and the retail sales of home decoration products in the PRC (which have a higher profit margin as compared to that of project sales) were 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 of above, the Group recorded a decrease in retail sales of home decoration products for the Year as compared with last year, which resulted in a drop in the overall gross profit margin and decrease in profit.

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 Year. Besides, the newly acquired overseas factories also contributed to the increase in sales of the Group for the Year. As a result of the above, the Group's revenue and gross profit for the Year increased by 14.7% and 7.9%, respectively, as compared to last year.

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

In the first quarter of 2020, the worldwide outbreak of novel coronavirus pandemic (the “Pandemic”), including in the People’s Republic of China (the “PRC”) started. In response to the Pandemic, 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 beginning March 2020. Nature Home Holding Company Limited (the “Company”) and its subsidiaries (the “Group” or “we”) were posed with a difficult market condition as of the year ended 31 December 2020 (the “Year”). The Pandemic hit the consumer market, and the retail sales of home decoration products in the PRC (which have a higher profit margin as compared to that of project sales) was particularly impacted. Certain distributors of the Group were also temporarily closed for business and only resumed normal operation in the second quarter of 2020. Thus, the Group’s retail sales of home decoration products for the Year decreased as compared with last year.

Yet, the Group took various measures to cope with the harsh market condition. In terms of channels, people’s daily routine under the Pandemic was subject to drastic change which has led to immediate surge in internet application. In May 2020, the Group initially joined force with an acclaimed bedding brand to host an online live sale event, which successfully drew consumers’ attention. In terms of marketing, the Group continued to expand project markets. The Group’s project sales, covering three major products (namely, flooring, wooden doors and wardrobes and cabinets) recorded growth as compared with the corresponding period of last year. Besides, the strategic acquisitions in 2019 contributed to the Group’s sales for the Year. The Group’s overall sales recorded a double-digit growth for the Year as compared with last year, representing an increase of 14.7% from approximately RMB3,426,786,000 in last year to approximately RMB3,931,432,000 for the Year.

1. *Flooring Products*

During the year, the overall performance of the Group’s core flooring business remained stable. The Group’s total revenue in respect of flooring products increased by 7.8%, from approximately RMB2,657,593,000 in last year to approximately RMB2,865,209,000 for the Year.

In terms of products, the Group issued the “Nature Home White Paper on the Merging of Floor and Wall Decoration Products (《大自然家居•地牆一體化白皮書》)” in the Year. The “Nature Home White Paper on the Merging of Floor and Wall Decoration Products” is the Group’s latest product portfolio featured with merging of floor and wall decoration products, covering, among others, solid wood flooring, engineered flooring, laminated flooring and SPC elastic flooring products, which can meet the specific requirements of commercial buildings in terms of speedy installation, odor-free and safety. The new product is also suitable for residential living room, kitchen, study room, balcony and other scenarios, providing consumers with much wider choices.

The Business of Manufacturing and Sale of Flooring Products

In 2019, the Group undertook a series of strategic investments in overseas, including the acquisition of a three-layered engineered flooring plant in Poland, and the acquisition and building of new flooring plants in Cambodia, which increased the sources of sales revenue of the Group for the Year. During the Year, the economic activities in the U.S. and Europe disrupted as the Pandemic took hold, and as a result, certain export orders of the Cambodian plants were postponed. Yet, benefiting from the growth in our project division, together with the sales contribution from the new plastic and recently acquired engineered flooring plants, the Group's total revenue from manufacturing and sale of flooring products increased by 9.9%, from approximately RMB2,507,761,000 in last year to approximately RMB2,757,256,000 for the Year. In terms of the flooring's sales network, the Group has extensive sales coverage across the PRC and is the major distributor working with various renowned overseas flooring brands in the PRC.

As at 31 December 2020, the total number of flooring stores was 3,395 (31 December 2019: 3,484), of which, there were 3,297 "Nature" stores (31 December 2019: 3,295), and 98 foreign imported brand stores (31 December 2019: 189). 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 Trademarks 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. The impact of the Pandemic on the retail sales is relatively greater, thus the revenue generated from trademarks and distribution network usage fees decreased by 28.0%, from approximately RMB149,832,000 in last year to approximately RMB107,953,000 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 manufactures the customised products based on the customers' requirements upon receipt of purchase orders. During the Year, due to the faster resumption of the project division, the total revenue generated from the business of customised home decoration products increased by 38.6%, from approximately RMB769,193,000 in last year to approximately RMB1,066,223,000 for the Year.

The Business of Manufacturing and Sale of Wooden Doors

The total revenue from the business of manufacturing and sale of wooden doors for the Year increased by 49.5%, from approximately RMB361,513,000 in last year to approximately RMB540,370,000 for the Year. As at 31 December 2020, the number of the Group's stores for wooden doors was 895 (31 December 2019: 647). The Group currently owns three wooden door production plants.

The Business of Manufacturing and Sales of Wardrobes and Cabinets

The total revenue from the business of manufacturing and sales of wardrobes and cabinets for the year increased by 25.6%, from approximately RMB277,573,000 in last year to approximately RMB348,592,000 for the Year. As at 31 December 2020, the Group owned a total of 67 (31 December 2019: 90) wardrobe and cabinet stores. The Group's new wardrobe and cabinet production plant in Taizhou, Jiangsu, the PRC commenced operation in the third quarter of the year. Currently, the Group has two production plants for wardrobe and cabinet production.

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 trademarks and distribution network usage fees payable to the Group. During the Year, the revenue from the trademarks and distribution network usage fees for customised products was approximately RMB5,401,000 (Year 2019: RMB4,564,000).

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 RMB171,860,000 (Year 2019: RMB125,543,000).

Prospect

In recent years, the changes in the PRC's consumer market have significantly intensified, such as new technology development, transparency of Internet information, the growing trend of younger customer groups, diversification and personalisation of product demand, and integration of cross-sector products, etc. Coupled with the outbreak of the Pandemic, the web-based and intelligent development in the consumer market has been fully sped up. Also, the residential property sales in the PRC turned sluggish briefly in the first quarter of the Year due to the Pandemic. Yet, major property developers have carried out transformation by launching online channels for residential sales. As the Pandemic in the PRC began to slow down, the property market and home decoration product market in the PRC is expected to enjoy a possible "lagging growth". The shift in consumers' consumption pattern in the PRC is the head-on challenge to enterprise transformation. We expect to see the market seized by a new round of elimination and merger brought by the economic environment in the aftermath of the Pandemic.

Products, services, and sales channels will be the three key factors in the success of the household furnishing materials industry in the future. We will continue to operate with a client-centric approach and provide customers with valued and advanced products and services. We plan to undertake a comprehensive upgrade on our existing “Golden Housemaid (金保姆)” service program, covering pre-sale to after-sale; consumer to installation project; and sales escort to headquarters after-sale services. The upgraded program will provide users with an ultra-satisfying service experience.

For domestic sales channels, in the coming year, we will further improve the project sales (such as developers of real estate projects as well as engineering contractors), to cope with the market changes and expand our market share. Besides, as the rural economy has undergone rapid development encouraged by the PRC’s new rural construction policy, we will apply a moderate approach to expand our distribution channels to more newly developed cities and towns, in order to expand and achieve breakthroughs in sales channels.

For international business, in 2019, the Group initiated the strategic layout of international production and sales, with a number of strategic acquisitions completed. The acquisitions have contributed to the sales of the Group for the Year. In the coming year, we continue to fully take advantage of the international layout of production capacity and access to international sales channels. Though the Pandemic brought along short-term impact, we expect a further gain in the Group’s overseas sales.

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 strong core competitiveness in the home decoration product market in the PRC, 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 the PRC during the Year, the Group still achieved steady growth in the overall business, among which the sales of wooden doors and wardrobes and cabinets recorded satisfactory growth. In the coming year, the Group will focus on expanding the categories of products, services upgrades, and bringing forth breakthroughs in sales channels so as to meet the challenges brought about by the new economy.

Financial Review

Revenue

During the year ended 31 December 2020, 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 revenue generated from each business segment for the years indicated:

Revenue	For the year ended 31 December				Revenue Growth rate %
	2020		2019		
	RMB'000	% of total revenue	RMB'000	% of total revenue	
Manufacturing and sale of flooring products					
— sales of goods	2,757,256	70.1	2,507,761	73.2	9.9
— provision of trademarks and distribution network	107,953	2.8	149,832	4.4	(28.0)
	<u>2,865,209</u>	<u>72.9</u>	<u>2,657,593</u>	<u>77.6</u>	<u>7.8</u>
Manufacturing and sale of customised home decoration products					
— sales of goods	1,060,822	27.0	764,629	22.3	38.7
— provision of trademarks and distribution network	5,401	0.1	4,564	0.1	18.3
	<u>1,066,223</u>	<u>27.1</u>	<u>769,193</u>	<u>22.4</u>	<u>38.6</u>
Total	<u>3,931,432</u>	<u>100.0</u>	<u>3,426,786</u>	<u>100.0</u>	<u>14.7</u>

The overall revenue increased by 14.7% from approximately RMB3,426,786,000 in last year to approximately RMB3,931,432,000 for the Year.

Revenue from the segment of manufacturing and sale of flooring products increased by 7.8% from approximately RMB2,657,593,000 in last year to approximately RMB2,865,209,000 for the Year. 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 38.6% from approximately RMB769,193,000 in last year to approximately RMB1,066,223,000 for the Year. 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 years indicated:

	For the year ended 31 December				Growth rate %
	2020		2019		
Gross Profit	RMB'000	GP%	RMB'000	GP%	
Manufacturing and sale of flooring products					
— sales of goods	674,897	24.5	661,489	26.4	2.0
— provision of trademarks and distribution network	104,399	96.7	147,893	98.7	(29.4)
	779,296	27.2	809,382	30.5	(3.7)
Manufacturing and sale of customised home decoration products					
— sales of goods	213,353	20.1	110,676	14.5	92.8
— provision of trademarks and distribution network	5,223	96.7	4,505	98.7	15.9
	218,576	20.5	115,181	15.0	89.8
Total	997,872	25.4	924,563	27.0	7.9
EBITDA	277,215	7.1	384,520	11.2	(27.9)

The overall gross profit increased by 7.9% from approximately RMB924,563,000 in last year to approximately RMB997,872,000 for the Year and the overall gross profit margin decreased from 27.0% to 25.4% for the Year.

The segment of manufacturing and sale of flooring products contributed a gross profit of approximately RMB779,296,000 for the Year, representing a decrease of 3.7%, compared to approximately RMB809,382,000 in last year. The gross profit margin decreased from 30.5% to 27.2% for the Year. 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 RMB218,576,000 for the Year, representing an increase of 89.8%, compared to approximately RMB115,181,000 in last year. The gross profit margin increased from 15.0% to 20.5% for the Year. It was mainly attributable to the decrease in unit costs resulted from the increase in volume of production.

EBITDA

The EBITDA decreased by 27.9% from approximately RMB384,520,000 in last year to approximately RMB277,215,000 for the Year and the EBITDA margin decreased from 11.2% to 7.1% 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 decreased by RMB50,712,000 from approximately RMB91,820,000 in last year to approximately RMB41,108,000 for the Year. It was mainly due to no recurrence of one-off bargain purchase gain resulted from acquisition of a subsidiary and dividends income from equity investments in 2019.

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 RMB472,306,000 for the Year, representing an increase of approximately 24.4%, compared to approximately RMB379,781,000 in last year. It was primarily due to the net effect of (i) the increase in staff costs, transportation fees and decoration allowance to distributors; and (ii) the decrease in advertising and promotion expenses, and sample costs.

The percentage of distribution costs to revenue increased from 11.1% in last year to 12.0% for the Year.

Administrative Expenses

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

Administrative expenses was approximately RMB292,781,000 for the Year, representing an increase of approximately 10.3%, compared to approximately RMB265,427,000 in last year. It was primarily due to the net effect of (i) the increase in staff costs; and (ii) the decrease in legal and consulting fees and research and development expenses.

The percentage of administrative expenses to revenue decreased from 7.7% in last year to 7.4% for the Year.

Other Operating Expenses

Other operating expenses decreased by RMB10,006,000 from approximately RMB60,695,000 in last year to approximately RMB50,689,000 for the Year. It was mainly due to the net effect of (i) the decrease in impairment losses of assets and (ii) the increase in depreciation of lease-out assets.

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 RMB46,985,000 in last year to approximately RMB92,097,000 for the Year.

Finance income increased by RMB15,327,000 from approximately RMB19,695,000 in last year to approximately RMB35,022,000 for the Year. It was due to increase in interest income from project customers.

Finance costs increased by RMB60,439,000 from approximately RMB66,680,000 in last year to approximately RMB127,119,000 for the Year. It was due to depreciation of foreign currencies against RMB and increase in bank loans.

Income Tax

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

Income tax was approximately RMB18,137,000 for the Year compared to approximately RMB57,044,000 in last year, which was the net effect of the current income tax of approximately RMB50,615,000 and the net deferred tax income of approximately RMB32,478,000. The decrease in income tax was mainly due to the decrease in profit of our PRC operations during the Year.

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 RMB17,899,000 for the Year, compared to the profit of approximately RMB162,120,000 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 used net cash outflow of approximately RMB357,339,000 in operating activities (year ended 31 December 2019: inflow of RMB142,349,000) and had a net proceeds from bank and other loans of approximately RMB654,637,000 (year ended 31 December 2019: net proceeds of RMB67,721,000).

Net Current Assets and Working Capital Sufficiency

As at 31 December 2020, net current assets was approximately RMB898,272,000, representing a decrease of 13.2%, compared to approximately RMB1,034,429,000 as at 31 December 2019. The current ratios as at 31 December 2020 and 31 December 2019 were 1.3 and 1.4, respectively.

Cash Conversion Cycle

	<u>Turnover days</u>		Change <i>(days)</i>
	As at 31 December 2020	2019	
Trade and bills receivables and contract assets	187	142	45
Inventories	97	80	17
Trade and bills payables	<u>(187)</u>	<u>(167)</u>	<u>(20)</u>
Net	<u>97</u>	<u>55</u>	<u>42</u>

As at 31 December 2020, trade and bills receivables and contract assets (excluding long-term receivables) turnover days increased by 45 days to 187 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 31 December 2020, inventories turnover days increased by 17 days to 97 days.

As at 31 December 2020, trade and bills payables turnover days increased by 20 days to 187 days.

Financial Resources

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

	As at 31 December 2020 <i>RMB'000</i>	As at 31 December 2019 <i>RMB'000</i>
Bills payables	571,796	580,866
Bank and other loans: current	1,269,903	542,472
non-current	<u>167,288</u>	<u>296,077</u>
Sub-total	2,008,987	1,419,415
Less: Cash and cash equivalents	509,385	540,185
Restricted deposits	<u>414,067</u>	<u>412,611</u>
Adjusted net debt	<u><u>1,085,535</u></u>	<u><u>466,619</u></u>
Total equity	<u><u>2,435,685</u></u>	<u><u>2,386,602</u></u>
Adjusted gearing percentage	<u><u>44.6%</u></u>	<u><u>19.6%</u></u>

Our adjusted gearing percentage, which are derived by dividing adjusted net debt by total equity of the Group, were 44.6% and 19.6% as at 31 December 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.

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 2020. The results have been reviewed by the audit committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

(Expressed in Renminbi)

	Note	2020 RMB'000	2019 RMB'000
Revenue	2	3,931,432	3,426,786
Cost of sales		<u>(2,933,560)</u>	<u>(2,502,223)</u>
Gross profit		997,872	924,563
Other income	3(a)	41,108	91,820
Distribution costs		(472,306)	(379,781)
Administrative expenses		(292,781)	(265,427)
Impairment loss on receivables		(98,752)	(52,508)
Other operating expenses	3(b)	<u>(50,689)</u>	<u>(60,695)</u>
Profit from operations		<u>124,452</u>	<u>257,972</u>
Finance income	4(a)	35,022	19,695
Finance costs	4(a)	<u>(127,119)</u>	<u>(66,680)</u>
Net finance costs		<u>(92,097)</u>	<u>(46,985)</u>
Profit before taxation	4	32,355	210,987
Income tax	5(a)	<u>(18,137)</u>	<u>(57,044)</u>
Profit for the year		<u>14,218</u>	<u>153,943</u>
Attributable to:			
Equity shareholders of the Company		17,899	162,120
Non-controlling interests		<u>(3,681)</u>	<u>(8,177)</u>
Profit for the year		<u>14,218</u>	<u>153,943</u>
Earnings per share (RMB):			
Basic and diluted	6	<u>0.013</u>	<u>0.118</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020
(Expressed in Renminbi)

	<i>Note</i>	2020 RMB'000	2019 RMB'000
Profit for the year		14,218	153,943
Other comprehensive income for the year (after tax and reclassification adjustments)	7		
Item 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)		(310)	4,796
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of entities not using RMB as functional currency		995	953
Other comprehensive income for the year		685	5,749
Total comprehensive income for the year		14,903	159,692
Attributable to:			
Equity shareholders of the Company		19,027	167,443
Non-controlling interests		(4,124)	(7,751)
Total comprehensive income for the year		14,903	159,692

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*For the year ended 31 December 2020**(Expressed in Renminbi)*

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Non-current assets		
Investment properties	221,572	230,533
Other property, plant and equipment	<u>1,020,603</u>	<u>967,155</u>
	1,242,175	1,197,688
Right-of-use assets	211,056	238,470
Intangible assets	13,501	20,160
Goodwill	9,946	11,612
Interests in associates and joint venture	7,404	7,441
Other financial assets	91,076	76,917
Deposits, prepayments and other receivables	52,473	61,650
Deferred tax assets	<u>111,321</u>	<u>85,561</u>
	----- 1,738,952	----- 1,699,499
Current assets		
Inventories	811,387	743,647
Trade and bills receivables	2,145,942	1,516,631
Current portion of long-term receivables	—	18,762
Contract assets	251,296	123,622
Deposits, prepayments and other receivables	267,327	271,185
Restricted deposits	414,067	412,611
Cash and cash equivalents	<u>509,385</u>	<u>540,185</u>
	----- 4,399,404	----- 3,626,643
Current liabilities		
Trade and bills payables	1,614,053	1,390,062
Contract liabilities	129,094	132,204
Deposits received, accruals and other payables	438,695	468,861
Bank and other loans	1,269,903	542,472
Lease liabilities	26,033	26,667
Current taxation	<u>23,354</u>	<u>31,948</u>
	----- 3,501,132	----- 2,592,214
Net current assets	----- 898,272	----- 1,034,429
Total assets less current liabilities	----- 2,637,224	----- 2,733,928
Non-current liabilities		
Bank and other loans	167,288	296,077
Lease liabilities	27,612	42,745
Deferred tax liabilities	<u>6,639</u>	<u>8,504</u>
	----- 201,539	----- 347,326
NET ASSETS	----- 2,435,685	----- 2,386,602

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)**For the year ended 31 December 2020**(Expressed in Renminbi)*

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
CAPITAL AND RESERVES		
Share capital	8,987	8,998
Reserves	<u>2,302,844</u>	<u>2,282,675</u>
Total equity attributable to equity shareholders of the Company	2,311,831	2,291,673
Non-controlling interests	<u>123,854</u>	<u>94,929</u>
TOTAL EQUITY	<u><u>2,435,685</u></u>	<u><u>2,386,602</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 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 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
Changes in equity for 2020													
Profit for the year	—	—	—	—	—	—	—	—	—	17,899	17,899	(3,681)	14,218
Other comprehensive income	—	—	—	—	—	—	1,438	(310)	—	—	1,128	(443)	685
Total comprehensive income	—	—	—	—	—	—	1,438	(310)	—	17,899	19,027	(4,124)	14,903
Capital injection from non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	32,450	32,450
Sales of equity interests in a subsidiary (i)	—	—	—	—	—	—	—	—	(8)	—	(8)	908	900
Liquidation of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	(309)	(309)
Transfer to statutory surplus reserve	—	—	—	—	—	4,991	—	—	—	(4,991)	—	—	—
Share options cancelled during the year	—	—	—	—	—	—	—	—	(14,379)	14,379	—	—	—
Share options forfeited during the year	—	—	—	—	—	—	—	—	(2,029)	2,029	—	—	—
Disposal of financial assets	—	—	—	—	—	—	—	—	—	644	644	—	644
Sales of treasury shares	—	(491)	—	2,382	—	—	—	—	—	—	1,891	—	1,891
Purchase and cancel of own shares	(11)	(1,385)	—	—	—	—	—	—	—	—	(1,396)	—	(1,396)
As at 31 December 2020	8,987	835,920	—	—	84	222,612	(11,298)	5,068	37,107	1,213,351	2,311,831	123,854	2,435,685

(i) The Group disposed 10% interests held in its subsidiary Nature Green Co., Ltd without any change in control.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the year ended 31 December 2020

(Expressed in Renminbi)

	Attributable to equity shareholders of the Company											Non-controlling interests	Total equity
	Share capital	Share premium	Share held for the 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		
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 CASH FLOW STATEMENT

For the year ended 31 December 2020

(Expressed in Renminbi)

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Operating activities		
Cash (used in)/generated from operations	(298,130)	194,681
Tax paid:		
— The People's Republic of China (the "PRC") income tax paid	<u>(59,209)</u>	<u>(52,332)</u>
Net cash (used in)/generated from operating activities	<u>(357,339)</u>	<u>142,349</u>
Investing activities		
Payment for acquisition of non-current assets	(240,097)	(188,449)
Proceeds from disposal of property, plant and equipment and intangible assets	35,972	3,562
Payment for acquisition of securities classified as FVOCI	(25,000)	—
Proceeds from sale of financial assets at FVOCI	13,073	10,000
Dividends received from investments	1,923	4,746
Net cash outflow from acquisition of subsidiaries	(27,980)	(149,542)
Payment to non-controlling shareholders of a subsidiary from liquidation	—	(248)
Payment for investing in a joint venture	(259)	(4,500)
Payment for acquisition of interests in associates	—	(100)
Proceeds from sales of treasury shares	1,891	—
Interest received	<u>13,919</u>	<u>15,611</u>
Net cash used in investing activities	<u>(226,558)</u>	<u>(308,920)</u>

CONSOLIDATED CASH FLOW STATEMENT *(Continued)**For the year ended 31 December 2020**(Expressed in Renminbi)*

	2020	2019
	RMB'000	RMB'000
Financing activities		
Proceeds from bank and other loans	1,597,673	745,635
Repayment of bank and other loans	(943,036)	(677,914)
Proceeds from maturity of restricted deposits	240,145	352,325
Payment for restricted deposits	(241,601)	(385,171)
Capital element of lease rentals paid	(29,652)	(19,194)
Interest element of lease rentals paid	(3,491)	(3,460)
Interest paid	(79,148)	(53,063)
Purchase of own shares	(1,396)	(77,576)
Capital injection of non-controlling interests	32,450	130
Payment for liquidation of subsidiaries	(309)	—
	<u>571,635</u>	<u>(118,288)</u>
Net cash generated from/(used in) financing activities		
	<u>571,635</u>	<u>(118,288)</u>
Net decrease in cash and cash equivalents	(12,262)	(284,859)
Cash and cash equivalents at 1 January	540,185	823,843
Effect of foreign exchange rate changes	(18,538)	1,201
	<u>509,385</u>	<u>540,185</u>
Cash and cash equivalents at 31 December		
	<u>509,385</u>	<u>540,185</u>

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 2020 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 Group has applied the following amendments to IFRSs issued by the IASB to these financial statements for the current accounting period:

- Amendments to IFRS 3, *Definition of a Business*
- Amendment to IFRS 16, *Covid-19-Related Rent Concessions*

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 IFRSs are discussed below:

Amendments to IFRS 3, *Definition of a Business*

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional “concentration test” that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The adoption of Amendments to IFRS 3 does not have any material impact on the financial position and the financial results of the Group.

Amendment to IFRS 16, *Covid-19-Related Rent Concessions*

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 adoption of Amendments to IFRS 16 does not have any material impact on the financial position and the financial results of the Group.

2 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are manufacturing and sale of home decoration products and provision of trademarks 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:

	2020	2019
	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	2,757,256	2,507,761
— Provision of trademarks and distribution network	107,953	149,832
— Manufacturing and sale of customised home decoration products		
— Sale of goods	1,060,822	764,629
— Provision of trademarks and distribution network	5,401	4,564
	<u>3,931,432</u>	<u>3,426,786</u>

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

The Group's customer base is diversified and includes only one (2019: one) customer with whom transactions have exceeded 10% of the Group's revenue for the year ended 31 December 2020. In 2020, revenue from sales of home decoration products to this customer amounted to approximately RMB409,275,000 (2019: RMB438,963,000) 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 and bill payables, deposit received, accruals, other payables and lease liabilities 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 2020 and 2019 is set out below:

	Manufacturing and sale of flooring products		Manufacturing and sale of customised home decoration products		Total	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Sales of goods: disaggregated by timing or revenue recognition						
Point in time	2,171,359	2,162,493	340,895	422,458	2,512,254	2,584,951
Over time	585,897	345,268	719,927	342,171	1,305,824	687,439
Subtotal of sales of goods	2,757,256	2,507,761	1,060,822	764,629	3,818,078	3,272,390
Provision of trademarks and distribution network	107,953	149,832	5,401	4,564	113,354	154,396
Revenue from external customers	2,865,209	2,657,593	1,066,223	769,193	3,931,432	3,426,786
Inter-segment revenue	54,410	1,381	27,514	14,191	81,924	15,572
Reportable segment revenue	<u>2,919,619</u>	<u>2,658,974</u>	<u>1,093,737</u>	<u>783,384</u>	<u>4,013,356</u>	<u>3,442,358</u>
Reportable segment gross profit	<u>779,296</u>	<u>809,382</u>	<u>218,576</u>	<u>115,181</u>	<u>997,872</u>	<u>924,563</u>
Interest income	34,492	16,924	530	2,771	35,022	19,695
Interest expense	(74,056)	(55,776)	(8,583)	(4,193)	(82,639)	(59,969)
Depreciation and amortisation for the year	(117,071)	(86,958)	(35,692)	(39,590)	(152,763)	(126,548)
Impairment losses recognised for property, plant and equipment during the year	—	(6,953)	(5,786)	(30,267)	(5,786)	(37,220)
Impairment losses recognised for intangible assets	—	—	(5,062)	—	(5,062)	—
Impairment losses recognised for goodwill	—	—	(1,119)	—	(1,119)	—
Impairment losses recognised for long-term receivables	(16,964)	(50,210)	—	—	(16,964)	(50,210)
Net impairment losses recognised for trade receivables and contract assets during the year	(8,238)	(2,964)	(26,068)	(762)	(34,306)	(3,726)
Net impairment losses (recognised)/reversed for deposits, prepayments and other receivables during the year	(33,443)	2,584	(14,039)	(1,156)	(47,482)	1,428
Reportable segment assets	5,633,373	4,850,138	1,443,401	1,467,500	7,076,774	6,317,638
Additions to non-current segment assets during the year	228,676	239,936	8,236	24,016	236,912	263,952
Reportable segment liabilities	3,356,179	3,370,283	1,072,956	1,196,482	4,429,135	4,566,765

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue		
Reportable segment revenue	4,013,356	3,442,358
Elimination of inter-segment revenue	<u>(81,924)</u>	<u>(15,572)</u>
Consolidated revenue	<u><u>3,931,432</u></u>	<u><u>3,426,786</u></u>
Assets		
Reportable segment assets	7,076,774	6,317,638
Elimination of inter-segment balances	(1,231,577)	(1,200,393)
Elimination of receivables from corporate headquarters	<u>(1,040,739)</u>	<u>(1,130,615)</u>
	4,804,458	3,986,630
Cash and cash equivalents	509,385	540,185
Restricted deposits	414,067	412,611
Interests in associates and joint venture	7,404	7,441
Other non-current financial assets	91,076	76,917
Deferred tax assets	111,321	85,561
Unallocated head office and corporate assets	<u>200,645</u>	<u>216,797</u>
Consolidated total assets	<u><u>6,138,356</u></u>	<u><u>5,326,142</u></u>
Liabilities		
Reportable segment liabilities	4,429,135	4,566,765
Elimination of inter-segment balances	(1,231,577)	(1,200,393)
Elimination of payables to corporate headquarters	<u>(987,488)</u>	<u>(1,352,514)</u>
	2,210,070	2,013,858
Bank and other loans	1,437,191	838,549
Current taxation	23,354	31,948
Deferred tax liabilities	6,639	8,504
Unallocated head office and corporate liabilities	<u>25,417</u>	<u>46,681</u>
Consolidated total liabilities	<u><u>3,702,671</u></u>	<u><u>2,939,540</u></u>

(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, (a) the physical location of the asset, in the case of investment properties, other property, plant and equipment and right-of-use assets, (b) the location of the operation to which they are allocated, in the case of intangible assets and goodwill, and (c) location of operations, in case of interests in associates and joint venture.

	Revenue from		Specified	
	external customers		non-current assets	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
The PRC, Hong Kong and Macau	3,453,017	3,293,187	1,014,023	1,179,009
USA	291,588	126,378	3,411	6,260
Peru	—	7,221	25,655	30,208
Cambodia	8,112	—	203,710	142,205
Poland	178,715	—	237,283	117,689
	<u>3,931,432</u>	<u>3,426,786</u>	<u>1,484,082</u>	<u>1,475,371</u>

3 OTHER INCOME/OTHER OPERATING EXPENSES

(a) Other income

	2020	2019
	RMB'000	RMB'000
Bargain purchase gain	—	54,734
Government grants (i)	9,393	7,932
Share of profits less losses of joint venture and associates	—	175
Dividends income from equity investments	1,923	4,746
Rental income from operating leases		
— investment properties	9,618	9,746
— machineries	12,634	8,357
Others	<u>7,540</u>	<u>6,130</u>
	<u>41,108</u>	<u>91,820</u>

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

(b) Other operating expenses

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Share of profits less losses of associates	296	—
Net loss on disposal of property, plant and equipment	5,579	1,557
Impairment loss		
— other property, plant and equipment	5,786	37,220
— intangible asset	5,062	—
— goodwill	1,119	—
Depreciation and related cost of lease-out assets		
— investment properties	7,240	8,152
— machineries	13,468	8,191
Donations	1,967	1,484
Others	<u>10,172</u>	<u>4,091</u>
	<u><u>50,689</u></u>	<u><u>60,695</u></u>

4 PROFIT BEFORE TAXATION

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

(a) Finance income and finance costs

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest income on bank deposit and others	<u>(35,022)</u>	<u>(19,695)</u>
Finance income	<u><u>(35,022)</u></u>	<u><u>(19,695)</u></u>
Interest expense on bank and other loans	79,148	56,509
Interest on lease liabilities	<u>3,491</u>	<u>3,460</u>
Total interest expense	82,639	59,969
Net foreign exchange loss	<u>44,480</u>	<u>6,711</u>
Finance costs	<u><u>127,119</u></u>	<u><u>66,680</u></u>

(b) Staff costs

	2020 RMB'000	2019 RMB'000
Salaries, wages and other benefits	506,781	380,726
Contributions to defined contribution retirement plan (i)	18,806	17,209
Equity settled share-based payment expenses	<u>—</u>	<u>1,022</u>
	<u>525,587</u>	<u>398,957</u>

- (i) To relieve the difficulties encountered by enterprises due to COVID-19 pandemic, pursuant to related policies consented by the State Council of the People's Republic of China, major subsidiaries of the Company in PRC were entitled to reduce its contribution to the pension insurance, unemployment insurance, and work injury insurance by 50% to 100% from February 2020 to December 2020.

(c) Other items

	2020 RMB'000	2019 RMB'000
Cost of inventories (i)	2,929,828	2,500,225
Impairment losses recognised		
— other property, plant and equipment	5,786	37,220
— intangible assets	5,062	—
— goodwill	1,119	—
— long-term receivables	16,964	50,210
— deposits, prepayments and other receivables	47,482	(1,428)
— trade and bills receivables and contract assets	34,306	3,726
Depreciation		
— owned property, plant and equipment	116,169	99,203
— right-of-use assets	32,325	23,585
Amortisation of intangible assets	4,269	3,760
Expense relating to short-term leases	16,369	16,781
Auditors' remuneration		
— audit services	4,553	5,073
— other services	151	1,492
Research and development costs	<u>9,973</u>	<u>15,358</u>

- (i) For the year ended 31 December 2020, cost of inventories includes RMB303,891,000 (2019: RMB220,305,000) 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:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current tax		
Provision for income tax	46,032	57,945
Provision for withholding tax	4,026	10,220
Under-provision/(over-provision) in respect of prior years	<u>557</u>	<u>(544)</u>
	<u>50,615</u>	<u>67,621</u>
Deferred tax		
Reversal of temporary differences	(32,478)	(4,031)
Reversal of withholding tax on retained profits (i)	<u>—</u>	<u>(6,546)</u>
	<u>(32,478)</u>	<u>(10,577)</u>
	<u>18,137</u>	<u>57,044</u>

- (i) Pursuant to the tax law in the PRC, from 1 January 2008, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business in the PRC but whose relevant income is not effectively connected with the establishment or a place of business in the PRC, will be subject to withholding tax at the rate of 5% or 10% (unless reduced by tax treaty) on various types of passive income such as dividends derived from sources within the PRC.

As at 31 December 2018, deferred tax liabilities of RMB6,546,000 in respect of declared dividend of RMB65,460,000 were recognised while the Company decided to cancel the distribution of dividend in 2019, the deferred tax liability were reversed accordingly.

The Company didn't recognised any deferred tax liabilities in respect of undistributed profit at 31 December 2020 and 2019 as the Company controls the dividend policy of these subsidiaries and it has been determined that those profits will not be distributed in the foreseeable future.

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Profit before taxation	<u>32,355</u>	<u>210,987</u>
Notional tax on profit before taxation, calculated at the rates applicable to the jurisdictions concerned	20,963	61,255
Effect of tax concessions (vii) (viii)	(15,852)	(24,790)
Tax effect of:		
— non-deductible expenses	1,248	369
— non-taxable income	(317)	(10,435)
— current-year losses for which no deferred tax asset is recognised	25,011	31,605
Effect of previous tax loss not recognised in prior years but utilised in current year	(16,255)	(1,072)
Super deduction on research and development expenses	(1,244)	(3,018)
Under-provision/(over-provision) in respect of prior years	557	(544)
Provision of dividend withholding tax	<u>4,026</u>	<u>3,674</u>
Income tax expense	<u>18,137</u>	<u>57,044</u>

- (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% (2019: 21%) and state income tax for the year ended 31 December 2020.
- (iii) The Group’s subsidiaries incorporated in Hong Kong were subject to Hong Kong Profits Tax rate of 16.5% (2019: 16.5%), except that the first HKD2 million estimated assessable profits calculated at 8.25%, for the year ended 31 December 2020 (2019: 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 2020 and 2019 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 2020 (2019: 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 2020 and 2019 except for those set out below:
- (a) Certain subsidiaries enjoy the preferential income tax rate for small enterprise of 5%–10% as at 31 December 2020 and 2019.
 - (b) 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%.
 - (c) Nature (Zhongshan) Wood Industry Co., Ltd. has qualified as a High and New Technology Enterprise (“HNTE”) in 2016 and entitled to preferential corporate income tax rate of 15% until 2021.
- (vii) The Group’s subsidiaries incorporated in Poland were subject to income tax rate of 19% for the year ended 31 December 2020 and 2019. One of the subsidiaries is entitled to an income tax relief up to 19% of its total qualified investment.
- (viii) The Group’s subsidiaries incorporated in Cambodia are recognised as Qualified Investment Project (“QIP”) and is exempt from income tax for export businesses for the year ended 31 December 2020 and 2019.

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 RMB17,899,000 (2019: RMB162,120,000) and the weighted average of 1,377,502,000 ordinary shares (2019: 1,376,554,000) in issue, calculated as follows:

Weighted average number of ordinary shares

	2020 '000	2019 '000
Issued ordinary shares at 1 January	1,379,382	1,437,382
Effect of purchase of shares	(642)	(54,822)
Treasury shares	<u>(1,238)</u>	<u>(6,006)</u>
Weighted average number of ordinary shares at 31 December	<u><u>1,377,502</u></u>	<u><u>1,376,554</u></u>

(b) Diluted earnings per share

For the years ended 31 December 2020 and 2019, 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

	2020			2019		
	Before-tax amount <i>RMB'000</i>	Tax expense <i>RMB'000</i>	Net-of tax amount <i>RMB'000</i>	Before-tax amount <i>RMB'000</i>	Tax expense <i>RMB'000</i>	Net-of tax amount <i>RMB'000</i>
Exchange differences on translation of financial statements of entities not using RMB as functional currency	995	—	995	953	—	953
Equity investments at FVOCI: net movement in fair value reserve (non-recycling)	<u>2,252</u>	<u>(2,562)</u>	<u>(310)</u>	<u>3,260</u>	<u>1,536</u>	<u>4,796</u>
Other comprehensive income	<u>3,247</u>	<u>(2,562)</u>	<u>685</u>	<u>4,213</u>	<u>1,536</u>	<u>5,749</u>

8 TRADE AND BILLS RECEIVABLES

(a) Trade and bills receivables comprises:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade receivables	2,232,603	1,601,578
Bills receivables	33,219	22,927
Less: loss allowance	<u>(119,880)</u>	<u>(107,874)</u>
	<u>2,145,942</u>	<u>1,516,631</u>

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

As at 31 December 2020, trade receivables of RMB169,083,000 (2019: RMB11,099,000) was pledged to secure bank and other loans 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:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 1 month	331,200	512,261
1 to 3 months	657,224	444,635
3 to 6 months	449,034	249,513
6 to 12 months	588,479	234,932
More than 12 months	<u>120,005</u>	<u>75,290</u>
	<u><u>2,145,942</u></u>	<u><u>1,516,631</u></u>

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

(b) Long-term receivables comprise:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Balance at 1 January	68,972	70,758
Repayment	—	(5,705)
Exchange adjustment	<u>(4,875)</u>	<u>3,919</u>
	64,097	68,972
Allowance at 1 January	(50,210)	—
Loss allowance	(16,964)	(50,210)
Exchange adjustment	<u>3,077</u>	<u>—</u>
	(64,097)	(50,210)
	<u><u>—</u></u>	<u><u>18,762</u></u>

- (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. The present value amounting to RMB70,758,000 were recorded as long-term receivables at 31 December 2018.
- (ii) For the year ended 31 December 2019 and 2020, those customers only settled first payment of RMB5,705,000 according to the repayment agreement but those customers were default in further repayment. The credit risk of these receivables significantly increased. As a result, a lifetime expected credit loss of RMB50,210,000 and RMB16,964,000 is recognised in “impairment loss of receivables” of 2019 and 2020 respectively.

9 TRADE AND BILLS PAYABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade creditors	1,042,257	809,196
Bills payables	<u>571,796</u>	<u>580,866</u>
	<u>1,614,053</u>	<u>1,390,062</u>

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:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 1 month	648,570	528,336
1 to 3 months	520,234	488,406
3 to 6 months	320,724	307,290
6 to 12 months	34,210	27,665
Above 1 year	<u>90,315</u>	<u>38,365</u>
	<u>1,614,053</u>	<u>1,390,062</u>

10 DIVIDENDS

The Board has resolved not to declare any dividends for the year ended 31 December 2020 (year ended 31 December 2019: nil).

CAPITAL EXPENDITURES

Capital expenditures amounted to approximately RMB240,097,000 for the Year (year ended 31 December 2019: RMB186,905,000). It primarily related to purchases of property, plant and equipment.

Commitments

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Contracted for	<u>60,481</u>	<u>57,540</u>

In addition, the Group was committed at 31 December 2020 to enter into a new lease agreement of 2 years that was not yet commenced. Future lease payments under the agreement amounted to RMB157,000 per annum (2019: nil).

Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2020.

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”) and Euro (“EUR”). On the other hand, our bank and other loans, cash and cash equivalents are primarily in RMB, USD, EUR, Hong Kong Dollars (“HKD”) and Polish Zloty (“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 2020, the Group had 5,606 employees (at 31 December 2019: 4,964). Relevant staff cost was approximately RMB525,587,000 for the Year compared to approximately RMB398,957,000 (including share award scheme expenses of approximately RMB1,022,000) for the year ended 31 December 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 year ended 31 December 2020.

SUBSEQUENT EVENTS

No significant events took place subsequent to 31 December 2020.

FUTURE PLANS FOR MATERIAL INVESTMENTS

There was no specific plan for material investments and acquisition of material capital assets as at 31 December 2020.

PURCHASE, SALE OR REDEMPTION OF THE SECURITIES

During the Year, the Company repurchased a total 1,598,000 shares of the Company on the Stock Exchange at an aggregate consideration of HKD1,577,110 pursuant to the share repurchase mandate approved by the shareholders of the Company at the annual general meeting held on 22 June 2020. Details of the repurchase are summarised as follows:

Date of repurchase	Price per share		Number of ordinary shares of USD0.001 each	Total consideration
	Highest	Lowest		
	<i>HKD</i>	<i>HKD</i>		<i>HKD</i>
21 July 2020	1.00	0.94	<u>1,598,000</u>	<u>1,577,110</u>

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

FINAL DIVIDEND

The Board does not recommend the declaration and payment of dividend for the year ended 31 December 2020.

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

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.

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 2020.

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 2020.

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 2020 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, 29 March 2021

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.