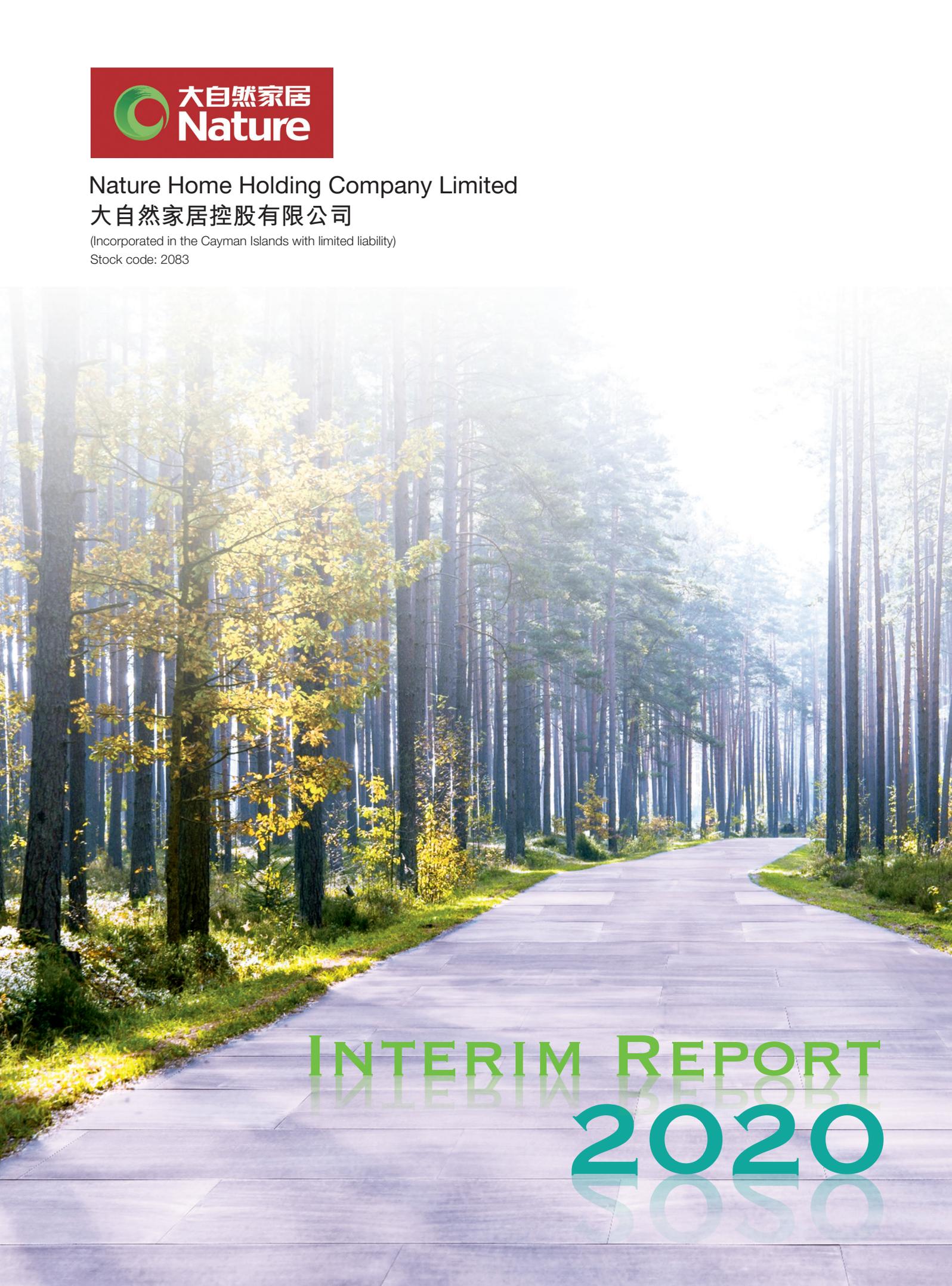




Nature Home Holding Company Limited  
大自然家居控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 2083

A photograph of a paved path winding through a forest. The path is made of light-colored rectangular stones and leads into the distance. The forest consists of tall, thin trees, with some trees in the foreground having yellow leaves, suggesting an autumn setting. The lighting is bright and natural, creating a serene atmosphere.

INTERIM REPORT  
2020

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# CORPORATE INFORMATION

## Board of Directors

### Executive Directors

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

### Non-executive Directors

Mr. Liang Zhihua  
Mr. Teoh Chun Ming

### Independent non-executive Directors

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

### Audit Committee

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

### Remuneration Committee

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

### Nomination Committee

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

### Corporate Governance Committee

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

## Executive Committee

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

## Company Secretary

Mr. Lai Kwok Keung, Alex

## Authorised Representatives

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

## Auditors

KPMG, Public Interest Entity Auditor  
Registered in accordance with  
the Financial Reporting Council Ordinance

## Principal Bankers

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

## Registered Office

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

## CORPORATE INFORMATION (CONTINUED)

### Principal Place of Business in Hong Kong

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

### Head Office in the PRC

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

### Office in Macau

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

### Principal Share Registrar and Transfer Office

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

### Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited  
Shops 1712–1716  
17th Floor, Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

### Website

[www.nature-home.com.hk](http://www.nature-home.com.hk)

### Stock Code

2083

# 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.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 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.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 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 2020		2019		Revenue Growth rate %
	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)
	975,452	69.5	1,015,208	79.2	(3.9)
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)
	429,060	30.5	266,886	20.8	60.8
Total	1,404,512	100.0	1,282,094	100.0	9.5

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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:

Gross Profit	For the six months ended 30 June				Growth rate %
	2020		2019		
	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	26,897	92.8	62,116	98.8	(56.7)
	237,131	24.3	326,637	32.2	(27.4)
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	1,271	92.8	2,149	98.9	(40.9)
	88,031	20.5	17,499	6.6	403.1
<b>Total</b>	<b>325,162</b>	<b>23.2</b>	<b>344,136</b>	<b>26.8</b>	<b>(5.5)</b>
<b>EBITDA</b>	<b>61,724</b>	<b>4.4</b>	<b>124,780</b>	<b>9.7</b>	<b>(50.5)</b>

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 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.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 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

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

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.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Financial Resources

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

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

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 RMB'000	At 31 December 2019 RMB'000
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
	1,428,588	838,549

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

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

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

- 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;
- RMB129,430,000 (31 December 2019: RMB57,788,000) of these secured loans were secured by 100% equity interest of certain subsidiaries; and
- 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 RMB'000	At 31 December 2019 RMB'000
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	35,585	33,136
	<b>1,012,745</b>	776,290

(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.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

### 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 RMB'000	At 31 December 2019 RMB'000
Contracted for	29,162	57,540

#### (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.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Foreign Currency Risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e., a currency other than the functional currency of the entity to which the transactions relate. The currencies giving rise to this risk are primarily Renminbi ("RMB"), United States Dollars ("USD"), Macau Pataca ("MOP"), Peruvian Nuevo Sol ("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.

## OTHER INFORMATION

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

As at 30 June 2020, the interests and short positions of the Directors or the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or as notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") were as follows:

Name of Director	Number of shares held		Total	Percentage of shareholding (Note 1)
	Personal Interest	Corporate Interest		
Mr. Se Hok Pan ( <i>Chairman and President</i> )	20,000,000 1,500,000 (Note 2)	663,768,000 (Note 3)	685,268,000	49.68%
	21,500,000			
Ms. Un Son I	1,500,000 (Note 2)	663,768,000 (Note 3)	665,268,000	48.23%
Mr. She Jian Bin	1,500,000 1,500,000 (Note 2)	Nil	3,000,000	0.22%
	3,000,000			
Mr. Liang Zhihua	2,500,000 15,000,000 (Note 2)	Nil	17,500,000	1.27%
	25,076,780			
Mr. Teoh Chun Ming	1,500,000 (Note 2)	Nil	1,500,000	0.11%
Professor Li Kwok Cheung, Arthur	1,000,000 (Note 2)	Nil	1,000,000	0.07%
Mr. Chan Siu Wing, Raymond	1,000,000 (Note 2)	Nil	1,000,000	0.07%
Mr. Ho King Fung, Eric	1,000,000 (Note 2)	Nil	1,000,000	0.07%

Notes:

- Based on 1,379,381,990 shares of the Company in issue as at 30 June 2020.
- These interests represent the share options granted to the directors of the Company pursuant to the terms of the share option schemes adopted by the Company, which entitle them to subscribe for shares of the Company. Details of such options are disclosed under the paragraph headed "Share Option Schemes" below.
- 663,768,000 shares are owned by Freewings Development Co., Ltd.. Freewings Development Co., Ltd. is a private company owned by Team One Investments Limited as to 60.19% and Trader World Limited as to 39.81%. Team One Investments Limited and Trader World Limited are wholly-owned by Mr. Se Hok Pan and Ms. Un Son I, respectively.
- All interests stated are long positions.

## OTHER INFORMATION (CONTINUED)

### Substantial Shareholders

As at 30 June 2020, the following persons (other than the Directors or the chief executive of the Company) has interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

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

Notes:

1. Based on 1,379,381,990 shares of the Company in issue as at 30 June 2020.
2. Freewings Development Co., Ltd. is a private company owned by Team One Investments Limited as to 60.19% and Trader World Limited as to 39.81%. Team One Investments Limited and Trader World Limited are wholly-owned by Mr. Se Hok Pan and Ms. Un Son I, respectively. Mr. Se Hok Pan and Ms. Un Son I are directors of Freewings Development Co., Ltd..
3. DeHua TB New Decoration Material Co., Ltd is a company incorporated in the PRC and the shares of which are listed on the Shenzhen Stock Exchange.

Save as disclosed above, the Directors are not aware that there is any party who, as at 30 June 2020, had interests or short positions in the shares and underlying shares of the Company, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

## OTHER INFORMATION (CONTINUED)

### Rights to Acquire Company's Securities

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

### Share Option Schemes

#### Pre-IPO Share Option Scheme

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

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

#### For the options granted on 1 July 2010

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

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

## OTHER INFORMATION (CONTINUED)

Further details of the principal terms of the Pre-IPO Share Option Scheme are set out in the prospectus of the Company dated 16 May 2011. Details of the share options movements during the six months ended 30 June 2020 under the Pre-IPO Share Option Scheme are as follows:

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

No option under the Pre-IPO Share Option Scheme has been cancelled and all options under the Pre-IPO Share Option Scheme have been lapsed during the six months ended 30 June 2020. No further option has been granted under the Pre-IPO Share Option Scheme after the listing of the Company.

## OTHER INFORMATION (CONTINUED)

### Share Option Scheme

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

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

Details of the share options movements during the six months ended 30 June 2020 under the Share Option Scheme are as follows:

Category of participants	Date of Grant	No. of shares involved in the options outstanding at the beginning of the Period	Exercised during the Period	Lapsed during the Period	No. of shares involved in the options outstanding at Period end
<b>Directors of the Company</b>					
Se Hok Pan	4 January 2012	1,500,000	—	—	1,500,000
Un Son I	4 January 2012	1,500,000	—	—	1,500,000
She Jian Bin	4 January 2012	1,500,000	—	—	1,500,000
Liang Zhihua	4 January 2012	15,000,000	—	—	15,000,000
Teoh Chun Ming	4 January 2012	1,500,000	—	—	1,500,000
Li Kwok Cheung, Arthur	4 January 2012	1,000,000	—	—	1,000,000
Chan Siu Wing, Raymond	4 January 2012	1,000,000	—	—	1,000,000
Ho King Fung, Eric	4 January 2012	1,000,000	—	—	1,000,000
<b>Employees</b>					
Employees	4 January 2012	40,800,000	—	—	40,800,000
	8 October 2013	12,000,000	—	800,000	11,200,000
Total		76,800,000	—	800,000	76,000,000

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

Save as disclosed above, no option under the Share Option Scheme has been granted, cancelled or lapsed during the six months ended 30 June 2020.

## OTHER INFORMATION (CONTINUED)

### Compliance with the Corporate Governance Code

During the Period, save as disclosed below, the Company has complied with the applicable code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules (the “Code”), except for a deviation from the code provision A.2.1 which requires that the roles of chairman and chief executives should not be performed by the same individual.

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

### Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as its code of conduct regarding Directors’ securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code throughout the six months ended 30 June 2020.

### Audit Committee

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

#### Independent Non-executive Directors

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

#### Non-executive Director

Mr. Teoh Chun Ming

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

## OTHER INFORMATION (CONTINUED)

### Remuneration Committee

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

#### Independent Non-executive Directors

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

#### Non-executive Director

Mr. Teoh Chun Ming

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

### Nomination Committee

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

#### Executive Director

Mr. Se Hok Pan (*Chairman*)

#### Independent Non-executive Directors

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

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

## OTHER INFORMATION (CONTINUED)

### Corporate Governance Committee

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

#### Executive Director

Mr. Se Hok Pan (*Chairman*)

#### Non-executive Director

Mr. Teoh Chun Ming

#### Independent Non-executive Director

Mr. Ho King Fung, Eric

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

### Purchases, Sale or Redemption of Listed 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).

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

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

# REVIEW REPORT



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

*(Incorporated in the Cayman Islands with limited liability)*

### Introduction

We have reviewed the interim financial report set out on pages 26 to 54 which comprises the consolidated statement of financial position of Nature Home Holding Company Limited (the "Company") as of 30 June 2020 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

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

### Scope of review

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

## REVIEW REPORT (CONTINUED)

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

#### **KPMG**

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

26 August 2020

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020 — unaudited  
(Expressed in Renminbi)

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

The notes on pages 34 to 54 form part of this interim financial report.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020 — unaudited  
(Expressed in Renminbi)

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
<b>(Loss)/profit for the period</b>	<b>(34,205)</b>	34,932
<b>Other comprehensive (loss)/income for the period (after tax and reclassification adjustments)</b>		
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)	<b>5,832</b>	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	<b>(9,405)</b>	(2,385)
<b>Other comprehensive (loss)/income for the period</b>	<b>(3,573)</b>	4,444
<b>Total comprehensive (loss)/income for the period</b>	<b>(37,778)</b>	39,376
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>(34,884)</b>	45,149
Non-controlling interests	<b>(2,894)</b>	(5,773)
<b>Total comprehensive (loss)/income for the period</b>	<b>(37,778)</b>	39,376

The notes on pages 34 to 54 form part of this interim financial report.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020 — unaudited  
(Expressed in Renminbi)

	Note	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
<b>Non-current assets</b>			
Investment properties	9	233,055	230,533
Other property, plant and equipment	9	1,019,132	967,155
		<b>1,252,187</b>	1,197,688
Intangible assets		18,505	20,160
Right-of-use assets	9	228,289	238,470
Goodwill		11,910	11,612
Interest in associates		7,606	7,441
Other financial assets	10	112,226	76,917
Deposits, prepayments and other receivables		34,964	61,650
Deferred tax assets		95,520	85,561
		<b>1,761,207</b>	1,699,499
<b>Current assets</b>			
Inventories		838,573	743,647
Trade and bills receivables	11	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
		<b>4,037,002</b>	3,626,643
<b>Current liabilities</b>			
Trade and bills payables	12	1,298,694	1,390,062
Contract liabilities		181,090	132,204
Deposits received, accruals and other payables		415,845	468,861
Bank loans	13	1,017,116	542,472
Lease liabilities		26,601	26,667
Current taxation		16,950	31,948
		<b>2,956,296</b>	2,592,214
<b>Net current assets</b>		<b>1,080,706</b>	1,034,429
<b>Total assets less current liabilities</b>		<b>2,841,913</b>	2,733,928

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2020 — unaudited  
(Expressed in Renminbi)

	Note	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
<b>Non-current liabilities</b>			
Bank loans	13	411,472	296,077
Lease liabilities		38,495	42,745
Deferred tax liabilities		10,222	8,504
		<b>460,189</b>	347,326
<b>NET ASSETS</b>		<b>2,381,724</b>	2,386,602
<b>CAPITAL AND RESERVES</b>	15		
Share capital		8,998	8,998
Reserves		2,247,783	2,282,675
<b>Total equity attributable to equity shareholders of the Company</b>		<b>2,256,781</b>	2,291,673
<b>Non-controlling interests</b>		<b>124,943</b>	94,929
<b>TOTAL EQUITY</b>		<b>2,381,724</b>	2,386,602

The notes on pages 34 to 54 form part of this interim financial report.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020 — unaudited  
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company												Non-controlling interests	Total equity
	Share capital	Share premium	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	RMB'000
<b>Balance at 31 December 2018</b>	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)	
<b>Adjusted at 1 January 2019</b>	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	
<b>Changes in equity for the six months ended 30 June 2019</b>														
Profit for the period	—	—	—	—	—	—	—	—	—	40,677	40,677	(5,745)	34,932	
Other comprehensive income	—	—	—	—	—	—	(2,357)	6,829	—	—	4,472	(28)	4,444	
<b>Total comprehensive income</b>	—	—	—	—	—	—	(2,357)	6,829	—	40,677	45,149	(5,773)	39,376	
Share options forfeited during the period (note 14(a))	—	—	—	—	—	—	—	—	(125)	125	—	—	—	
Equity-settled share award scheme (note 14(b))	—	(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	
<b>Balance at 30 June 2019</b>	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	

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2020 — unaudited  
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company												
	Share capital RMB'000	Share premium RMB'000	Share held for the Share Award Scheme RMB'000 (Note 14(b))	Other treasury shares RMB'000	Capital redemption reserve RMB'000	Statutory surplus reserve RMB'000	Exchange reserve RMB'000	Fair value reserve (non-recycling) RMB'000	Other reserves RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
<b>Balance at 30 June 2019 and 1 July 2019</b>	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
<b>Changes in equity for the six months ended 31 December 2019</b>													
Profit for the period	—	—	—	—	—	—	—	—	—	121,443	121,443	(2,432)	119,011
Other comprehensive income	—	—	—	—	—	—	2,884	(2,033)	—	—	851	454	1,305
<b>Total comprehensive income</b>	—	—	—	—	—	—	2,884	(2,033)	—	121,443	122,294	(1,978)	120,316
Share options forfeited during the period (note 14(a))	—	—	—	—	—	—	—	—	(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
<b>Balance at 31 December 2019</b>	8,998	837,796	—	(2,382)	84	217,621	(12,736)	5,378	53,523	1,183,391	2,291,673	94,929	2,386,602

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2020 — unaudited  
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company												
	Share capital RMB'000	Share premium RMB'000	Share held for the Share Award Scheme RMB'000 (Note 14(b))	Other treasury shares RMB'000	Capital redemption reserve RMB'000	Statutory surplus reserve RMB'000	Exchange reserve RMB'000	Fair value reserve (non-recycling) RMB'000	Other reserves RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 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
<b>Changes in equity for the six months ended 30 June 2020</b>													
Loss 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 loss	—	—	—	—	—	—	(10,171)	5,832	—	(30,545)	(34,884)	(2,894)	(37,778)
Share options forfeited during the period (note 14(a))	—	—	—	—	—	—	—	—	(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
<b>Balance at 30 June 2020</b>	<b>8,998</b>	<b>837,796</b>	<b>—</b>	<b>(2,382)</b>	<b>84</b>	<b>217,621</b>	<b>(22,907)</b>	<b>11,210</b>	<b>38,801</b>	<b>1,167,560</b>	<b>2,256,781</b>	<b>124,943</b>	<b>2,381,724</b>

The notes on pages 34 to 54 form part of this interim financial report.

# CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2020 — unaudited  
(Expressed in Renminbi)

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
<b>Operating activities</b>		
Cash used in operations	(432,801)	(246,745)
Tax paid	(33,358)	(23,048)
<b>Net cash used in operating activities</b>	<b>(466,159)</b>	<b>(269,793)</b>
<b>Investing activities</b>		
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
<b>Net cash used in investing activities</b>	<b>(115,811)</b>	<b>(103,091)</b>
<b>Financing activities</b>		
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
<b>Net cash generated from financing activities</b>	<b>596,338</b>	<b>93,684</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>14,368</b>	<b>(279,200)</b>
<b>Cash and cash equivalents at 1 January</b>	<b>540,185</b>	<b>823,843</b>
<b>Effect of foreign exchanges rates changes</b>	<b>944</b>	<b>154</b>
<b>Cash and cash equivalents at 30 June</b>	<b>555,497</b>	<b>544,797</b>

The notes on pages 34 to 54 form part of this interim financial report.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

## 1 Basis of preparation

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

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of Nature Home Holding Company Limited (the “Company”) and its subsidiaries (together, the “Group”) since the 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 report is unaudited, but has been reviewed by KPMG in accordance with the Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. KPMG’s independent review report to the Board of Directors is included on pages 24 to 25.

## 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 report 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.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

### 2 Changes in accounting policies (Continued)

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 customised 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 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 fee income from other home decoration products manufactured by authorised manufactures which sell products under the Group's trademarks and distribution network.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

### 3 Revenue and segment reporting (Continued)

#### (a) Disaggregation of revenue

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

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
<b>Revenue from contracts with customers within the scope of IFRS 15</b>		
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
	<b>1,404,512</b>	1,282,094
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	—
	<b>1,404,512</b>	1,282,094

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).

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

### 3 Revenue and segment reporting (Continued)

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

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

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

### 3 Revenue and segment reporting (Continued)

#### (c) Reconciliations of reportable segment profit or loss

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

### 4 Seasonality of operations

Based on past experiences, 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).

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

### 5 Other income/other operating expenses

#### (a) Other income

	Six months ended 30 June	
	2020 RMB'000	2019 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	4,031	5,079
	<b>17,613</b>	18,201

(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 RMB'000	2019 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
	<b>22,776</b>	9,215

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

### 6 (Loss)/profit before taxation

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

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

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

#### (b) Other items

	Note	Six months ended 30 June	
		2020 RMB'000	2019 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	14(b)	—	1,022

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

### 7 Income tax

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

### 7 Income tax (Continued)

Notes: (Continued)

(vi) (Continued)

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

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

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 '000	2019 '000
Issued ordinary shares at 1 January	1,379,382	1,437,382
Effect of purchase of own share	—	(32,493)
Treasury shares (note 15(b))	(2,210)	(2,210)
Weighted average number of ordinary shares at 30 June	1,377,172	1,402,679

#### (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 (loss)/earnings per share.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

### 9 Investment properties, other property, plant and equipment and right-of-use assets

#### (a) Acquisitions and disposals of owned assets

During the six months ended 30 June 2020, the Group acquired items of plant and machinery with a cost of RMB128,753,000 (six months ended 30 June 2019: RMB49,414,000).

#### (b) Assets pledged

As at 30 June 2020, investment properties, other property, plant and equipment and right-of-use assets with carrying amount of RMB165,784,000, RMB332,904,000 and RMB171,556,000 (31 December 2019: RMB169,414,000, RMB258,410,000 and RMB139,540,000) respectively were pledged for bank loans (note 13).

### 10 Other financial assets

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Designated as fair value through other comprehensive income		
— Listed	87,226	76,167
— Unlisted	25,000	750
	<b>112,226</b>	<b>76,917</b>

#### (a) Designated as fair value through other comprehensive income

	Equity securities RMB'000
Balance at 1 January 2020	76,917
Addition	25,000
Change in fair value recognised in other comprehensive income	9,793
Exchange difference	516
Balance at 30 June 2020	<b>112,226</b>

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

### 11 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 2020 RMB'000	At 31 December 2019 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	94,158	75,290
	<b>1,701,269</b>	1,516,631

As at 30 June 2020, trade and bills receivables of RMB137,172,000 (31 December 2019: trade and bills receivables of RMB11,099,000) were pledged to banks to secure bank loans obtained by the Group (note 13).

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.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

### 12 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 RMB'000	At 31 December 2019 RMB'000
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
	<b>1,298,694</b>	1,390,062

### 13 Bank loans

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

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
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
	<b>1,428,588</b>	838,549

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

### 13 Bank loans (Continued)

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

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

Notes:

- (i) At 30 June 2020, the Group has secured bank loans and borrowings amounting to RMB978,833,000 (31 December 2019: RMB665,964,000), of which:
- 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;
  - RMB129,430,000 (31 December 2019: RMB57,788,000) of these secured loans were secured by 100% equity interest of certain subsidiaries; and
  - 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 following:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Restricted deposits	169,744	164,700
Other property, plant and equipment (note 9)	332,904	258,401
Right-of-use assets (note 9)	171,556	139,540
Investment properties (note 9)	165,784	169,414
Trade and bills receivables (note 11)	137,172	11,099
Inventories	35,585	33,136
	<b>1,012,745</b>	776,290

- (iii) Parts of the Group's banking facilities, amounted to 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 31 December 2019 and 30 June 2020, none of the covenants relating to drawn down facilities had been breached.
- (iv) The unutilised banking facilities as at 30 June 2020 amounted to RMB586,016,000 (31 December 2019: RMB 418,648,000).

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

### 14 Equity settled share-based transactions

#### (a) Share option scheme

The Company has a share option schemes which were adopted on 3 May 2011 (“Post-IPO Plan”) whereby the directors of the Company are authorised at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up share options at a consideration of HKD1 to the subscribe for shares of the Company. Each option entitles the option holders to subscribe one ordinary share of the Company.

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

	Six months ended 30 June			
	2020		2019	
	Weighted average exercise price HKD	Number of options '000	Weighted average exercise price HKD	Number of options '000
Outstanding at the beginning of the period	1.73	88,800	1.73	90,400
Forfeited during the period	3.27	(12,800)	1.61	(200)
Outstanding at the end of the period	1.47	76,000	1.73	90,200
Exercisable at the end of the period	1.47	76,000	1.73	90,200

The share options outstanding at 30 June 2020 and 31 December 2019 had an exercise price of HKD1.45–3.38 and a weighted-average remaining contractual life of 1.78 years (31 December 2019: 2.05 years). No options were exercised during the six months ended 30 June 2020 and 2019.

During the six months ended 30 June 2020, the Group reversed RMB14,722,000 (six months ended 30 June 2019: RMB125,000) in respect of forfeited share options from several resigned staffs.

#### (b) Share Award Scheme

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

All Awarded Shares were vested on 31 March 2019. Thus, no share award expenses recognised during the six months ended 30 June 2020 (six months ended 30 June 2019: RMB1,022,000).

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

### 15 Capital, reserves and dividends

#### (a) Dividends

The Board does not propose any payment of interim dividends for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

#### (b) Purchase of own shares

The reserve for the Company's other treasury shares comprises the cost of the Company's shares held by the Group. At 30 June 2020, the Group held 2,210,000 of the Company's shares (31 December 2019: 2,210,000).

#### (c) Capital management

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

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

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

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

### 15 Capital, reserves and dividends (Continued)

#### (c) Capital management (Continued)

The Group's adjusted gearing ratio at the end of the current and previous reporting period was as follows:

	<b>30 June 2020 RMB'000</b>	31 December 2019 RMB'000
Current liabilities:		
Bills payables	<b>497,148</b>	580,866
Bank and other loans	<b>1,017,116</b>	542,472
	<b>1,514,264</b>	1,123,338
Non-current liabilities:		
Bank and other loans	<b>411,472</b>	296,077
Total debt	<b>1,925,736</b>	1,419,415
Less: Cash and cash equivalents	<b>(555,497)</b>	(540,185)
Restricted deposits	<b>(379,245)</b>	(412,611)
<b>Adjusted net debt</b>	<b>990,994</b>	466,619
<b>Adjusted capital</b>	<b>2,381,724</b>	2,386,602
<b>Adjusted gearing ratio</b>	<b>41.6%</b>	19.6%

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

### 16 Financial risk management and fair values

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

##### (i) Fair value hierarchy

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

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value at	Fair value measurements as at		
	30 June 2020	30 June 2020 categorised into		
	RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
<b>Recurring fair value measurements</b>				
Assets:				
Non-trading listed equity securities	87,226	87,226	—	—
Unlisted equity securities	25,000	—	—	25,000

	Fair value at	Fair value measurements as at		
	31 December 2019	31 December 2019 categorised into		
	RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
<b>Recurring fair value measurements</b>				
Assets:				
Non-trading listed equity securities	76,167	76,167	—	—
Unlisted equity securities	750	—	—	750

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

### 16 Financial risk management and fair values (Continued)

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

##### (i) Fair value hierarchy (Continued)

During the six months ended 30 June 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. Unlisted equity securities were categorised into Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

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

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Unlisted equity securities:		
At 1 January	750	28,484
Disposals	—	(11,000)
Addition	25,000	—
Net changes in fair value recognised in other comprehensive income during the period/year	(750)	(16,734)
At 30 June/31 December	25,000	750

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

The carrying amounts of the Group's financial instruments carried at cost are not materially different from their fair values as at 31 December 2019 and 30 June 2020.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

### 17 Commitments and Contingent liabilities

#### (a) Capital commitments

Capital commitments outstanding at 30 June 2020 not provided for in the interim financial report, is as follows:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Contracted for	29,162	57,540

#### (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.

### 18 Material related party transactions

#### (a) Key management personnel compensation

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

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Short-term employee benefits	5,504	5,661
Post-employment benefits	24	2
Equity-settled share-based payment expenses	—	152
	<b>5,528</b>	5,815

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

### 18 Material related party transactions (Continued)

#### (b) Related party transactions and balances

	Income/(expenditure)		Amount due from/(to)	
	Six months ended		At	At
	30 June		30 June	31 December
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Provision of trademark and distribution network (i)	457	879	500	5,065
Purchases of goods (ii)	(869)	(5,451)	722	(1,794)
Receiving of transportation services (iii)	(28,691)	(24,522)	(2,328)	(1,222)
Loan from a related party (iv)	—	—	(25,000)	—
As a leasee (v)	(1,851)	(966)	(5,584)	(6,847)
As a lessor (vi)	406	153	(200)	(107)
Others	—	—	1,888	1,979

Notes:

- (i) In March 2019, the Group entered into a trademark licensing agreement with Guangdong Youzong Home Company Limited (“Youzong Home”, a subsidiary of Dajia Property Management Company Limited (“Dajia Property Management”) which is held by the controlling shareholders of the Company). A non-exclusive right is granted to Youzong Home to use the trademark in connection with its production, distribution and sale of licensed products.
- (ii) The Group purchased certain consumables from Dajia Property Management and its subsidiaries (“Dajia Group”) and certain entities controlled by Mr. Se Ka Chon (the Vice-president of the Group).
- (iii) The Group received transportation services from one of its associates, Jiawayun (Foshan) Supply Chain Management Company Limited (“Jiawayun”).
- (iv) In March 2020, the Group loaned from Youzong Home with no interest charges. The loan was unsecured and will mature in October 2020.
- (v) In April 2019, the Group entered into a three-year lease agreement with Dajia for a production plant. The amount of rent payable is RMB324,000 per month, which was determined with reference to market price. At the commencement date of the lease, the Group recognised a right-of-use asset and a lease liability of RMB9,929,000.
- (vi) The Group earned rental income from certain related parties by leasing out the offices in the PRC.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

### 19 Impacts of COVID-19 Pandemic

The COVID-19 pandemic since early 2020 has brought about additional uncertainties in the Group's operating environment and has impacted the Group's operations and financial position.

The Group has been closely monitoring the impact of the developments on the Group's businesses and has put in place contingency measures. These contingency measures include but not limited to: assessing the suppliers' readiness; improving the production process, negotiating with distributors on delivery schedule, continuously monitoring the operations of the distributors and strengthening cost control. The Group will keep the contingency measures under review as the situation evolves.

As far as the Group's businesses are concerned, the outbreak has caused negative impact on the revenue and profit from operation, delays of production and delivery, and impacted certain debtors' repayment schedules as well as inventory turnover in the first half of 2020. The Group's management has set a plan for catching up the delayed schedules above in the remaining financial year ending 2020.