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

ANNUAL 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

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

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3
Building D, P.O. Box 1586
Gardenia Court, Camana Bay
Grand Cayman, KY1-1100
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

Stock Code

2083

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In the first quarter of 2020, the worldwide outbreak of novel coronavirus pandemic (the "Pandemic"), including in the People's Republic of China (the "PRC") started. In response to the Pandemic, the PRC government has implemented a series of measures at different levels such as travel restrictions, community quarantine and lockdowns in provinces and cities across the country, resulting in a postponement of the production resumption of most of the Group's factories in the PRC after the Chinese New Year holiday, which have gradually resumed normal beginning March 2020. Nature Home Holding Company Limited (the "Company") and its subsidiaries (the "Group" or "we") were posed with a difficult market condition as of the year ended 31 December 2020 (the "Year"). The Pandemic hit the consumer market, and the retail sales of home decoration products in the PRC (which have a higher profit margin as compared to that of project sales) was particularly impacted. Certain distributors of the Group were also temporarily closed for business and only resumed normal operation in the second quarter of 2020. Thus, the Group's retail sales of home decoration products for the Year decreased as compared with last year.

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

1. *Flooring Products*

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

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

The Business of Manufacturing and Sale of Flooring Products

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

As at 31 December 2020, the total number of flooring stores was 3,395 (31 December 2019: 3,484), of which, there were 3,297 "Nature" stores (31 December 2019: 3,295), and 98 foreign imported brand stores (31 December 2019: 189). Currently, the Group owns a total of twelve flooring plants, which are mainly engaged in the manufacturing of laminated floorings, engineered floorings and plastic floorings.

Provision of Trademarks and Distribution Network for Flooring Products

The Group's flooring products under the "Nature" brand are manufactured by its self-owned production plants and through its exclusive authorised manufacturers. Such authorised manufacturers solely manufacture our branded flooring products and sell these products to the distributors within our distribution network in an exclusive and direct manner. The impact of the Pandemic on the retail sales is relatively greater, thus the revenue generated from trademarks and distribution network usage fees decreased by 28.0%, from approximately RMB149,832,000 in last year to approximately RMB107,953,000 for the Year.

2. *Customised Home Decoration Products*

The customised home decoration products of the Group mainly comprise of wooden doors, wardrobes and cabinets. Generally, the Group manufactures the customised products based on the customers' requirements upon receipt of purchase orders. During the Year, due to the faster resumption of the project division, the total revenue generated from the business of customised home decoration products increased by 38.6%, from approximately RMB769,193,000 in last year to approximately RMB1,066,223,000 for the Year.

The Business of Manufacturing and Sale of Wooden Doors

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

The Business of Manufacturing and Sales of Wardrobes and Cabinets

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

Provision of Trademarks and Distribution Network for Customised Products

The Group has authorised its independent manufacturers to produce "Nature" brand customised products. These authorised manufacturers will directly sell those customised products to the distributors within the distribution network of the Group, with trademarks and distribution network usage fees payable to the Group. During the Year, the revenue from the trademarks and distribution network usage fees for customised products was approximately RMB5,401,000 (Year 2019: RMB4,564,000).

Other Sales Business

During the Year, the sales revenue from other home decoration products (namely comprehensive decoration services and wall paper products) of the Group was approximately RMB171,860,000 (Year 2019: RMB125,543,000).

Prospect

In recent years, the changes in the PRC's consumer market have significantly intensified, such as new technology development, transparency of Internet information, the growing trend of younger customer groups, diversification and personalisation of product demand, and integration of cross-sector products, etc. Coupled with the outbreak of the Pandemic, the web-based and intelligent development in the consumer market has been fully sped up. Also, the residential property sales in the PRC turned sluggish briefly in the first quarter of the Year due to the Pandemic. Yet, major property developers have carried out transformation by launching online channels for residential sales. As the Pandemic in the PRC began to slow down, the property market and home decoration product market in the PRC is expected to enjoy a possible "lagging growth". The shift in consumers' consumption pattern in the PRC is the head-on challenge to enterprise transformation. We expect to see the market seized by a new round of elimination and merger brought by the economic environment in the aftermath of the Pandemic. Products, services, and sales channels will be the three key factors in the success of the household furnishing materials industry in the future. We will continue to operate with a client-centric approach and provide customers with valued and advanced products and services. We plan to undertake a comprehensive upgrade on our existing "Golden Housemaid (金保姆)" service program, covering pre-sale to after-sale; consumer to installation project; and sales escort to headquarters after-sale services. The upgraded program will provide users with an ultra-satisfying service experience.

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

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

The Group's flagship brand "Nature" has been recognized by consumers as an image of quality and safe products and represents healthy life and environmental protection. Since the starting of our household product strategy of providing integrated green home decoration products, we have formed a strategic layout that various green home decoration product brands, including Nature floorings, Nature wooden doors, etc., running together with "Nature" as a leading brand. The steady development over the years has enabled the Group to maintain strong core competitiveness in the home decoration product market in the PRC, including a wide range of home decoration products, a strong brand image, and a solid sales network foundation, which will help the Group to seize more market share through the launch of competitive products and channel structure adjustment.

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

Financial Review

Revenue

During the year ended 31 December 2020, we generate revenue from two business segments: (1) manufacturing and sale of flooring products; and (2) manufacturing and sale of customised home decoration products.

"Manufacturing and sale of flooring products" represents the revenue generated from (i) sales of self-produced flooring products; (ii) sales of trading flooring products; and (iii) licensing fee income from flooring products manufactured by authorised manufacturers which sell flooring products under the Group's trademarks and distribution network.

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

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

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

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

Revenue from the segment of manufacturing and sale of flooring products increased by 7.8% from approximately RMB2,657,593,000 in last year to approximately RMB2,865,209,000 for the Year. It was mainly attributable to the net effect of (i) the drop in sales of domestic retail division; (ii) the increase in sales of domestic project division; and (iii) the increase in sales in overseas market.

Revenue from the segment of manufacturing and sale of customised home decoration products increased by 38.6% from approximately RMB769,193,000 in last year to approximately RMB1,066,223,000 for the Year. It was mainly attributable to the net effect of (i) the drop in sales of retail division; and (ii) the increase in sales of project division.

Gross Profit

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

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

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

The segment of manufacturing and sale of flooring products contributed a gross profit of approximately RMB779,296,000 for the Year, representing a decrease of 3.7%, compared to approximately RMB809,382,000 in last year. The gross profit margin decreased from 30.5% to 27.2% for the Year. It was mainly due to the combined effects of (i) the decrease in licensing fee income from provision of trademarks and distribution network and (ii) the increase in proportion of sales in project division, of which gross profit margin is relatively lower.

The segment of manufacturing and sale of customised home decoration products contributed a gross profit of approximately RMB218,576,000 for the Year, representing an increase of 89.8%, compared to approximately RMB115,181,000 in last year. The gross profit margin increased from 15.0% to 20.5% for the Year. It was mainly attributable to the decrease in unit costs resulted from the increase in volume of production.

EBITDA

The EBITDA decreased by 27.9% from approximately RMB384,520,000 in last year to approximately RMB277,215,000 for the Year and the EBITDA margin decreased from 11.2% to 7.1% for the Year.

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

Other Income

Other income consists primarily of rental income from operating leases and government grants which are subject to the discretion of the relevant authorities. Other income decreased by RMB50,712,000 from approximately RMB91,820,000 in last year to approximately RMB41,108,000 for the Year. It was mainly due to no recurrence of one-off bargain purchase gain resulted from acquisition of a subsidiary and dividends income from equity investments in 2019.

Distribution Costs

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

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

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

Administrative Expenses

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

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

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

Other Operating Expenses

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

Net Finance Costs

Net finance costs represent the difference between finance income and finance costs. Finance income consists primarily of interest income on bank deposits and certain customers. Finance costs consist primarily of interest expenses on bank and other loans and net foreign exchange loss. Net finance costs increased from approximately RMB46,985,000 in last year to approximately RMB92,097,000 for the Year.

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

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

Income Tax

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

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

Profit Attributable to Equity Shareholders of the Company

Resulting from the factors mentioned above, the profit attributable to equity shareholders of the Company was approximately RMB17,899,000 for the Year, compared to the profit of approximately RMB162,120,000 in last year.

Liquidity

Cash Flow

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

During the Year, the Group used net cash outflow of approximately RMB357,339,000 in operating activities (year ended 31 December 2019: inflow of RMB142,349,000) and had a net proceeds from bank and other loans of approximately RMB654,637,000 (year ended 31 December 2019: net proceeds of RMB67,721,000).

Net Current Assets and Working Capital Sufficiency

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

Cash Conversion Cycle

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

As at 31 December 2020, trade and bills receivables and contract assets (excluding long-term receivables) turnover days increased by 45 days to 187 days. It was mainly due to the increase in the proportion of sales in project division, of which the credit terms are longer.

As at 31 December 2020, inventories turnover days increased by 17 days to 97 days.

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

Financial Resources

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

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

Our adjusted gearing percentage, which are derived by dividing adjusted net debt by total equity of the Group, were 44.6% and 19.6% as at 31 December 2020 and 31 December 2019, respectively.

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

Capital Expenditures

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

Commitments

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

	2020 **RMB'000**	2019 RMB'000
Contracted for	**60,481**	57,540

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

Contingent liabilities

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

Foreign Currency Risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e., a currency other than the functional currency of the entity to which the transactions relate. The currencies giving rise to this risk are primarily Renminbi ("RMB"), United States Dollars ("USD") and Euro ("EUR"). On the other hand, our bank and other loans, cash and cash equivalents are primarily in RMB, USD, EUR, Hong Kong Dollars ("HKD") and Polish Zloty ("PLN"). The Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances. The Group does not have any hedging policy for foreign currencies in place and does not currently hedge transactions undertaken in foreign currencies. However, the Board will remain alert to any relevant risks and, if necessary, consider to hedge any material potential foreign exchange risk.

Employees

As at 31 December 2020, the Group had 5,606 employees (at 31 December 2019: 4,964). Relevant staff cost was approximately RMB525,587,000 for the Year compared to approximately RMB398,957,000 (including share award scheme expenses of approximately RMB1,022,000) for the year ended 31 December 2019. The Group will regularly review remuneration and benefits of its employees according to the relevant market practice and individual performance of the employees. In addition to basic salary, employees are entitled to other benefits including social insurance contribution, employee provident fund schemes and share option schemes.

Material Acquisitions and Disposals of Subsidiaries, Associated Companies or Joint Ventures

The Group did not have any material acquisition or disposal of subsidiaries, associated companies or joint ventures for the year ended 31 December 2020.

Subsequent Events

No significant events took place subsequent to 31 December 2020.

Future Plans for Material Investments

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

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Se Hok Pan (佘學彬), age 61, is the Chairman and the President of the Company and was appointed a Director on 27 July 2007 and the President of the Company on 1 February 2018. Mr. Se is a co-founder of the Group. Mr. Se is responsible for formulating overall strategies, planning and business development of the Company, managing and supervising the financial management functions and human resources of the Company and is instrumental to our growth and business expansion since our establishment in 2004. Mr. Se began his career in the flooring products industry in 1995 and has over 20 years of experience in the flooring products industry. Mr. Se holds important positions in influential industry associations. He is currently the vice president of China Forestry Industry Association (中國林業產業協會), and one of the drafters of the China National Standards for Solid Wood Flooring (中國實木地板國家標準) which came into effect in 2009. Mr. Se is also a member of the Gansu Provincial Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議甘肅省委員會) and the honorary president of the Industry and Commerce Association of Macau (澳門工商聯會). From 1995 to 2001, Mr. Se served as a general manager at Shunde Daliang Yingbin Wood Furniture Mall (順德市大良區盈彬木器傢俬城). From July 2001 to September 2004, Mr. Se served as a president at Guangdong Yingbin-Nature Wood Industry Co., Ltd. (廣東盈彬大自然木業有限公司). Mr. Se has received numerous high profile awards such as the "Robert A. Mundell World Executive Awards (2004)", "China Forestry Industry Annual Person (2009)" (中國林業產業年度人物) as recognized by China National Forest Products Association (中國林產工業協會) and China Forestry Industry Association (中國林業產業協會) and "The Most Influential Figures in the 15-Year Development of China's Flooring Industry (2010)" (中國地板行業輝煌十五年最具影響力人物獎). Mr. Se is the spouse of Ms. Un Son I, the younger brother of Mr. She Jian Bin and the brother-in-law of Mr. Liang Zhihua. Mr. Se is a director of Freewings Development Co., Ltd., the controlling shareholder of the Company.

Ms. Un Son I (袁順意), age 55, is a Vice President of the Company and the General Manager of the Strategic Procurement Department and the Internal Audit Department of the Group. Ms. Un was appointed a Director on 27 July 2007. Ms. Un is a co-founder of the Group. Ms. Un is responsible for networking and development of relationship with suppliers, procurement control, logistics management and asset management and control to ensure the supply chain operates efficiently. She is also responsible for the overall management of internal audit of the Group. Ms. Un has over 20 years of experience in the flooring products industry. Ms. Un is a member of China-ASEAN Organization (中國東盟協會) and executive vice president of the Industry and Commerce Association of Macau (澳門工商聯會). From 1995 to 2001, Ms. Un served as a deputy general manager and a procurement manager at Shunde Daliang Yingbin Wood Furniture Mall (順德市大良區盈彬木器傢俬城). From July 2001 to September 2004, Ms. Un was a director of president office, a director of human resources and a director of the procurement center at Guangdong Yingbin-Nature Wood Industry Co., Ltd. (廣東盈彬大自然木業有限公司). Ms. Un was awarded as one of the "100 Outstanding Female Entrepreneurs of China" (中國百名傑出女企業家). Ms. Un is the spouse of Mr. Se Hok Pan and the sister-in-law of Mr. She Jian Bin and Mr. Liang Zhihua. Ms. Un is a director of Freewings Development Co., Ltd., a controlling shareholder of the Company.

Mr. She Jian Bin (佘建彬), age 63, was appointed a Director on 8 May 2008. Mr. She is responsible for the participation of the Group's marketing activities. Mr. She has approximately 30 years of experience in the timber industry and the flooring products industry. Mr. She was a purchasing manager of wood at P.T. Sumber Laris Jaya Manufacturer Timber Industry from 1988 to 1994 and worked at Shunde Daliang Yingbin Wood Furniture Mall (順德市大良區盈彬木器傢俬城) for its production, sales and distribution management from 1995 to 2001. During the period between July 2001 and September 2004, Mr. She served as a director of the sales center at Guangdong Yingbin-Nature Wood Industry Co., Ltd. (廣東盈彬大自然木業有限公司). Mr. She has received "15 Prosperous Years of the China Flooring Industry — Promotion of Industry Development Award" (中國地板行業輝煌十五年傑出行業建設推動獎) in 2010. Mr. She joined the Group in 2004 and has since held various managerial positions in sales and distribution. Mr. She is the elder brother of Mr. Se Hok Pan and the brother-in-law of Ms. Un Son I and Mr. Liang Zhihua.

Non-executive Directors

Mr. Liang Zhihua (梁志華), age 57, was appointed an executive Director and the President of the Company on 1 January 2014 and ceased to be the President of the Company on 1 February 2018. Mr. Liang was re-designated as a non-executive Director with effect from 28 March 2019. Mr. Liang is also a director of certain operating subsidiaries of the Group. Mr. Liang joined the Group in 2006 and has since held various managerial positions in the general affairs, human resources and production departments as well as the President's Office of the Group. He has over ten years of experience in the flooring products industry. Mr. Liang is the brother-in-law of Mr. She Jian Bin, Mr. Se Hok Pan and Ms. Un Son I.

Mr. Teoh Chun Ming (張振明), age 51, is a non-executive Director. Mr. Teoh joined the Group in 2008 and was appointed as the Chief Financial Officer and the Company Secretary on 1 September 2008 and 26 March 2009, respectively. Mr. Teoh was also the Authorised Representative of the Company for the purpose of the Listing Rules and the Companies Ordinance. Mr. Teoh held the positions of Chief Financial Officer and Company Secretary until his appointment as a non-executive Director on 1 July 2012. Mr. Teoh is also the investor relations officer of the Company. Mr. Tech was an independent non-executive director of EPI (Holdings) Limited (Stock Code: 689), a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), from January 2014 to October 2016 and is currently the chief financial officer and company secretary of Joyer Auto HK Company Limited and an independent non-executive director of Apollo Future Mobility Group Limited (Stock Code: 860), a company listed on the Stock Exchange. Mr. Teoh has over 20 years of accounting and finance experience. Prior to joining the Group, Mr. Teoh held senior positions in accounting and finance in various companies listed on the Stock Exchange. Mr. Teoh obtained a master's degree in professional accounting from the Hong Kong Polytechnic University in 2005. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and a member of the Institute of Chartered Accountants in England and Wales.

Independent Non-executive Directors

Professor Li Kwok Cheung, Arthur (李國章), age 76, was appointed as an independent non-executive Director on 4 May 2011. Professor Li is currently the deputy chairman and a non-executive director of The Bank of East Asia, Limited (Stock Code: 23) and an independent non-executive director of Shangri-La Asia Limited (Stock Code: 69), both being companies listed on the Stock Exchange, and a non-executive director of BioDiem Ltd. in Australia (a company which was delisted from the Australian Securities Exchange in November 2013) and Greater Bay Airlines Company Limited. Professor Li was appointed a Member of the Executive Council of Hong Kong Special Administrative Region ("HKSAR") and the Chairman of the Council of the University of Hong Kong on 1 July 2012 and 1 January 2016 respectively. Professor Li was the Chairman of the Council for Sustainable Development of HKSAR from March 2015 to February 2021. Professor Li was an independent non-executive director of The Wharf (Holdings) Limited (Stock Code: 4), a company listed on the Stock Exchange, from 1 July 2012 to 16 August 2013, a non-executive director of AFFIN Holdings Berhad (symbol: 5185), a company listed on Bursa Malaysia, from 21 May 2008 to 31 December 2014, and a director of CaixaBank, S.A. (symbol: CABK), a company listed on the Spanish Stock Exchange, from November 2014 to December 2015. Professor Li was also a member of the National Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議全國委員會) from 1998 to 2018. Professor Li served as Professor of Surgery (Founding Chair) in the Department of Surgery of The Chinese University of Hong Kong from 1982 to 2005. In addition, Professor Li was the Dean of the Faculty of Medicine of The Chinese University of Hong Kong from 1992 to 1996 and the Vice-Chancellor of the university from 1996 to 2002. Professor Li was a non-executive director of Glaxo Wellcome plc. from 1997 to 2000. In 2002, Professor Li became Secretary for Education and Manpower as well as a member of the Executive Council of the Hong Kong Special Administrative Region Government and his term ended in June 2007. Prior to 2002, Professor Li was a non-executive director of The Bank of East Asia, Limited, China Mobile Limited, Henderson Cyber Limited and The Wharf (Holdings) Limited. During the same period of time, Professor Li was also the non-executive chairman of Corus and Regal Hotels plc. Professor Li resigned from all these positions in 2002 when he assumed his role as Secretary for Education and Manpower in Hong Kong. Professor Li obtained his medical degree from University of Cambridge in 1969.

Mr. Chan Siu Wing, Raymond (陳兆榮), age 56, was appointed as an independent non-executive Director with effect from 4 May 2011. Mr. Chan is currently an independent non-executive director of Quali-Smart Holdings Limited (Stock Code: 1348) and Hong Kong Finance Group Limited (Stock Code: 1273), both being companies listed on the Main Board of the Stock Exchange. Mr. Chan also holds the position of independent non-executive director of Phoenitron Holdings Limited (Stock Code: 8066), a company listed on the Growth Enterprise Market of the Stock Exchange. Mr. Chan has over 30 years of experience in the field of accounting, taxation, finance and trust. Mr. Chan holds a Bachelor of Economics degree from the University of Sydney. Mr. Chan is a certified public accountant of the Hong Kong Institute of Certified Public Accountants and a founding member of the Macau Society of Certified Practising Accountants.

Mr. Ho King Fung, Eric (何敬豐), age 44, was appointed as an independent non-executive Director on 4 May 2011. Mr. Ho is a solicitor of the Hong Kong Special Administrative Region and the chairman and executive director of Ample Hope Limited. In Macau, Mr. Ho is also the chairman of P&W Money Changer Limited and Jing Yang Company Limited. Mr. Ho was appointed as an executive director and co-chairman of Apollo Future Mobility Group Limited (Stock Code: 860), a company listed on the Stock Exchange, on 1 November 2016 and was re-designated as the Chairman of Apollo Future Mobility Group Limited on 24 November 2017. Mr. Ho joined JP Morgan in 2000 as an analyst and worked as a trainee solicitor at Linklaters between 2003 and 2005 and as an associate between 2005 and 2006. Between 2007 and 2010, Mr. Ho worked at Deutsche Bank AG, Hong Kong Branch and his last position held was vice president and head of Hong Kong and Macau Origination. Mr. Ho was a non-executive director of United Energy Group Limited (Stock Code: 467), a company listed on the Stock Exchange, between 2011 and 2012, the non-executive chairman of EPI (Holdings) Limited (Stock Code: 689) from 2013 to 2016 and a non-executive director of AGTech Holdings Limited (Stock Code: 8279) from 2013 to 2016. United Energy Group Limited, EPI (Holdings) Limited and AGTech Holdings Limited are companies listed on the Stock Exchange. He is a committee member of the Chinese People's Political Consultative Conference of Beijing (中國人民政治協商會議北京市委員會) and the president of Money Exchangers' Association of Macao. Mr. Ho was also awarded China's Top 10 Economic Talents (十大中華經濟英才) in 2009. Mr. Ho graduated from the University of New South Wales, Australia with Bachelor of Commerce (Finance) and Bachelor of Laws degrees.

Senior Management

Mr. Shen Xiaodi (沈小笛), age 56, is the Chief Operating Officer of the Company. Mr. Shen joined the Group in September 2017. Mr. Shen is responsible for the day-to-day management of the Group's business operation as well as arranging and formulating the Group's business plans. Prior to that, Mr. Shen assumed a number of senior managerial positions, including a vice president of a high-tech enterprise in the PRC; an executive director of BaWang International (Group) Holding Limited (a company listed on the Stock Exchange, stock code: 1338) and the vice general manager of an asset management company. Mr. Shen possesses over 10 years of experience in manufacturing, supply chain and marketing management as well as in strategy planning and implementation. Mr. Shen graduated from Xi'an Jiaotong University in 1986. Mr. Shen obtained a doctoral degree from the Automatization Institute of the Chinese Academy of Sciences in 1993 and obtained his qualification as an associate researcher in the Applied Mathematics Institute of the Chinese Academy of Sciences in 1995.

Mr. Lai Kwok Keung, Alex (黎國強), aged 51, is the Chief Financial Officer and Company Secretary of the Company. Mr. Lai joined the Group in 2016. Mr. Lai is responsible for developing the financial strategies of the Group. Mr. Lai is also participate in the formulation of major investment plans of the Group, provides financial advice for the Group and oversees the Group's company secretarial matters. Mr. Lai has over 20 years of accounting and finance experience. Mr. Lai held senior positions in accounting, finance, company secretary and audit in various companies. Prior to joining the Group, he was the Chief Financial Officer and Company Secretary of a property development company. Mr. Lai was a senior internal audit manager at companies listed on The Stock Exchange of Hong Kong Limited and the New York Stock Exchange and a senior manager at an international accounting firm. Mr. Lai graduated with a bachelor's degree in Business Administration from The University of Hong Kong in 1993. Mr. Lai is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

Mr. Se Ka Chon (佘嘉浚), aged 30, is a Vice President of the Company and the President of flooring division of the Group. He joined the Group in July 2019 and is responsible for day-to-day management of the operation of flooring business and development of the long term strategies and products the Group. Mr. Se has been the President of Guangdong Jingshi Restaurant Service Co., Ltd. since 2017. Mr. Se has also worked as an analyst in several investment banks and has extensive experience in brand marketing, corporate strategy formulation, and business model innovation. Mr. Se was appointed as an executive council member the Zhuhai and Macao Association (澳門珠海聯誼會) in November 2017. Mr. Se is the vice president of Guangdong Real Estate Chamber of Commerce (Youth Committee) (廣東省地產商會 (青委會)), the representative of Shunde District Political Consultative Conference Committee (順德區政協委員會委員), the executive chairman of Shunde District Young Entrepreneurs Association (順德區青年企業家協會), and the Honorary Chairman of Qingjun Association of Shunde Youth Enterprise Association (順德青企協青駿會). Mr. Se graduated with a bachelor's degree (First-class honours) in mathematics from the University College London in 2013. Mr. Se is a son of Mr. Se Hok Pan and Ms. Un Son I, both being executive Directors.

CORPORATE GOVERNANCE REPORT

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

During the year ended 31 December 2019, except for a deviation from the code provision A.2.1 which requires that the roles of chairman and chief executive should not be performed by the same individual, the Company has complied with the applicable code provisions of the Code.

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

Mr. Se is a co-founder of the Group and was appointed as a Director 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.

Board of Directors

The Board is charged with promoting the success of the Company by directing and supervising its affairs. The Board has general powers for the management and conduct of the Company's business. The day-to-day operations and management are delegated by the Board to the management of the Company, who will implement the strategy and direction as determined by the Board.

During the Year and up to the date of this report, the Board comprises:

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

The Board has a balance of skills and experience appropriate for the requirements of the business of the Company.

The biographies of the Directors which include relationships between Board members are set out on pages 15 to 18 of this annual report.

Each of Mr. Se Hok Pan, Ms. Un Son I and Mr. She Jian Bin, all being executive Directors, entered into a service contract with the Company for a fixed period of three years from 1 April 2018. Mr. Liang Zhihua, a non-executive Director, entered into a service contract with the Company for a fixed period of three years from 1 February 2021. Each of the independent non-executive Directors, namely Professor Li Kwok Cheung, Arthur, Mr. Chan Siu Wing, Raymond and Mr. Ho King Fung, Eric was appointed under a formal letter of appointment with the Company for a fixed term of three years commencing on 4 May 2020. Mr. Teoh Chun Ming (a non-executive Director) was appointed under a formal letter of appointment with the Company for a term of three years commencing on 1 July 2018. Notwithstanding the above, all Directors, including the non-executive Directors, are subject to retirement by rotation at least once every three years in accordance with the Listing Rules and the articles of association of the Company. A retiring Director is eligible for re-election.

The remuneration of the Directors is determined with reference to their duties, responsibilities and experience, and to prevailing market conditions. Details of the remuneration of the Directors for the year ended 31 December 2020 are set out in note 7 to the financial statements.

The number of independent non-executive Directors during the year ended 31 December 2020 meets the minimum requirement of the Listing Rules that the number of independent non-executive directors must represent at least one-third of the Board.

The Company has received a written confirmation of independence from each of the independent non-executive Directors, and considers them to be independent.

Directors have access to the services of the Company Secretary to ensure that the Board procedures are followed. The Company Secretary of the Company is Mr. Lai Kwok Keung, Alex. Mr. Lai is also the Chief Financial Officer of the Group.

Directors' Attendance Records

Board meetings are held at least four times a year at approximately quarterly intervals and on other occasions when necessary. Details of Directors' attendance at the meetings of the Board, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee held during the year ended 31 December 2020 are set out in the following table:

	Number of meetings attended/held during the year ended 31 December 2020				
Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Corporate Governance Committee**
Executive Directors					
Mr. Se Hok Pan *(Chairman and President)*	4/4	—	—	1/1	1/1
Ms. Un Son I	4/4	—	—	—	—
Mr. She Jian Bin	4/4	—	—	—	—
Non-executive Directors					
Mr. Liang Zhihua	4/4	—	—	—	—
Mr. Teoh Chun Ming	4/4	2/2	1/1	—	1/1
Independent non-executive Directors					
Professor Li Kwok Cheung, Arthur	4/4	—	1/1	—	—
Mr. Chan Siu Wing, Raymond	4/4	2/2	—	1/1	—
Mr. Ho King Fung, Eric	4/4	2/2	1/1	1/1	1/1

In 2020, the Company convened and held one shareholders' general meeting, being the annual general meeting held on 22 June 2020 (the "2020 AGM"). Mr. Se Hok Pan and Mr. Chan Siu Wing, Raymond attended the 2020 AGM to collect views of the shareholders of the Company and/or answer questions at the 2020 AGM.

Directors' Induction and Professional Development

On appointment to the Board, each Director receives a comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

The Directors are regularly updated and apprised of the amendments to or updates on the relevant laws, rules, regulations and guidelines, particularly the effects of such new or amended laws, rules, regulations and guidelines on directors specifically, and the Company and the Group generally. On an ongoing basis, Directors are encouraged to keep up-to-date on all matters relevant to the Group and to attend briefings, seminars and relevant training courses as appropriate.

The Directors are requested to provide the Company with their respective training record pursuant to the new requirement of the Code on continuous professional development. During the year ended 31 December 2020, all Directors have participated in appropriate continuous professional development activities by way of attending training sessions, conferences and seminars or reading materials relevant to the Company's business, directors' duties and responsibilities, corporate governance and recent amendments to the Listing Rules.

Board Committees

The Company currently has five principal Board committees, which are the Audit Committee, the Remuneration Committee, the Nomination Committee, the Corporate Governance Committee and the Executive Committee. The Audit Committee, the Remuneration Committee and the Executive Committee were established on 3 May 2011, while the Nomination Committee and the Corporate Governance Committee were established on 28 November 2011.

Each of the Board committees operates under its terms of reference. The terms of reference of the Board committees are available on the websites of the Company and the Stock Exchange.

Audit Committee

Membership

The Audit Committee currently has three members, namely Mr. Chan Siu Wing, Raymond (Chairman) and Mr. Ho King Fung, Eric, both are independent non-executive Directors and Mr. Teoh Chun Ming, a non-executive Director. The Audit Committee comprises a majority of independent non-executive Directors.

Mr. Chan Siu Wing, Raymond, who is a certified public accountant of the Hong Kong Institute of Certified Public Accountants, a certified practising accountant of the Australian Society of Certified Practising Accountants, and a founding member of the Macau Society of Certified Practising Accountants, has the appropriate professional qualifications to lead and chair the Audit Committee.

Responsibilities and work done

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 works performed by the Audit Committee during year ended 31 December 2020 are as follows:

- reviewed the annual report and the annual results announcement of the Company for the year ended 31 December 2019;

- reviewed the interim report and the interim results announcement of the Company for the six months ended 30 June 2020;

- reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function;

- reviewed the risk management and internal control systems of the Group; and

- reviewed the effectiveness of the Company's internal audit function.

Remuneration Committee

Membership

The Remuneration Committee currently has three members, namely Professor Li Kwok Cheung, Arthur (Chairman) and Mr. Ho King Fung, Eric, both are independent non-executive Directors and Mr. Teoh Chun Ming, a non-executive Director. The Remuneration Committee comprises a majority of independent non-executive Directors.

Responsibilities and work done

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 for 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.

The work performed by the Remuneration Committee during the year ended 31 December 2020 is as follows:

— reviewed and made recommendations on the remuneration package of the Directors and senior management of the Company.

For the year ended 31 December 2020, the remuneration payable to 3 senior management (excluding Directors) fell within the following bands:

HKD1,000,001 to HKD1,500,000:	1
HKD1,500,001 to HKD2,000,000:	1
HKD2,500,001 to HKD3,000,000:	1

Further details of the remuneration of the Directors and the five highest paid individual are set out in notes 7 and 8 to the financial statements.

Nomination Committee

Membership

The Nomination Committee currently has three members, namely Mr. Se Hok Pan (Chairman), Mr. Chan Siu Wing, Raymond and Mr. Ho King Fung, Eric. A majority of the members of the Nomination Committee, namely Mr. Chan Siu Wing, Raymond and Mr. Ho King Fung, Eric, are independent non-executive Directors. Mr. Se Hok Pan, the chairman of the Nomination Committee, is the Chairman and President and an executive Director of the Company.

Responsibilities and work done

The Nomination Committee is responsible for reviewing and assessing the composition of the Board and the independence of the independent non-executive Directors and making recommendations to the Board on appointment or re-appointment of Directors. In recommending candidates for appointment to the Board, the Nomination Committee will consider candidates on merit against objective criteria and with due regards to the benefits of diversity on the Board. Diversity of the Board will be considered from a number of perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, and length of services and time to be devoted as a director. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. As there was no new Director being appointed during the year ended 31 December 2020, the Board has not dealt with or considered nomination of director during the year.

The works performed by the Nomination Committee during the year ended 31 December 2020 are as follows:

— reviewed the structure, size and composition of the Board; and

— assessed the independence of independent non-executive Directors of the Company.

Corporate Governance Committee

Membership

The Corporate Governance Committee currently has three members, namely Mr. Se Hok Pan (Chairman), Mr. Ho King Fung, Eric and Mr. Teoh Chun Ming. Mr. Se Hok Pan is the Chairman and an executive Director of the Company. Mr. Ho King Fung, Eric is an independent non-executive Director and Mr. Teoh Chun Ming is a non-executive Director of the Company.

Responsibilities and work done

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.

The works performed by the Corporate Governance Committee during the year ended 31 December 2020 are as follows:

— reviewed and monitored the training and continuous professional development of Directors and senior management;

— reviewed the Company's compliance with the Code; and

— reviewed the corporate governance report in the 2019 annual report.

Executive Committee

Membership

The Executive Committee currently has two executive Directors, namely Mr. Se Hok Pan (Chairman and President) and Ms. Un Son I.

Responsibilities and work done

The principal responsibilities of the Executive Committee include (i) implementing the business plan and company strategies as approved by the Board and developing specific implementation plan; and (ii) monitoring and overseeing the implementation of the budget as approved by the Board. During the year ended 31 December 2020, the Executive Committee has duly performed its responsibilities and contributed to the business development of the Group.

Risk Management and Internal Controls

The Board acknowledges its responsibility for the Group's risk management and internal control systems and reviewing their effectiveness to safeguard the Group's assets and the interests of shareholders, customers and employees. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems. The internal audit department of the Group (the "Internal Audit Department") and the Audit Committee assist the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Group's risk management and internal control systems have been developed with the following principles, features and processes:

(1) Identify significant risks in the Group's operation environment;

(2) Evaluate the impacts of those risks on the Group's business and the likelihood of occurrence;

(3) Determine the risk management strategies and internal control processes to prevent, avoid or mitigate the risks; and

(4) Perform ongoing monitor, review and revise the strategies and processes in case of any significant change of situation, ensuring effective communication to the Audit Committee and the Board on all findings and the effectiveness of the systems regularly.

The Board, as supported by the Audit Committee as well as the Internal Audit Department, reviews the Group's risk management and internal control systems annually. The review includes major financial, operational and compliance controls, as well as risk management functions of different systems. The review also covered the resources, staff qualifications and experiences, training programmes and budget of the Group's accounting, financial reporting and internal audit functions.

The Board had conducted its annual review of the risk management and internal control systems during the Year and assessed their effectiveness. The Board considers them effective and adequate.

Internal Audit Functions and Effectiveness of Risk Management and Internal Control Systems

The Audit Committee is aware of the fact that an independent and adequately resourced internal audit function is essential to assist in obtaining the assurance it requires regarding the effectiveness of the system of internal controls. The Group has established an Internal Audit Department led by Ms. Un Son I, an executive Director, to carry out the analysis and independent review of the adequacy and effectiveness of the risk management and internal control systems on an ongoing basis. The Internal Audit Department examined key issues in relation to the accounting practices and all material controls and resolved material internal defects in accordance with the internal policies and would cover other review and investigation work as may be required. The Internal Audit Department provided its findings and recommendations for improvement to the Audit Committee and the Board periodically.

Dissemination of Inside Information

The Group regulates the handling and dissemination of inside information according to internal procedures and policy so as to ensure inside information remains confidential until the disclosure and publication of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made.

The Board is responsible for approving the policy on disclosure of inside information which aims at providing guiding principles, practices and procedures to assist employees and officers of the Group in (i) relaying inside information to the Board to enable it to make timely decisions on disclosure, if necessary; and (ii) communicating with the Group's stakeholders, in ways which are in compliance with the Securities and Futures Ordinance (the "SFO") and the Listing Rules.

An employee who becomes aware of a matter or event that he/she considers to be material or inside information shall report to his division/department head who will assess the sensitivity of the relevant information and, if considered appropriate, escalate and report to the Board and/or the Company Secretary.

Upon being notified, the Board and/or the Company Secretary will assess the likely impact of any unexpected and significant event that may impact the share price and/or trading volume and decides whether the relevant information is considered inside information and needs to be disclosed as soon as reasonably practicable pursuant to the Listing Rules and the Inside Information Provisions under Part XIVA of the SFO.

The Group strictly prohibits unauthorized use of confidential or inside information and has established and implemented procedures for responding to external enquiries about the Group's affairs, so that only the Executive Directors, Company Secretary and authorised persons are authorized to communicate with parties outside the Group.

Model Code for Securities Transactions by Directors

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code throughout the year ended 31 December 2020.

External Auditors

KPMG are appointed as the external auditors of the Company upon the recommendation of the Audit Committee.

For the year ended 31 December 2020, the fee paid to KPMG for the audit and interim review of the financial statements of the Group was approximately RMB4.55 million.

The non-audit services provided by KPMG to the Group during the Year mainly include advisory services. The fees paid to KPMG for such non-audit services was approximately RMB0.2 million for the year ended 31 December 2020.

Accountability and Audit

The Directors are responsible for overseeing the preparation of the financial statements which give a true and fair view of the state of affairs of the Group and of the results and cash flow during the reporting period. A statement from the auditors about their reporting responsibilities on the financial statements is set out on pages 47 to 52 of this report. In preparing the financial statements for the year ended 31 December 2020, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis.

Dividend Policy

The Board has approved and adopted a dividend policy on 28 March 2019 (the "Dividend Policy"). It is the policy of the Board, in considering the payment of dividends, to allow shareholders of the Company to participate in the Company's profits whilst retaining adequate reserves for the Group's future growth.

The Board shall consider the following factors before declaring or recommending any dividends:

a. the Company's actual and expected financial performance;

b. the Group's liquidity position;

c. retained earnings and distributable reserves of the Company and each of the members of the Group;

d. the level of the Group's debts to equity ratio, return on equity and the relevant financial ratios;

e. any restrictions on payment of dividends that may be imposed by the Group's lenders;

f. the Group's expected working capital requirements and future expansion plans;

g. general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and

h. any other factors that the Board deem appropriate.

The shareholders of the Company may not expect any dividends under the following circumstances:

a. during the growth phase of the Group or during significant expansion or undertaking of any acquisitions or joint ventures requiring higher allocation of capital;

b. whenever the Company proposes or plans to utilize surplus cash to repurchase the shares of the Company; or

c. inadequacy of profits or if the Company incurs losses.

The declaration, recommendation and payment of any dividends are also subject to compliance with applicable laws, regulations and the memorandum and articles of association of the Company. The Board will continually review the Dividend Policy from time to time and there can be no assurance that dividends will be paid in any particular amount for any given period.

Shareholders

The Company is incorporated in the Cayman Islands. Pursuant to the articles of association of the Company, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company may, by written requisition to the Board or the Company Secretary, require an extraordinary general meeting to be convened by the Board for the transaction of any business specified in such requisition. The written requisition shall be deposited at the Company's principal place of business at Suite 2601, 26/F., Tower 2, The Gateway, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong, marked for the attention of the Company Secretary. The general meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Pursuant to Article 85 of the articles of association of the Company, if a shareholder wishes to propose a person other than a retiring Director for election as a Director at any general meeting (including the annual general meeting), the shareholder should lodge a written notice at the registered office or the head office of the Company in the period commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, provided that such period shall be at least seven days. Such written notice must be accompanied by a notice signed by the person to be proposed of his willingness to be elected as a Director.

Enquiries may be put to the Board by contacting the Company's Investor Relations Department through shareholders' hotline (852) 2858 6665, email at info@nature-hk.hk or directly by raising the questions at an annual general meeting or extraordinary general meeting.

The Board recognizes the importance of good communications with all shareholders. The Company's annual general meeting is a valuable forum for the Board to communicate directly with the shareholders. During the year ended 31 December 2020, the Company convened and held the 2020 AGM on 22 June 2020. The Chairman of the Company, the Chairman of the Audit Committee and the external auditor were present to answer shareholders' questions. An annual general meeting circular which sets out relevant information of the proposed resolutions was distributed to all shareholders at least 20 clear business days before the annual general meeting. For the 2020 AGM, the Chairman of the meeting demanded that all resolutions proposed at the meeting to be passed by poll. The procedures for conducting a poll were explained at the meeting. A total of six ordinary resolutions, including considering the audited financial statements and the Reports of the Directors and Auditors for the year ended 31 December 2019 and approving the re-election of Directors, the re-appointment of the external auditors of the Company and the granting of general mandates to the Directors to repurchase and to issue shares of the Company were passed at the 2020 AGM. The results of the poll were published on the websites of the Company and the Stock Exchange.

During the year ended 31 December 2020, there has not been any change in the Company's memorandum and articles of association. The Company's memorandum and articles of association are available on the websites of the Company and the Stock Exchange.

Environmental Policies and Performance

The Group fulfils its social responsibilities of protecting the environment by undertaking to promote social environmental protection in our business routines and activities. We give due consideration to environmental protection and conservation and incorporates environmentally friendly practices and measures into our daily course of business.

In accordance with Rule 13.91 of the Listing Rules, the Company will publish an Environmental, Social and Governance ("ESG") Report on the website of the Company within three months after the publication of this annual report in compliance with the provisions set out in the ESG Reporting Guide in Appendix 27 to the Listing Rules.

REPORT OF THE DIRECTORS

The board of directors of the Company (the "Board") is pleased to present its report together with the audited financial statements of the Company and its subsidiaries (collectively, the "Group"), for the year ended 31 December 2020.

Principal Activities

The Company is an investment holding company. The principal activities of the Group are the manufacturing and sale of home decoration products and provision of trademarks and distribution network. The principal activities of the Company's major subsidiaries are set out in note 15 to the financial statements.

Business Review

General

For the review of the business of the Group, the key financial performance indicators of the Group, an indication of likely future development in the Group's business and particulars of important events affecting the Group that have occurred since the end of the financial year, please refer to the section headed "Management Discussion and Analysis" on pages 4 to 14 of this report.

Principal risks and uncertainties facing the Group

The Group's principal business activities are mainly affected by the volatility and uncertainty of macro-economic conditions in the PRC. The Group is also exposed to a variety of financial risks.

The financial risks of the Group include credit risk, liquidity risk, interest rate risk, currency risk and equity price risk. These financial risks, and the related risk management policies and practices used by the Group are discussed in note 32 headed "Financial Risk Management and Fair Values" to the consolidated financial statements of this annual report.

Environmental policies and performance

In the aspect of environmental protection and sustainable development, the Group is committed to providing high quality and safe products to consumers, and has been organizing different environmental protection activities such as tree planting campaign. We believe that environmental protection is the basis for sustainable development of the Group. In the future, the Group will continue to fulfill its social responsibilities and make its contribution to environmental protection.

The Group continues to update the requirements of the relevant environmental laws and regulations applicable to it to ensure compliance. The Group does not produce material waste nor emit material quantities of pollutants during its production process. During the year under review, the Group has complied with the relevant environmental laws and regulations applicable to it in all material respects, including permit requirements.

Compliance with Laws and Regulations

The Group continues to update the requirements of the relevant laws and regulations in various countries, particularly in the PRC and Hong Kong, applicable to it to ensure compliance. Substantially a majority of the Group's assets are located in the PRC and the Group's revenue is mainly derived from operations in the PRC. During the year ended 31 December 2020, the Group has complied with the relevant laws and regulations in various countries applicable to it in all material respects.

Account of the Group's key relationships

(i) Employees

The Group offers a comprehensive range of staff facilities and fringe benefits to attract, retain and motivate employees. Key personnel have been part of the management team since the inception of business.

(ii) Customers

We have successfully positioned our brand with consumers to represent high product quality and product safety as well as health and environmental awareness, which also reflect our core values. We are dedicated to provide green home decoration solutions and services to our customers. The Group regards the safety of our products, high quality of service and interest of customers as our top priorities.

(iii) Distributors

The Group's branded products are sold primarily to retail consumers in Mainland China through an extensive nationwide distribution network of exclusive distributors and retail stores. Our nationwide distribution network comprised over 4,350 retail stores. Our distribution network is closely managed and supported by our sales team with extensive experience in the industry. The Group recognizes the importance of building up a close and long-term business relationship with our distributors.

Final Dividend

The Board did not recommend any payment of final dividend for the year ended 31 December 2020.

Share Capital

Details of the Company's share capital are set out in note 30 to the financial statements.

Distributable Reserves

As at 31 December 2020, the Company had distributable reserves of approximately HKD1,333,333,000 (equivalent to RMB1,163,759,000) (2019: HKD1,377,994,000 (equivalent to RMB1,206,285,000)) calculated in accordance with the Companies Law of the Cayman Islands. This includes the Company's share premium account which is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

Purchase, Sale or Redemption of Securities

During the Year, the Company repurchased a total 1,598,000 shares of the Company on the Stock Exchange at an aggregate consideration of HKD1,577,110 pursuant to the share repurchase mandate approved by the shareholders of the Company at the 2020 AGM for enhancing its net asset value and earnings per share. Details of the repurchase are summarised as follows:

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

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2020.

Directors

The Directors of the Company during the year were:

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

In accordance with Article 84 of the articles of association of the Company, Ms. Un Son I, Mr. She Jian Bin and Mr. Ho King Fung, Eric shall retire by rotation at the forthcoming annual general meeting of the Company and they, being eligible, offer themselves for re-election.

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

The Company has received an annual confirmation from each of the independent non-executive Directors as regards their independence to the Company, and considers them to be independent.

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

As at 31 December 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") were as follows:

	Number of shares held			
Name of Director	Personal Interest	Corporate Interest	Total	Percentage of shareholding (Note 1)
Mr. Se Hok Pan *(Chairman and President)*	20,000,000 1,500,000 (Note 2) 21,500,000	663,768,000 (Note 3)	685,268,000	49.74%
Ms. Un Son I	1,500,000 (Note 2)	663,768,000 (Note 3)	665,268,000	48.29%
Mr. She Jian Bin	1,500,000 (Note 2) 1,500,000 3,000,000	Nil	3,000,000	0.22%
Mr. Liang Zhihua	15,000,000 (Note 2) 2,500,000 17,500,000	Nil	17,500,000	1.27%
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:

(1) Based on 1,377,783,990 shares of the Company in issue as at 31 December 2020.

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

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

(4) All interests stated are long positions in the ordinary shares of the Company.

Equity-linked Agreements

Other than the Pre-IPO Share Option Scheme and the Share Option Scheme as disclosed below, no equity-linked agreements were entered into by the Company during the year.

Share Option Schemes

Details of the Company's share option schemes are set out in note 28 to the financial statements.

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 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 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 options granted on 1 July 2010

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

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

The exercise price per share for options granted under the Pre-IPO Share Option Scheme was determined by the Board with reference to the then fair market price per share as determined by an independent valuer appointed by the Company, which shall be subject to adjustment in the event of any alteration to the capital structure of the Company. The consideration payable for the acceptance of each grant of options under the Pre-IPO Share Option Scheme was HK$1.00 (or the equivalent amount in RMB). Details of the share options movements during the year ended 31 December 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 year	Exercised during the year	Lapsed during the year	No. of Shares involved in the options outstanding at year end
Directors of the Company							
Liang Zhihua	1/7/2010	1/7/2010–30/6/2020	HK$3.38	7,000,000	—	7,000,000	Nil
Teoh Chun Ming	1/7/2010	1/7/2010–30/6/2020	HK$3.38	1,500,000	—	1,500,000	Nil
Employees							
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 granted and all outstanding options under the Pre-IPO Share Option Scheme have lapsed during the year ended 31 December 2020. No further option has been or will be granted under the Pre-IPO Share Option Scheme after the listing of the Company.

Share Option Scheme

The Company has also adopted a share option scheme on 3 May 2011 (the "Share Option Scheme"), the purpose of which is to incentivize and reward 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. The rules of the Share Option Scheme were subsequently amended pursuant to a resolution of the Board on 28 November 2011. The Share Option Scheme shall be valid and effective for a period of 10 years commencing on the Listing Date, after which period no further options will be granted but the provisions of the Share Option Scheme will remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto. 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.

The maximum number of shares which may be issued upon exercise of all options that are or may be granted under the Share Option Scheme and the Pre-IPO Share Option Scheme equals to 10% of the shares in issue as at the Listing Date. Options lapsed or cancelled in accordance with the terms of the Pre-IPO Share Option Scheme or the Share Option Scheme will not be counted for the purpose of calculating this 10% limit.

As at 31 December 2020, the total number of shares which may be issued on the exercise of options granted or to be granted under the Share Option Scheme is 149,333,999, representing approximately 10.84% of the issued share capital of the Company as at the date of this report. In addition, no options shall be granted under the Share Option Scheme to any eligible person which, if exercised, would result in such eligible person becoming entitled to subscribe for such number of shares as, when aggregated with the total number of shares already issued or to be issued to him under all options granted to him (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of offer, exceeds 1% of the shares in issue at such date.

An option granted under the Share Option Scheme shall be subject to such terms and conditions (if any) as may be determined by the Board at the date of offer and specified in the offer. Such terms and conditions may include a minimum period for which any option must be held before it can be exercised and/or any performance target which need to be achieved by an option-holder before the option can be exercised.

The exercise price in respect of any option granted under the Share Option Scheme shall be such price as determined by the Board and notified to an option-holder and which shall not be less than the higher of:

(i) the closing price of the shares on the Stock Exchange as stated in the Stock Exchange’s daily quotations sheet on the date of offer;

(ii) the average closing price of the shares on the Stock Exchange as stated in the Stock Exchange’s daily quotation sheets for the five trading days immediately preceding the date of offer; and

(iii) the nominal value of the shares.

An amount of HK$1.00 is payable upon acceptance of the grant of options.

Details of the share options movements during the year ended 31 December 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 year	Exercised during the year	Lapsed during the year	Granted during the year	No. of shares involved in the options outstanding at year end
Directors						
Se Hok Pan (also the President)	4 January 2012	1,500,000	—	—	—	1,500,000
Un Son I	4 January 2012	1,500,000	—	—	—	1,500,000
She Jian Bin	4 January 2012	1,500,000	—	—	—	1,500,000
Liang Zhihua	4 January 2012	15,000,000	—	—	—	15,000,000
Teoh Chun Ming	4 January 2012	1,500,000	—	—	—	1,500,000
Li Kwok Cheung, Arthur	4 January 2012	1,000,000	—	—	—	1,000,000
Chan Siu Wing, Raymond	4 January 2012	1,000,000	—	—	—	1,000,000
Ho King Fung, Eric	4 January 2012	1,000,000	—	—	—	1,000,000
Employees						
Employees	4 January 2012	40,800,000	—	3,200,000	—	37,600,000
	8 October 2013	12,000,000	—	800,000	—	11,200,000
Total		76,800,000	—	4,000,000	—	72,800,000

Notes:

(1) For options granted on 4 January 2012, 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$1.45 per share.

(2) 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.

During the year ended 31 December 2020, no option has been granted under the Share Option Scheme. Save as disclosed above, no option has been cancelled or has lapsed during the year ended 31 December 2020.

Rights to Acquire the Company's Securities

Save as disclosed under the sections "Share Option Schemes" above, at no time during the Year or at the end of the Year 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 under 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.

Related Party Transactions

Details of related party transactions of the Group during the Year are set out in note 35 to the financial statements. Save for those disclosed in the section headed "Continuing Connected Transactions" below, each of the related party transactions during the Year constitutes a connected transaction but is fully exempted and not subject to any of the disclosure requirements under Chapter 14A of the Listing Rules.

Directors' Interests in Transactions, Arrangements and Contracts of Significance

Save as disclosed in the section headed "Continuing Connected Transactions" below, no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, its holding company or any of its subsidiaries or fellow subsidiaries was a party and in which a director of the Company and/or any of its connected entity had a material interest, whether directly or indirectly, and no contract of significance between the Company or any of its subsidiaries and the Company's controlling shareholder or any of its subsidiaries, subsisted at the end of the Year or at any time during the Year.

Directors' Interests in Competing Business

As at the date of this report, none of the Directors and directors of the Company's subsidiaries, or their respective associates had interests in businesses, other than being a Director and/or its subsidiaries and their respective associates, which compete or are likely to compete either directly or indirectly, with the businesses of the Company and its subsidiaries as required to be disclosed pursuant to the Listing Rules.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2020.

Permitted Indemnity Provision

Pursuant to the Articles of Association of the Company, the Directors, secretary and other officers of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they may incur or sustain in the execution of their duty. The Company has taken out and maintained directors' and officers' liability insurance throughout the year, which provides appropriate cover for certain legal actions brought against its directors and officers.

Substantial Shareholders

As at 31 December 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)
Freewings Development Co., Ltd.	Beneficial owner	663,768,000 (Note 2)	48.18%
Team One Investments Limited	Interest in controlled corporations	663,768,000 (Note 2)	48.18%
Trader World Limited	Interest in controlled corporations	663,768,000 (Note 2)	48.18%
DeHua TB New Decoration Material Co., Ltd	Beneficial owner	269,999,990	19.60%
Weng Hou Investment Company Limited	Beneficial owner	92,300,000	6.70%

Notes:

(1) Based on 1,377,783,990 shares of the Company in issue as at 31 December 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) All interests stated are long positions in the ordinary shares of the Company.

Save as disclosed above, the Directors are not aware that there is any party who, as at 31 December 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.

Continuing Connected Transactions

On 29 March 2019, Nature Home (China) Limited (大自然家居(中國)有限公司) ("Nature Home China"), a wholly-owned subsidiary of the Company, entered into a trademarks licensing agreement (the "Trademarks Licensing Agreement") with Guangdong Youzong Home Company Limited (廣東優眾家居有限公司) ("Youzong Home", formerly known as Foshan Shunde Youzong Home Company Limited (佛山市順德區優眾家居有限公司)), pursuant to which Youzong Home was granted by Nature Home China the right (the "Usage Right") to use certain trademarks related to "Nature" brand registered in the PRC and held by the Group, in connection with the production, distribution and sale of wood baseboard products (the "Licensed Products").

Under the Trademarks Licensing Agreement, a usage fee equivalent to 5% of the net sale value of the Licensed Products being sold is payable by Youzong Home to Nature Home China or its affiliated companies for the grant of the Usage Right. The Trademarks Licensing Agreement shall be for a period of twenty one (21) months commencing from 1 April 2019 and expiring on 31 December 2020 (both days inclusive).

The annual caps for the Usage Fee payable by Youzong Home to Nature Home China under the Trademarks Licensing Agreement for (i) the period from 1 April 2019 to 31 December 2019; and (ii) the financial year ending 31 December 2020 were RMB5,000,000 and RMB7,500,000, respectively.

Leveraging on the strong brand of the Group, the co-operation with Youzong Home under the Trademarks Licensing Agreement would (i) enable the Group to add additional products to the branded product portfolio that are complementary to the core products of the Group without the need to deploy substantial resources for factory expansion; and (ii) expand the source of revenues of the Group.

Youzong Home was indirectly owned as to 75% by Dajia Property Management Company Limited ("Dajia Property Management"). Dajia Property Management is in turn indirectly owned as to 60.2% by Mr. Se Hok Pan and 39.8% by Ms. Un Son I respectively. Mr. Se Hok Pan is an executive Director and the Chairman, President and a controlling shareholder of the Company. Ms. Un Son I is an executive Director, a controlling shareholder of the Company and the spouse of Mr. Se Hok Pan.

The transactions (the "Transactions") contemplated under the Trademarks Licensing Agreement constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules which were subject to the reporting, announcement and annual review requirements but were exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Details of the Trademarks Licensing Agreement are set out in the announcement of the Company dated 29 March 2019.

The independent non-executive Directors have reviewed the Transactions for the Year and have confirmed that the Transactions for the Year have been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or better; and

(c) in accordance with the Trademarks Licensing Agreement on terms that are fair and reasonable and are in the interests of the shareholders of the Company as a whole.

KPMG, the auditors of the Company, have reviewed the Transactions for the Year and confirmed that:

(a) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors.

(b) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions were not, in all material respects, in accordance with the pricing policies of the Group.

(c) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.

(d) with respect to the aggregate amount of each of the continuing connected transactions set out in the attached list of continuing connected transactions, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

Pre-Emptive Rights

There is no provision for pre-emptive rights under the articles of association of the Company, although there are no restrictions against such rights under the laws in the Cayman Islands.

Five Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 154 of this annual report.

Bank Loans

Particulars of bank loans of the Group as at 31 December 2020 are set out in note 25 to the financial statements.

Major Customers and Suppliers

For the year ended 31 December 2020, the percentage of revenue attributable to the Group's five largest customers was less than 30% of the Group's total revenue. Purchases of raw materials attributable to the Group's five largest suppliers amounted to less than 30% of the Group's total cost of sales for the year ended 31 December 2020.

Emolument Policy

The Company is well aware of the importance of incentivising and retaining its employees. The Group offers competitive remuneration packages to its employees, including salaries and bonuses to qualified employees, as well as a long-term incentive scheme in the form of share option schemes and share award scheme for eligible employees, details of which are set out under the section headed "Share Option Schemes" above.

Employee Retirement Benefits

During the year ended 31 December 2020, the Company has complied, in all material respects, with relevant PRC labour laws and regulations, including contributing to employee retirement benefit schemes, medical and social security insurance schemes and housing provident fund. In Hong Kong, the Company has participated in a mandatory provident fund scheme for its employees in Hong Kong in accordance with applicable Hong Kong laws and regulations.

Donation

During the year ended 31 December 2020, the Group made a charitable donation amounting to approximately RMB1,967,000.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the directors of the Company, as at the latest practicable date prior to the issue of this report, the Company has maintained the prescribed public float under the Listing Rules.

Audit Committee

The Audit Committee has reviewed the accounting principles and policies adopted by the Group and discussed the Group's internal controls and financial reporting matters with the management. The Audit Committee has reviewed the audited financial statements of the Group for the financial year ended 31 December 2020.

Auditors

The consolidated financial statements for the year ended 31 December 2020 have been audited by KPMG who shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for reappointment.

On behalf of the Board

Se Hok Pan
Chairman

Hong Kong, 29 March 2021

INDEPENDENT AUDITOR'S REPORT

KPMG

To the shareholders of Nature Home Holding Company Limited
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Nature Home Holding Company Limited ("the Company") and its subsidiaries ("the Group") set out on pages 53 to 153, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters (Continued)

Trade receivables

Refer to note 19(a) and 32(a) to the consolidated financial statements and the accounting policies on page 69.

The Key Audit Matter	How the matter was addressed in our audit
At 31 December 2020, the Group's gross trade receivables totalled RMB2,233 million, against which a loss allowance of RMB120 million was recorded. The Group's trade receivables mainly arose from the sale of home decoration products to property developers and distributors in China as well as distributors overseas. Management measured the loss allowance at an amount equal to lifetime expected credit loss, based on ageing of the receivables and loss rate, which was calculated using historical default data. According to the experience of the Group, the loss patterns for different customer groups are significantly different and therefore, the receivables from property developers, domestic distributors and overseas distributors are separately grouped for the purpose for measurement of loss allowance. We identified loss allowance of trade receivables as a key audit matter because the receivables and loss allowance are material to the Group and because the recognition of expected credit losses is inherently subjective and requires the exercise of significant management judgement.	Our audit procedures to assess loss allowance of trade receivables included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls relating to credit control, debt collection and estimation of expected credit losses; • obtaining an understanding on the key data and assumptions of the expected credit loss model adopted by the management, including the basis of the grouping of the trade receivables based on customer group, ageing of the receivables and loss rate, the historical default data, and the assumptions involved in management's estimated loss rate; • assessing, on a sample basis, whether items in the trade receivables ageing report were classified within the appropriate customer group and ageing category by comparing individual items with the underlying sales invoices; • assessing the reasonableness of management's loss allowance estimates by examining the information used by management to form such estimates for each customer group, including testing the accuracy of the historical default data and evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information; and • inspecting, on a sample basis, cash receipts from customers subsequent to the financial year end relating to trade receivables balances at 31 December 2020.

Key Audit Matters (Continued)

Valuation of inventories

Refer to note 17 to the consolidated financial statements and the accounting policies on page 74.

The Key Audit Matter	How the matter was addressed in our audit
Inventories, which comprise wooden flooring materials, wardrobes and cabinets and related raw materials, are carried at the lower of cost and net realisable value in the consolidated financial statements. The net carrying value of inventories at 31 December 2020 was RMB811 million. Sales of inventories can be volatile due to customer demand changing, competitors pricing their products aggressively and the introduction of new products and technology. The Group typically sells slow moving inventories at a markdown from the original price to improve the Group's liquidity position. Accordingly, the future selling prices of some items of inventory may fall below their carrying value at the reporting date. We identified the valuation of inventories as a key audit matter because management is required to exercise significant judgement in determining an appropriate level of provision for inventories which involves predicting the future sales of inventories and the markdowns necessary to sell slow moving inventories on a discounted basis. Both of these factors can be inherently uncertain.	Our audit procedures to assess the valuation of inventories included the following: • assessing the Group's inventory provisioning policy with reference to the requirements of the prevailing accounting standards; • assessing whether the provision for inventories at the end of the financial period was calculated in a manner consistent with the Group's inventory provisioning policy by recalculating the provision for inventories based on the percentages and other parameters in the Group's inventory provisioning policy; • assessing, on a sample basis, whether items in the inventory ageing report were classified within the appropriate ageing category by comparing the individual items selected with goods receipt notes and/or production records; • assessing, on a sample basis, whether inventories were sold at prices above their carrying values subsequent to the year end by comparing the cost of each individual item selected with actual selling prices (less distribution costs) achieved after the financial year end; and • assessing the historical accuracy of management's process for calculating the provision for inventories by examining the utilisation or release of the provision recorded at the end of the previous financial year during the current year.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lam Kai Wa.

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

29 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	Note	2020 RMB'000	2019 RMB'000
Revenue	3	**3,931,432**	3,426,786
Cost of sales		**(2,933,560)**	(2,502,223)
Gross profit		**997,872**	924,563
Other income	4(a)	**41,108**	91,820
Distribution costs		**(472,306)**	(379,781)
Administrative expenses		**(292,781)**	(265,427)
Impairment loss on receivables		**(98,752)**	(52,508)
Other operating expenses	4(b)	**(50,689)**	(60,695)
Profit from operations		**124,452**	257,972
Finance income	5(a)	**35,022**	19,695
Finance costs	5(a)	**(127,119)**	(66,680)
Net finance costs		**(92,097)**	(46,985)
Profit before taxation	5	**32,355**	210,987
Income tax	6(a)	**(18,137)**	(57,044)
Profit for the year		**14,218**	153,943
Attributable to:			
Equity shareholders of the Company		**17,899**	162,120
Non-controlling interests		**(3,681)**	(8,177)
Profit for the year		**14,218**	153,943
Earnings per share (RMB):			
Basic and diluted	9	**0.013**	0.118

The notes on pages 61 to 153 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

(Expressed in Renminbi)

	Note	2020 RMB'000	2019 RMB'000
Profit for the year		**14,218**	153,943
Other comprehensive income for the year (after tax and reclassification adjustments)	10		
Item that will not be reclassified to profit or loss:			
Equity investments at fair value through other comprehensive income ("FVOCI") — net movement in fair value reserve (non-recycling)		**(310)**	4,796
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of entities not using RMB as functional currency		**995**	953
Other comprehensive income for the year		**685**	5,749
Total comprehensive income for the year		**14,903**	159,692
Attributable to:			
Equity shareholders of the Company		**19,027**	167,443
Non-controlling interests		**(4,124)**	(7,751)
Total comprehensive income for the year		**14,903**	159,692

The notes on pages 61 to 153 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	Note	**2020 RMB'000**	2019 RMB'000
Non-current assets			
Investment properties	11	**221,572**	230,533
Other property, plant and equipment	11	**1,020,603**	967,155
		1,242,175	1,197,688
Right-of-use assets	12	**211,056**	238,470
Intangible assets	13	**13,501**	20,160
Goodwill	14	**9,946**	11,612
Interests in associates and joint venture		**7,404**	7,441
Other financial assets	16	**91,076**	76,917
Deposits, prepayments and other receivables	20	**52,473**	61,650
Deferred tax assets	29(b)	**111,321**	85,561
		1,738,952	1,699,499
Current assets			
Inventories	17	**811,387**	743,647
Trade and bills receivables	19(a)	**2,145,942**	1,516,631
Current portion of long-term receivables	19(b)	**—**	18,762
Contract assets	18(a)	**251,296**	123,622
Deposits, prepayments and other receivables	20	**267,327**	271,185
Restricted deposits	21	**414,067**	412,611
Cash and cash equivalents	22	**509,385**	540,185
		4,399,404	3,626,643
Current liabilities			
Trade and bills payables	23	**1,614,053**	1,390,062
Contract liabilities	18(b)	**129,094**	132,204
Deposits received, accruals and other payables	24	**438,695**	468,861
Bank and other loans	25	**1,269,903**	542,472
Lease liabilities	26	**26,033**	26,667
Current taxation	29(a)	**23,354**	31,948
		3,501,132	2,592,214
Net current assets		**898,272**	1,034,429
Total assets less current liabilities		**2,637,224**	2,733,928

The notes on pages 61 to 153 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

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

	Note	2020 RMB'000	2019 RMB'000
Non-current liabilities			
Bank and other loans	25	**167,288**	296,077
Lease liabilities	26	**27,612**	42,745
Deferred tax liabilities	29(b)	**6,639**	8,504
		201,539	347,326
NET ASSETS		**2,435,685**	2,386,602
CAPITAL AND RESERVES			
Share capital	30	**8,987**	8,998
Reserves		**2,302,844**	2,282,675
Total equity attributable to equity shareholders of the Company		**2,311,831**	2,291,673
Non-controlling interests		**123,854**	94,929
TOTAL EQUITY		**2,435,685**	2,386,602

Approved and authorised for issue by the board of directors on 29 March 2021.

Se Hok Pan
Executive Director

Un Son I
Executive Director

The notes on pages 61 to 153 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

	Attributable to equity shareholders of the Company												
	Share capital RMB'000 (Note 30)	Share premium RMB'000 (Note 31(d))	Share held for the Share Award Scheme RMB'000 (Note 28(b))	Other treasury Shares RMB'000	Capital redemption reserve RMB'000 (Note 31(e))	Statutory surplus reserve RMB'000 (Note 31(a))	Exchange reserve RMB'000 (Note 31(b))	Fair value reserve (non-recycling) RMB'000 (Note 31(g))	Other reserves RMB'000 (Note 31(c))	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 31 December 2019	8,998	837,796	—	(2,382)	84	217,621	(12,736)	5,378	53,523	1,183,391	2,291,673	94,929	2,386,602
Changes in equity for 2020													
Profit for the year	—	—	—	—	—	—	—	—	—	17,899	17,899	(3,681)	14,218
Other comprehensive income	—	—	—	—	—	—	1,438	(310)	—	—	1,128	(443)	685
Total comprehensive income	—	—	—	—	—	—	1,438	(310)	—	17,899	19,027	(4,124)	14,903
Capital injection from non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	32,450	32,450
Sales of equity interests in a subsidiary (i)	—	—	—	—	—	—	—	—	(8)	—	(8)	908	900
Liquidation of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	(309)	(309)
Transfer to statutory surplus reserve	—	—	—	—	—	4,991	—	—	—	(4,991)	—	—	—
Share options cancelled during the year (note 28(a))	—	—	—	—	—	—	—	—	(14,379)	14,379	—	—	—
Share options forfeited during the year (note 28(a))	—	—	—	—	—	—	—	—	(2,029)	2,029	—	—	—
Disposal of financial assets	—	—	—	—	—	—	—	—	—	644	644	—	644
Sales of treasury shares (note 28(b))	—	(491)	—	2,382	—	—	—	—	—	—	1,891	—	1,891
Purchase and cancel of own shares (note 30(b))	(11)	(1,385)	—	—	—	—	—	—	—	—	(1,396)	—	(1,396)
As at 31 December 2020	8,987	835,920	—	—	84	222,612	(11,298)	5,068	37,107	1,213,351	2,311,831	123,854	2,435,685

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

The notes on pages 61 to 153 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2020

(Expressed in Renminbi)

	Attributable to equity shareholders of the Company												
	Share capital RMB'000 (Note 30)	Share premium RMB'000 (Note 31(d))	Share held for the Share Award Scheme RMB'000 (Note 28(b))	Other treasury Shares RMB'000	Capital redemption reserve RMB'000 (Note 31(e))	Statutory surplus reserve RMB'000 (Note 31(a))	Exchange reserve RMB'000 (Note 31(b))	Fair value reserve (non-recycling) RMB'000 (Note 31(g))	Other reserves RMB'000 (Note 31(c))	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 31 December 2018	9,391	917,853	(16,833)	(2,382)	84	215,833	(13,263)	582	67,464	1,033,770	2,212,499	56,850	2,269,349
Impact on initial application of IFRS 16	—	—	—	—	—	—	—	—	—	(6,116)	(6,116)	(19)	(6,135)
Adjusted at 1 January 2019	9,391	917,853	(16,833)	(2,382)	84	215,833	(13,263)	582	67,464	1,027,654	2,206,383	56,831	2,263,214
Changes in equity for 2019													
Profit for the year	—	—	—	—	—	—	—	—	—	162,120	162,120	(8,177)	153,943
Other comprehensive income	—	—	—	—	—	—	527	4,796	—	—	5,323	426	5,749
Total comprehensive income	—	—	—	—	—	—	527	4,796	—	162,120	167,443	(7,751)	159,692
Capital injection from non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	130	130
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	40,440	40,440
Liquidation of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	(320)	(320)
Transfer to statutory surplus reserve	—	—	—	—	—	1,788	—	—	—	(1,788)	—	—	—
Share options forfeited during the year (note 28(a))	—	—	—	—	—	—	—	—	(1,004)	1,004	—	—	—
Equity settled Share Award Scheme (note 28(b))	—	(2,874)	16,833	—	—	—	—	—	(12,937)	—	1,022	—	1,022
Purchase and cancel of own shares (note 30(b))	(393)	(77,183)	—	—	—	—	—	—	—	—	(77,576)	—	(77,576)
Acquisition of non-controlling interests	—	—	—	—	—	—	—	—	—	(5,599)	(5,599)	5,599	—
As at 31 December 2019	8,998	837,796	—	(2,382)	84	217,621	(12,736)	5,378	53,523	1,183,391	2,291,673	94,929	2,386,602

The notes on pages 61 to 153 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

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

	Note	**2020 RMB'000**	2019 RMB'000
Operating activities			
Cash (used in)/generated from operations	22(b)	**(298,130)**	194,681
Tax paid:			
— The People's Republic of China (the "PRC") income tax paid	29(a)	**(59,209)**	(52,332)
Net cash (used in)/generated from operating activities		**(357,339)**	142,349
Investing activities			
Payment for acquisition of non-current assets		**(240,097)**	(188,449)
Proceeds from disposal of property, plant and equipment and intangible assets		**35,972**	3,562
Payment for acquisition of securities classified as FVOCI		**(25,000)**	—
Proceeds from sale of financial assets at FVOCI		**13,073**	10,000
Dividends received from investments		**1,923**	4,746
Net cash outflow from acquisition of subsidiaries		**(27,980)**	(149,542)
Payment to non-controlling shareholders of a subsidiary from liquidation		**—**	(248)
Payment for investing in a joint venture		**(259)**	(4,500)
Payment for acquisition of interests in associates		**—**	(100)
Proceeds from sales of treasury shares		**1,891**	—
Interest received		**13,919**	15,611
Net cash used in investing activities		**(226,558)**	(308,920)

The notes on pages 61 to 153 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

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

	Note	2020 RMB'000	2019 RMB'000
Financing activities			
Proceeds from bank and other loans	22(c)	**1,597,673**	745,635
Repayment of bank and other loans	22(c)	**(943,036)**	(677,914)
Proceeds from maturity of restricted deposits		**240,145**	352,325
Payment for restricted deposits		**(241,601)**	(385,171)
Capital element of lease rentals paid	22(c)	**(29,652)**	(19,194)
Interest element of lease rentals paid	22(c)	**(3,491)**	(3,460)
Interest paid	22(c)	**(79,148)**	(53,063)
Purchase of own shares	30(b)	**(1,396)**	(77,576)
Capital injection of non-controlling interests		**32,450**	130
Payment for liquidation of subsidiaries		**(309)**	—
Net cash generated from/(used in) financing activities		**571,635**	(118,288)
Net decrease in cash and cash equivalents		**(12,262)**	(284,859)
Cash and cash equivalents at 1 January		**540,185**	823,843
Effect of foreign exchange rate changes		**(18,538)**	1,201
Cash and cash equivalents at 31 December	22(a)	**509,385**	540,185

The notes on pages 61 to 153 form part of these financial statements.

1 Significant accounting policies

(a) *Statement of compliance*

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

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

(b) *Basis of preparation of the financial statements*

The consolidated financial statements for the year ended 31 December 2020 comprise the Company and its subsidiaries and the Group's interests in associates and joint venture.

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

- equity investments (see note 1(g)); and

- derivative financial instruments (see note 1(h)).

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

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

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

1 Significant accounting policies (Continued)

(c) *Changes in accounting policies*

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

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

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

Amendments to IFRS 3, *Definition of a Business*

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

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

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

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

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

1 Significant accounting policies (Continued)

(d) *Subsidiaries and non-controlling interests*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group measures non-controlling interests at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 1(r) or (s) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss.

In the Company's statement of financial position, and investment in a subsidiary is stated at cost less impairment losses (see note 1(m)(ii)).

1 Significant accounting policies (Continued)

(e) Associates and joint ventures

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or a joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 1(m)(ii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

In the Company's statement of financial position, investments in associates and joint venture are stated at cost less impairment losses (see note 1(m)).

(f) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(m)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

1 Significant accounting policies (Continued)

(g) *Other investments in debt and equity securities*

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries and associates, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 32(f). These investments are subsequently accounted for as follows, depending on their classification.

(i) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

— amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 1(w)(v)).

— FVOCI — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

— FVPL — if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 1(w)(iv).

1 Significant accounting policies (Continued)

(h) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(i) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(l)) to earn rental income and/or for capital appreciation. Investment properties are accounted for using the cost model and stated in the statement of financial position at cost less accumulated depreciation, amortisation and impairment losses (see note 1(m)(ii)). The cost of investment property, less its estimated residual value and accumulated impairment losses, is depreciated or amortised using the straight-line method over its estimated useful life. Land in Peru is not depreciated. Rental income from investment properties is accounted for as described in note 1(w)(iii).

The estimated useful lives of investment properties are as follows:

• Land use right	40–45 years
• Buildings	25–30 years

(j) Other property, plant and equipment

Other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(m)(ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(y)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values, if any, using the straight-line method over their estimated useful lives, and is recognised in profit or loss.

1 Significant accounting policies (Continued)

(j) *Other property, plant and equipment (Continued)*

The estimated useful lives of property, plant and equipment are as follows:

• Buildings and plant	20–30 years
• Machinery and equipment	5–10 years
• Motor vehicles	5 years
• Office equipment and furniture	3–5 years

- Leasehold improvements are depreciated over the shorter of their estimated useful lives, being 3 years from the date of completion, and the unexpired terms of the lease.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Construction in progress represents property, plant and equipment items which are under construction or machinery pending for installation, which is stated at cost less impairment losses (see note 1(m)(ii)).

Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when all of the activities necessary to prepare the assets for their intended use are substantially complete. No depreciation is provided in respect of construction in progress.

(k) *Intangible assets (other than goodwill)*

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(m)(ii)).

Expenditure on internally generated brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

• Patents	7–10 years
• Computer software	5–10 years

Both the period and the method of amortisation are reviewed annually.

1 Significant accounting policies (Continued)

(l) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is depreciated over the period of lease term and subsequently stated at cost less accumulated depreciation and impairment losses (see note 1(m)(ii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

1 Significant accounting policies (Continued)

(l) Leased assets (Continued)

(i) As a lessee (Continued)

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

(m) Credit losses and impairment of assets

(i) Credit losses from financial instruments, contract assets and lease receivables

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

— financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables, including loans to associates, which are held for the collection of contractual cash flows which represent solely payments of principal and interest);

— contract assets as defined in IFRS 15 (see note 1(o)); and

— lease receivables.

Other financial assets measured at fair value, including units in equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

1 Significant accounting policies (Continued)

(m) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments, contract assets and lease receivables (Continued)

Measurement of ECLs (Continued)

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

— fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

— variable-rate financial assets: current effective interest rate;

— lease receivables: discount rate used in the measurement of the lease receivable.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables, lease receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

1 Significant accounting policies (Continued)

(m) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments, contract assets and lease receivables (Continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 1 year past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

1 Significant accounting policies (Continued)

(m) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments, contract assets and lease receivables (Continued)

Basis of calculation of interest income

Interest income recognised in accordance with note 1(w)(v) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

— the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

1 Significant accounting policies (Continued)

(m) Credit losses and impairment of assets (Continued)

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- investment properties;
- other property, plant and equipment;
- right-of-use asset;
- intangible assets;
- goodwill;
- interests in associates and joint venture; and
- investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- **Calculation of recoverable amount**

  The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- **Recognition of impairment losses**

  An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill, if any, allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use (if determinable).

1 Significant accounting policies (Continued)

(m) Credit losses and impairment of assets (Continued)

(ii) Impairment of other non-current assets (Continued)

- **Reversals of impairment losses**

  In respect of assets other than goodwill, impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

  A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(m)(i) and (ii)).

(n) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1 Significant accounting policies (Continued)

(o) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 1(w)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in note 1(m)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 1(p)).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 1(w)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 1(p)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 1(w)).

(p) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 1(o)).

Receivables are stated at amortised cost using the effective interest method, less allowance for credit losses (see note 1(m)(i)).

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 1(m)(i).

(r) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

1 Significant accounting policies (Continued)

(s) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 1(y)).

(t) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in other reserves within equity. The fair value is measured at grant date using the Binomial Option Pricing Model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to other reserves. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to other reserves) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in other reserves until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(u) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

1 Significant accounting policies (Continued)

(u) Income tax (Continued)

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

1 Significant accounting policies (Continued)

(u) *Income tax (Continued)*

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(v) *Provisions and contingent liabilities*

Provision are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(w) *Revenue and other income*

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

1 Significant accounting policies (Continued)

(w) Revenue and other income (Continued)

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sale of goods

Sales of the Group's home decoration products are recognised as follows:

— Made-to-order manufacturing and installation arrangements

The Group classifies contracts as made-to-order manufacturing and installation arrangements when the Group manufactures the products in accordance with the customer's specification and provide installation service to customers and gives a practical expedient under the contract the Group has the right to be paid for work done to date based on the installation completion percentage if the customer were to cancel the contract before the order was fully completed.

Revenue arising from made-to-order manufacturing and installation arrangements, and a corresponding contract asset (see note 1(o)), are recognised progressively over time using an appropriate proportion of the total transaction price under the contract, i.e. based on the completion of installation. The contract asset (either partially or in full) is reclassified to receivables when the entitlement to payment for that amount has become unconditional (see note 1(p)).

— Sales of other home decoration products

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods promised under the contract on a relative stand-alone selling price basis.

1 Significant accounting policies (Continued)

(w) Revenue and other income (Continued)

(ii) Trademarks and distribution network usage fees

Revenue from provision of trademarks and distribution network usage is accrued in accordance with the terms of the relevant agreements with reference to the sales volume and sales amount of the manufacturers of the home decoration products.

(iii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(iv) Dividends

— Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

— Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(v) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 1(m)(i)).

(vi) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

1 Significant accounting policies (Continued)

(x) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Group initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Renminbi ("RMB") at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(y) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(z) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or the Group's parent.

1 Significant accounting policies (Continued)

(z) Related parties (Continued)

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(aa) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 Accounting judgements and estimates

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Notes 14 and 28 contain information about the assumptions and risk factors relating to valuation of goodwill impairment, fair valuation of share options granted and financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Depreciation

Investment properties, other property, plant and equipment, and right-of-use assets are depreciated on a straight-line basis over the estimated useful lives or contractual period, after taking into account the estimated residual value. The Group reviews annually the useful life of an asset and its residual value, if any. The depreciation expense for future periods is adjusted if there are significant changes from previous estimation.

(b) Impairments

In considering the impairment losses that may be required for certain investment properties, other property, plant and equipment, goodwill, intangible assets, right-of-use assets, interests in associates and joint venture, and investments in subsidiaries in the Company's statement of financial position, recoverable amount of these assets needs to be determined. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgment relating to items such as level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is reasonable and supportable assumptions and projections of items such as revenue and operating costs.

(c) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs to completion and selling expenses. These estimates are based on the current market condition and the experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer preferences and competitor actions in response to severe industry cycle. Management reassess these estimates at each reporting period end date.

(d) Loss allowance for trade receivables and contract assets

The Group estimates the loss allowances for trade receivables and contract assets by assessing the ECL. This requires the use of estimates and judgements. ECL are based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, and an assessment of both the current and forecast general economic conditions at the end of reporting period. Where the estimation is different from the original estimate, such difference will affect the carrying amounts of trade receivables and contract assets, thus the impairment loss in the period in which such estimate is changed. The Group keeps assessing the expected credit loss of trade receivables and contract assets during their expected lives.

3 Revenue and segment reporting

(a) Revenue

The principal activities of the Group are manufacturing and sale of home decoration products and provision of trademarks and distribution network. Further details regarding the Group's principal activities are disclosed in note 3(b).

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

	2020 RMB'000	2019 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service line		
— Manufacturing and sale of flooring products		
— Sale of goods	**2,757,256**	2,507,761
— Provision of trademarks and distribution network	**107,953**	149,832
— Manufacturing and sale of customised home decoration products		
— Sale of goods	**1,060,822**	764,629
— Provision of trademarks and distribution network	**5,401**	4,564
	3,931,432	3,426,786

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in note 3(b)(i) and 3(b)(iii) respectively.

The Group's customer base is diversified and includes only one (2019: one) customer with whom transactions have exceeded 10% of the Group's revenue for the year ended 31 December 2020. In 2020, revenue from sales of home decoration products to this customer amounted to approximately RMB409,275,000 (2019: RMB438,963,000) and arose only in PRC by geographical region in which the home decoration products division is active. Details of concentrations of credit risk arising from this customer are set out in note 32(a).

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

3 Revenue and segment reporting (Continued)

(b) *Segment reporting*

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (flooring products and customised home decoration products) and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resources allocation and performance assessment. The Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Manufacturing and sale of flooring products: this segment manufactures and sells flooring products and generates licensing fee income from products manufactured by authorised manufacturers which sell flooring products under the Group's trademarks and distribution network.

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

(i) Segment results, assets and liabilities

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

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

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

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

3 Revenue and segment reporting (Continued)

(b) Segment reporting (Continued)

(i) Segment results, assets and liabilities (Continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resources allocation and assessment of segment performance for the years ended 31 December 2020 and 2019 is set out below:

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

3 Revenue and segment reporting (Continued)

(b) *Segment reporting* *(Continued)*

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

	2020 RMB'000	2019 RMB'000
Revenue		
Reportable segment revenue	**4,013,356**	3,442,358
Elimination of inter-segment revenue	**(81,924)**	(15,572)
Consolidated revenue	**3,931,432**	3,426,786

	2020 RMB'000	2019 RMB'000
Assets		
Reportable segment assets	**7,076,774**	6,317,638
Elimination of inter-segment balances	**(1,231,577)**	(1,200,393)
Elimination of receivables from corporate headquarters	**(1,040,739)**	(1,130,615)
	4,804,458	3,986,630
Cash and cash equivalents	**509,385**	540,185
Restricted deposits	**414,067**	412,611
Interests in associates and joint venture	**7,404**	7,441
Other non-current financial assets	**91,076**	76,917
Deferred tax assets	**111,321**	85,561
Unallocated head office and corporate assets	**200,645**	216,797
Consolidated total assets	**6,138,356**	5,326,142

3 Revenue and segment reporting (Continued)

(b) *Segment reporting (Continued)*

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

	2020 RMB'000	2019 RMB'000
Liabilities		
Reportable segment liabilities	**4,429,135**	4,566,765
Elimination of inter-segment balances	**(1,231,577)**	(1,200,393)
Elimination of payables to corporate headquarters	**(987,488)**	(1,352,514)
	2,210,070	2,013,858
Bank and other loans	**1,437,191**	838,549
Current taxation	**23,354**	31,948
Deferred tax liabilities	**6,639**	8,504
Unallocated head office and corporate liabilities	**25,417**	46,681
Consolidated total liabilities	**3,702,671**	2,939,540

(iii) Geographic information

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

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

4 Other income/other operating expenses

(a) Other income

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

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

(b) Other operating expenses

	2020 RMB'000	2019 RMB'000
Share of profits less losses of associates	**296**	—
Net loss on disposal of property, plant and equipment	**5,579**	1,557
Impairment loss		
— other property, plant and equipment (note 11(b))	**5,786**	37,220
— intangible asset (note 13)	**5,062**	—
— goodwill (note 14)	**1,119**	—
Depreciation and related cost of lease-out assets		
— investment properties	**7,240**	8,152
— machineries	**13,468**	8,191
Donations	**1,967**	1,484
Others	**10,172**	4,091
	50,689	60,695

5 Profit before taxation

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

(a) *Finance income and finance costs*

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

(b) *Staff costs*

	2020 RMB'000	2019 RMB'000
Salaries, wages and other benefits	**506,781**	380,726
Contributions to defined contribution retirement plan (i) (note 27)	**18,806**	17,209
Equity settled share-based payment expenses (note 28)	**—**	1,022
	525,587	398,957

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

5 Profit before taxation (Continued)

(c) Other items

	Note	2020 RMB'000	2019 RMB'000
Cost of inventories (i)	17	**2,929,828**	2,500,225
Impairment losses recognised			
— other property, plant and equipment	11(b)	**5,786**	37,220
— intangible assets	13	**5,062**	—
— goodwill	14	**1,119**	—
— long-term receivables	19(b)	**16,964**	50,210
— deposits, prepayments and other receivables	20	**47,482**	(1,428)
— trade and bills receivables and contract assets	32(a)	**34,306**	3,726
Depreciation			
— owned property, plant and equipment	11(a)	**116,169**	99,203
— right-of-use assets	12	**32,325**	23,585
Amortisation of intangible assets	13	**4,269**	3,760
Expense relating to short-term leases		**16,369**	16,781
Auditors' remuneration			
— audit services		**4,553**	5,073
— other services		**151**	1,492
Research and development costs		**9,973**	15,358

(i) For the year ended 31 December 2020, cost of inventories includes RMB303,891,000 (2019: RMB220,305,000) relating to staff costs, depreciation and amortisation expenses and lease expenses, amounts of which are also included in the respective total amounts disclosed separately above or in note 5(b) for each of these types of expenses.

6 Income tax in the consolidated statement of profit or loss

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

	2020 **RMB'000**	2019 RMB'000
Current tax		
Provision for income tax (note 29(a))	**46,032**	57,945
Provision for withholding tax	**4,026**	10,220
Under-provision/(over-provision) in respect of prior years	**557**	(544)
	50,615	67,621
Deferred tax		
Reversal of temporary differences	**(32,478)**	(4,031)
Reversal of withholding tax on retained profits (i)	**—**	(6,546)
	(32,478)	(10,577)
	18,137	57,044

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

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

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

6 Income tax in the consolidated statement of profit or loss (Continued)

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

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

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

(ii) The Group's subsidiaries incorporated in the USA were subject to federal income tax at 21% (2019: 21%) and state income tax for the year ended 31 December 2020.

(iii) The Group's subsidiaries incorporated in Hong Kong were subject to Hong Kong Profits Tax rate of 16.5% (2019: 16.5%), except that the first HKD2 million estimated assessable profits calculated at 8.25%, for the year ended 31 December 2020 (2019: 8.25%).

(iv) The Group's subsidiaries incorporated in Macau were subject to Macau Complementary Tax. The provision for Macau Complementary Tax for the years ended 31 December 2020 and 2019 is calculated at the rate of 12%, of which assessable profits of the first MOP300,000 is exempted from tax.

(v) The Group's subsidiaries incorporated in Peru were subject to income tax rates from 5% to 29.5% for the year ended 31 December 2020 (2019: 5% to 29.5%).

6 Income tax in the consolidated statement of profit or loss (Continued)

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

(vi) The statutory income tax rate applicable to the Group's subsidiaries in the PRC is 25% for the years ended 31 December 2020 and 2019 except for those set out below:

(a) Certain subsidiaries enjoy the preferential income tax rate for small enterprise of 5%–10% as at 31 December 2020 and 2019.

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

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

(vii) The Group's subsidiaries incorporated in Poland were subject to income tax rate of 19% for the year ended 31 December 2020 and 2019. One of the subsidiaries is entitled to an income tax relief up to 19% of its total qualified investment.

(viii) The Group's subsidiaries incorporated in Cambodia are recognised as Qualified Investment Project ("QIP") and is exempt from income tax for export businesses for the year ended 31 December 2020 and 2019.

7 Directors' Emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fees RMB'000	Salaries allowances, and benefits in kind RMB'000	Retirement contribution scheme RMB'000	Sub-total RMB'000	Equity settled share-based payment (i) RMB'000	2020 Total RMB'000
Chairman						
Mr. Se Hok Pan	—	2,923	—	2,923	—	2,923
Executive directors						
Ms. Un Son I	—	2,193	—	2,193	—	2,193
Mr. She Jian Bin	—	893	—	893	—	893
Non-executive directors						
Mr. Liang Zhihua	156	—	4	160	—	160
Mr. Teoh Chun Ming	168	—	—	168	—	168
Independent non-executive directors						
Professor Li Kwok Cheung, Arthur	168	—	—	168	—	168
Mr. Chan Siu Wing, Raymond	168	—	—	168	—	168
Mr. Ho King Fung, Eric	168	—	—	168	—	168
	828	6,009	4	6,841	—	6,841

7 Directors' Emoluments (Continued)

	Directors' fees RMB'000	Salaries allowances, and benefits in kind RMB'000	Retirement contribution scheme RMB'000	Sub-total RMB'000	Equity settled share-based payment (i) RMB'000	2019 Total RMB'000
Chairman						
Mr. Se Hok Pan	—	3,183	—	3,183	—	3,183
Executive directors						
Ms. Un Son I	—	2,394	—	2,394	—	2,394
Mr. She Jian Bin	—	948	—	948	57	1,005
Non-executive directors						
Mr. Liang Zhihua	179	—	4	183	95	278
Mr. Teoh Chun Ming	179	—	—	179	—	179
Independent non-executive directors						
Professor Li Kwok Cheung, Arthur	179	—	—	179	—	179
Mr. Chan Siu Wing, Raymond	179	—	—	179	—	179
Mr. Ho King Fung, Eric	179	—	—	179	—	179
	895	6,525	4	7,424	152	7,576

(i) These represent the estimated value of share options and share award granted to the directors under the Company's Share Option Scheme and Share Award Scheme. The value of these share options and share award are measured according to the Group's accounting policies for share-based payment transactions as set out in note 1(t)(ii) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting.

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share Option Schemes" and "Share Award Scheme" in the directors' report and note 28.

8 Individual with highest emoluments

Of the five individuals with the highest emoluments, two (2019: two) are directors whose emoluments are disclosed in note 7. The emoluments in respect of the other three individuals (2019: three) are as follows:

	2020 RMB'000	2019 RMB'000
Salaries and other emoluments	**4,950**	5,416
Retirement contributions scheme	**34**	48
	4,984	5,464

The emoluments of the individual three (2019: three) with the highest emoluments are within the following bands:

	Number of individuals	
Hong Kong Dollar	**2020**	2019
1,000,001–1,500,000	**1**	1
1,500,001–2,000,000	**1**	1
2,500,001–3,000,000	**1**	1

9 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit for the year attributable to equity shareholders of the Company of RMB17,899,000 (2019: RMB162,120,000) and the weighted average of 1,377,502,000 ordinary shares (2019: 1,376,554,000) in issue, calculated as follows:

Weighted average number of ordinary shares

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

9 Earnings per share (Continued)

(b) *Diluted earnings per share*

For the years ended 31 December 2020 and 2019, the effect of the Company's outstanding share options was anti-dilutive. Therefore, diluted earnings per share were the same as the basic earnings per share.

10 Other comprehensive income

Tax effects relating to each component of other comprehensive income

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

11 Investment properties, other property, plant and equipment

(a) Reconciliation of carrying amount

	Land, buildings and plant	Leasehold improvements	Machinery and equipment	Motor vehicles	Office equipment and furniture	Construction in progress	Sub-total	Investment properties	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:									
At 1 January 2019	479,040	22,105	605,246	18,040	30,014	80,601	1,235,046	205,385	1,440,431
Exchange adjustments	280	—	2,052	295	108	—	2,735	516	3,251
Additions	36,426	13,423	52,153	1,968	11,251	78,259	193,480	18,251	211,731
Transfer from construction in progress	29,985	—	17,939	122	451	(48,497)	—	—	—
Transfer to investment properties									
— Transfer from land, buildings and plant	(50,989)	—	—	—	—	—	(50,989)	50,989	—
— Transfer from right-of-use assets	—	—	—	—	—	—	—	4,025	4,025
Acquired in business combination	81,405	20	63,817	1,892	1,088	5,965	154,187	2,159	156,346
Disposals	(1,997)	—	(5,493)	(999)	(2,862)	(114)	(11,465)	—	(11,465)
At 31 December 2019	574,150	35,548	735,714	21,318	40,050	116,214	1,522,994	281,325	1,804,319
At 1 January 2020	574,150	35,548	735,714	21,318	40,050	116,214	1,522,994	281,325	1,804,319
Exchange adjustments	(8,068)	(28)	(13,057)	(1,163)	(172)	(1,717)	(24,205)	(2,690)	(26,895)
Additions	6,538	11,369	26,294	7,131	5,312	162,597	219,241	1,959	221,200
Transfer from construction in progress	86,552	—	64,969	283	607	(152,411)	—	—	—
Transfer to investment properties									
— Transfer from land, buildings and plant	(3,965)	—	—	—	—	—	(3,965)	3,965	—
— Transfer from right-of-use assets	—	—	—	—	—	—	—	6,515	6,515
Disposals	(17,965)	—	(74,199)	(1,222)	(5,038)	(4,689)	(103,113)	(10,562)	(113,675)
At 31 December 2020	637,242	46,889	739,721	26,347	40,759	119,994	1,610,952	280,512	1,891,464
Accumulated depreciation:									
At 1 January 2019	99,374	16,203	274,416	13,203	21,185	—	424,381	20,211	444,592
Exchange adjustments	6	—	674	257	34	—	971	85	1,056
Charge for the year	24,426	8,281	51,994	3,704	3,395	—	91,800	7,403	99,203
Transfer to investment properties									
— Transfer from land, buildings and plant	(6,129)	—	—	—	—	—	(6,129)	6,129	—
— Transfer from right-of-use assets	—	—	—	—	—	—	—	731	731
Disposals	(389)	—	(3,309)	(851)	(1,797)	—	(6,346)	—	(6,346)
At 31 December 2019	117,288	24,484	323,775	16,313	22,817	—	504,677	34,559	539,236
At 1 January 2020	117,288	24,484	323,775	16,313	22,817	—	504,677	34,559	539,236
Exchange adjustments	(289)	—	(4,213)	(801)	(126)	—	(5,429)	(513)	(5,942)
Charge for the year	33,190	5,622	64,576	1,694	3,847	—	108,929	7,240	116,169
Transfer to investment properties									
— Transfer from land, buildings and plant	(426)	—	—	—	—	—	(426)	426	—
— Transfer from right-of-use assets	—	—	—	—	—	—	—	1,059	1,059
Disposals	(14,242)	—	(31,116)	(781)	(1,646)	—	(47,785)	(64)	(47,849)
At 31 December 2020	135,521	30,106	353,022	16,425	24,892	—	559,966	42,707	602,673
Impairment loss:									
At 1 January 2019	11,124	—	18,007	216	471	—	29,818	—	29,818
Exchange adjustments	164	—	174	6	13	—	357	—	357
Transfer to investment properties	(16,233)	—	—	—	—	—	(16,233)	16,233	—
Charge for the year	11,193	—	25,818	—	209	—	37,220	—	37,220
At 31 December 2019	6,248	—	43,999	222	693	—	51,162	16,233	67,395
At 1 January 2020	6,248	—	43,999	222	693	—	51,162	16,233	67,395
Exchange adjustments	—	—	(1,622)	(25)	(82)	—	(1,729)	—	(1,729)
Written back on disposal	—	—	(24,836)	—	—	—	(24,836)	—	(24,836)
Charge for the year	1,883	—	3,826	—	77	—	5,786	—	5,786
At 31 December 2020	8,131	—	21,367	197	688	—	30,383	16,233	46,616
Net book value:									
At 31 December 2020	493,590	16,783	365,332	9,725	15,179	119,994	1,020,603	221,572	1,242,175
At 31 December 2019	450,614	11,064	367,940	4,783	16,540	116,214	967,155	230,533	1,197,688

11 Investment properties, other property, plant and equipment (Continued)

(a) *Reconciliation of carrying amount (Continued)*

As at 31 December 2020, certain buildings and plants with carrying value of RMB333,841,000 (2019: RMB258,401,000) and investment properties with value of RMB162,171,000 (2019: RMB169,414,000) were pledged to secure the Group's bank loans (note 25(ii)).

(b) *Impairment loss*

In 2020, certain factories and machines under-performed and the Group considered alternative plans to recover value from these factories and machines. The Group estimated the recoverable amount based on fair values less costs of disposal or value in use method depending on the management's plan for future use. As a result, an impairment loss of RMB5,786,000 (2019: RMB37,220,000) was recognised in "Other operating expenses". The Group estimated fair values less cost of disposal with reference to quotations received. For value in use estimation, the future cash inflows and outflows are derived from continuing use of the asset and using a weighted average growth rate of 7%-20% (2019: 5%-12%); and was estimated by applying a discount rate of 12% (2019: 12%) to those future cash flows. Hence, the fair value on which the recoverable amount is based on is categorised as a Level 3 measurement.

(c) *Investment property*

The Group transfer a property to investment property when change in use, where, (i) end of owner-occupation, or (ii) inception of an operating lease to another party. All properties held under operating leases that would otherwise meet the definition of investment property are classified as investment property.

The Group leased out land use rights in PRC, a piece of land located in Peru and certain buildings (classified as investment properties) in PRC, Peru and Poland under operating leases. The leases run for an initial period of one to ten years with an option to renew the lease after the date at which time all terms are renegotiated. None of the lease includes contingent rentals.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	2020 **RMB'000**	2019 RMB'000
Within 1 year	**13,369**	10,861
After 1 year but within 5 years	**32,666**	32,416
After 5 years	**3,105**	5,633
	49,140	48,910

11 Investment properties, other property, plant and equipment (Continued)

(d) *Other assets leased out under operating leases*

	Machinery and equipment RMB'000	Motor vehicles RMB'000	Office Equipment and furniture RMB'000	Total RMB'000
Cost:				
At 1 January 2019	102,956	5,462	756	109,174
Exchange adjustments	1,482	149	32	1,663
Additions	—	112	—	112
At 31 December 2019	104,438	5,723	788	110,949
At 1 January 2020	104,438	5,723	788	110,949
Exchange adjustments	(7,400)	(479)	(149)	(8,028)
Additions	21,393	285	1,500	23,178
Disposals	(22)	(106)	—	(128)
At 31 December 2020	118,409	5,423	2,139	125,971
Accumulated depreciation:				
At 1 January 2019	48,395	2,802	355	51,552
Exchange adjustments	620	108	11	739
Charge for the year	9,710	2,179	89	11,978
At 31 December 2019	58,725	5,089	455	64,269
At 1 January 2020	58,725	5,089	455	64,269
Exchange adjustments	(3,730)	(461)	(64)	(4,255)
Written back on disposal	(6)	(81)	—	(87)
Charge for the year	12,624	58	786	13,468
At 31 December 2020	67,613	4,605	1,177	73,395

11 Investment properties, other property, plant and equipment (Continued)

(d) *Other assets leased out under operating leases (Continued)*

	Machinery and equipment RMB'000	Motor vehicles RMB'000	Office Equipment and furniture RMB'000	Total RMB'000
Impairment loss:				
At 1 January 2019	5,995	602	131	6,728
Exchange adjustments	320	32	6	358
Charge for the year	6,757	—	196	6,953
At 31 December 2019	13,072	634	333	14,039
At 1 January 2020	13,072	634	333	14,039
Exchange adjustments	(1,794)	(25)	(82)	(1,901)
Written back on disposal	—	—	—	—
At 31 December 2020	11,278	609	251	12,138
Net book value:				
At 31 December 2020	39,518	209	711	40,438
At 31 December 2019	32,641	—	—	32,641

The Group leases out a number of items of other assets under operating leases. The leases typically run for an initial period of 1 to 3 years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes variable lease payments. Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods are RMB10,185,000 per annum in the next two years (2019: RMB8,304,000).

12 Right-of-use assets

	Leasehold land RMB'000	Other properties RMB'000	Total RMB'000
Cost:			
At 1 January 2020	202,742	116,261	319,003
Exchange adjustments	(2,716)	(1,058)	(3,774)
Additions	740	14,029	14,769
Disposals	—	(10,130)	(10,130)
Transfer to investment properties	(6,515)	—	(6,515)
At 31 December 2020	194,251	119,102	313,353
Accumulated depreciation:			
At 1 January 2020	21,776	58,757	80,533
Exchange adjustments	(124)	(623)	(747)
Charge for the year	6,427	25,898	32,325
Disposals	—	(8,755)	(8,755)
Transfer to investment properties	(1,059)	—	(1,059)
At 31 December 2020	27,020	75,277	102,297
Net book value:			
At 31 December 2020	167,231	43,825	211,056
At 1 January 2020	180,966	57,504	238,470

(i) Interest in leasehold land include lease prepayments represent the Group's land use rights on leasehold lands located in the PRC and Cambodia. As at 31 December 2020, right-of-use assets with net book value of RMB169,259,000 were pledged for bank and other loans (2019: RMB139,540,000) (note 25(ii)). The depreciation charge of lease prepayments for the year is included in "cost of sales" and "administrative expenses" in the consolidated statement of profit or loss.

12 Right-of-use assets (Continued)

(ii) The Group has obtained the right to use other properties as its plant and warehouses through tenancy agreements. The leases typically run for an initial period of 1 to 3 years. Lease payments are usually increased every year to reflect market rentals.

(iii) Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 22(d) and 26, respectively.

(iv) Some leases include an option to renew the lease for an additional period after the end of the contract term. Where practicable, the Group seeks to include such extension options exercisable by the Group to provide operational flexibility. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. If the Group is not reasonably certain to exercise the extension options, the future lease payments during the extension periods are not included in the measurement of lease liabilities. The potential exposure to these future lease payments is summarised below:

	Lease liabilities recognised (discounted)		**Potential future lease payments under extension options not included in lease liabilities (undiscounted)**	
	2020 RMB'000	2019 RMB'000	**2020 RMB'000**	2019 RMB'000
Warehouses	**52,250**	69,412	**125,013**	118,662

13 Intangible assets

	Patents and trademarks RMB'000	Computer software RMB'000	Total RMB'000
Cost:			
At 1 January 2019	15,242	18,086	33,328
Additions	—	1,544	1,544
Acquired in business combination	6,275	1,691	7,966
At 31 December 2019	21,517	21,321	42,838
At 1 January 2020	21,517	21,321	42,838
Exchange adjustments	—	(164)	(164)
Additions	—	1,932	1,932
Disposals	(212)	—	(212)
Acquired in business combination	—	970	970
At 31 December 2020	21,305	24,059	45,364
Accumulated amortisation:			
At 1 January 2019	10,595	8,323	18,918
Charge for the year	1,760	2,000	3,760
At 31 December 2019	12,355	10,323	22,678
At 1 January 2020	12,355	10,323	22,678
Exchange adjustments	—	(4)	(4)
Charge for the year	1,721	2,548	4,269
Disposals	(142)	—	(142)
At 31 December 2020	13,934	12,867	26,801
Impairment loss:			
At 1 January 2019, 31 December 2019 and 1 January 2020	—	—	—
Charge for the year (note 14)	5,062	—	5,062
At 31 December 2020	5,062	—	5,062
Net book value:			
At 31 December 2020	2,309	11,192	13,501
At 31 December 2019	9,162	10,998	20,160

The amortisation charge of intangible assets for the year is included in "administrative expenses" in the consolidated statement of profit or loss.

14 Goodwill

	RMB'000
Cost:	
At 31 December 2019 and 1 January 2020	11,612
Exchange reserve	(547)
At 31 December 2020	11,065
Accumulated impairment losses:	
At 31 December 2019 and 1 January 2020	—
Impairment loss	(1,119)
At 31 December 2020	(1,119)
Carrying amount:	
At 31 December 2020	9,946
At 31 December 2019	11,612

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units (CGU) identified according to country of operation and operating segment as follows:

	2020 RMB'000	2019 RMB'000
Manufacture and sale of flooring products in Cambodia	**9,946**	10,493
Manufacture and sale of floor heating system	**—**	1,119
	9,946	11,612

14 Goodwill (Continued)

Manufacture and sale of flooring products in Cambodia

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using a weighted average growth rate of 8% which is consistent with the forecasts included in industry reports. The growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates. The cash flows are discounted using a discount rate of 12%. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

Manufacture and sale of floor heating system

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using a weighted average growth rate of 3% which was estimated on the basis of the long-term inflation rate in the PRC. The growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates. The cash flows are discounted using a discount rate of 12%. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

In 2020, the change of management and the impact of weakening demand led to a loss of the Company. As a result, the Group recognised impairment loss on goodwill of RMB1,119,000 and intangible assets of RMB5,062,000. As the CGU has been reduced to its recoverable amount of RMB8,554,000, any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment losses.

(Expressed in Renminbi unless otherwise indicated)

15 Investments in subsidiaries

The following list contains only the particulars of major subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of Incorporation and Business	Particulars of issued and paid-up capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
China Wood Flooring Holding Company Limited 中國木地板控股有限公司	BVI	United States Dollars ("USD") USD2	100%	100%	—	Investment holding
Eastpro Holdings Limited 東博控股有限公司	BVI	USD1	100%	100%	—	Investment holding
Victory Land Holdings Limited 凱原控股有限公司	BVI	USD1	100%	100%	—	Investment holding
Henan Hengda Nature Home Company Limited 河南恒大大自然家居有限公司 (ii) (iv)	the PRC	RMB130,000,000	60%	—	60%	Wood flooring manufacturing
Jiangxi Yingran Wood Industry Co., Ltd. 江西盈然地板有限公司 (i) (iv)	the PRC	USD10,000,000	100%	—	100%	Wood flooring manufacturing
Yingyi-Nature (Kunshan) Wood Industry Co., Ltd. 昆山盈意大自然木業有限公司 (i) (iv)	the PRC	USD9,600,000	100%	—	100%	Wood flooring manufacturing
Nature (Zhongshan) Wood Industry Co., Ltd. 中山市大自然木業有限公司 (i) (iv)	the PRC	USD7,650,000	100%	—	100%	Wood flooring manufacturing
Guangxi Baijing Flooring Co., Ltd. 廣西柏景地板有限公司 (ii) (iv)	the PRC	RMB13,800,000	100%	—	100%	Wood flooring manufacturing
Nature Green Co., Ltd. 中山市大自然格瑞新型材料有限公司 (i) (iv)	the PRC	RMB9,000,000	85%	—	85%	WPC flooring manufacturing
Nature Home (China) Co., Ltd. 大自然家居 (中國) 有限公司 (i) (iv)	the PRC	RMB50,000,000	100%	—	100%	Trading of flooring products
Jiang Xi Nature Home Co., Ltd. 江西省大自然家居有限公司 (ii) (iv)	the PRC	USD200,000	100%	—	100%	Trading of flooring products
Nature Desenberg (Taizhou) Wood Industry Co., Ltd. 泰州大自然德森堡木業有限公司 (i) (iv)	the PRC	USD20,000,000	100%	—	100%	Wood doors manufacturing
Guangdong Yingran Wood Industry Co., Ltd. 廣東盈然木業有限公司 (i) (iv)	the PRC	USD9,000,000	100%	—	100%	Wood doors manufacturing
Taizhou Nature Home Co., Ltd. 泰州大自然家居有限公司 (i) (iv)	the PRC	RMB245,953,656	100%	—	100%	Wardrobe and cabinet manufacturing
Zhongshan Yingde Nature Home Co., Ltd. 中山盈德大自然家居有限公司 (i) (iv)	the PRC	USD5,000,000	100%	—	100%	Wardrobe and cabinet manufacturing
Guangxi Nature Bigao Gaoxin Decoration Material Company Limited 廣西大自然壁高高新裝飾材料有限公司 (i) (iv)	the PRC	RMB42,300,000	100%	—	100%	Properties leasing
Foshan Shunde Nature Investment Management Co., Ltd 佛山市順德區大自然投資管理有限公司 (ii) (iv)	the PRC	RMB50,000,000	50%	—	50%	Properties leasing

(Expressed in Renminbi unless otherwise indicated)

15 Investments in subsidiaries (Continued)

Name of company	Place of Incorporation and Business	Particulars of issued and paid-up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Foshan Nature Green Technology Co., Ltd 佛山市大自然綠客科技有限公司 (i) (iv)	the PRC	RMB35,897,400	82.88%	—	82.88%	Provision of home decoration services
Foshan Nature Zhihuijia Technology Company limited 佛山市大自然智慧家科技有限公司 (ii) (iv)	the PRC	RMB10,000,000	62.16%	—	75%	Trading of home decoration products
Guangdong Shunde Weide Chuangtong Intelligence Technology Co., Ltd. 廣東順德偉德創通智能科技有限公司 (ii) (iv)	the PRC	RMB10,203,000	50.99%	—	50.99%	Floor heating products manufacturing
Yield City Limited 亦城有限公司	Macau	MOP50,000	100%	—	100%	Investment holding and trading of flooring products
Nature Flooring Hong Kong Limited 大自然地板香港有限公司	Hong Kong	HKD100	100%	—	100%	Investment holding and trading of flooring products
Nature Wood (Peru) S.A.C.	Peru	PEN500,000	100%	—	100%	Properties and equipment leasing
Contrato De Compra Venta De Peruvian Flooring S.A.C.	Peru	PEN10,000	100%	—	100%	Properties and equipment leasing
Nature Flooring Industries Inc.	USA	USD10,000	100%	—	100%	Trading of flooring products
Woodin Wood (Cambodia) Co., Ltd. ("Woodin")	Cambodia	USD10,815,750	51%	—	51%	Wood flooring manufacturing
Nature Flooring (Cambodia) Co., Ltd.	Cambodia	USD3,000,000	100%	—	100%	SPC flooring manufacturing
Prowood (Cambodia) Flooring Co., Ltd.	Cambodia	USD1,000,000	75%	—	75%	Wood flooring manufacturing
Baltic Wood S.A. ("Baltic")	Poland	PLN10,000,000	100%	—	100%	Wood flooring manufacturing
Boville Investments sp.z.o.o	Poland	PLN5,000	100%	—	100%	Investment holding

(i) These are wholly foreign-owned enterprises in the PRC.

(ii) These are limited liability companies in the PRC.

(iii) The Group holds 50% share of Foshan Shunde Nature Investment Management Co., Ltd., but contractually agree with other parties to control of the arrangement and, therefore, it has been accounted for as a subsidiary.

(iv) The official names of these companies are in Chinese. The English translation of these companies' names is for reference only.

The directors consider that no individual non-controlling interest is material to the Group as at 31 December 2020 or 2019.

16 Other financial assets

	Note	**2020 RMB'000**	2019 RMB'000
Designated as FVOCI (non-recycling)	(c)		
— Unlisted		**81,583**	750
— Listed		**9,493**	76,167
		91,076	76,917

(a) *Equity securities designated as fair value through other comprehensive income*

	Equity securities RMB'000
Balance at 1 January 2019	84,038
Disposals	(11,000)
Change in fair value recognised in other comprehensive income (note 10)	3,260
Exchange difference	619
Balance at 31 December 2019	76,917
Balance at 1 January 2020	76,917
Additions	25,000
Disposals	(13,073)
Change in fair value recognised in other comprehensive income (note 10)	2,252
Exchange difference	(20)
Balance at 31 December 2020	91,076

(b) *Disposals*

Disposals mainly include investments in real estate industry and home decoration business.

(c) *Change in fair value recognised in other comprehensive income*

The fair value measurement for listed equity securities that were designated as FVOCI (non-recycling) has been categorised as Level 1 fair value: unadjusted quoted price in active markets for identical assets or liabilities at the measurement date, as defined in IFRS 13, *Fair value measurement*. During the year ended 31 December 2020, there were no transfers between Level 1 and Level 2.

17 Inventories

	2020 RMB'000	2019 RMB'000
Raw materials	**136,081**	138,614
Work in progress	**153,203**	161,499
Finished goods	**487,268**	407,414
Spare parts and consumables	**34,835**	36,120
	811,387	743,647

As at 31 December 2020, inventories in amount of RMB24,533,000 (2019: RMB33,136,000) are used to secure bank loans (note 25(ii)).

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2020 RMB'000	2019 RMB'000
Carrying amount of inventories sold	**2,890,015**	2,482,631
Write down of inventories	**39,813**	17,594
	2,929,828	2,500,225

18 Contract assets and contract liabilities

(a) Contract assets

	2020 RMB'000	2019 RMB'000
Contract assets		
Arising from performance under made-to-order manufacturing arrangements	**251,296**	123,622

18 Contract assets and contract liabilities (Continued)

(a) *Contract assets (Continued)*

Typical payment terms which impact on the amount of contract assets recognised are as follows:

— Made-to-order manufacturing and installation arrangements

The Group's made-to-order manufacturing and installation arrangements include payment schedules which require stage payments over the installation period once milestones are reached. These payment schedules prevent the build-up of significant contract assets. The Group also typically agrees to a two to three year retention period from range 3%–5% of the contract value. This amount is included in contract assets until the end of the retention period as the Group's entitlement to this final payment is conditional on the Group's work satisfactorily passing inspection.

There was no revenue recognised during the year from performance obligations satisfied (or partially satisfied) in previous periods.

Contract assets that is expected to be recovered after more than one year is RMB29,323,000 (2019: RMB28,293,000), all of which relates to retentions.

(b) *Contract liabilities*

	2020 **RMB'000**	2019 RMB'000
Contract liabilities		
Made-to-order manufacturing and installation arrangements — Billing in advance of performance	**34,484**	49,470
Sales of other home decoration products — Billing in advance of performance	**94,610**	82,734
	129,094	132,204

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

— Made-to-order manufacturing and installation arrangements

When the Group receives a deposit before the production activity commences this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the project exceeds the amount of the deposit. The amount of the deposit, if any, was negotiated on a case by case basis with customers.

18 Contract assets and contract liabilities (Continued)

(b) *Contract liabilities (Continued)*

Typical payment terms which impact on the amount of contract liabilities recognised are as follows: (Continued)

— Sales of other home decoration products

The Group receives 10% of the contract value as a deposit from customers when they sign the sale and purchase agreement. This deposit is recognised as a contract liability until the properties are completed and legally assigned to the customer. The rest of the consideration is typically paid when legal assignment is completed.

Movements in contract liabilities

	2020 RMB'000	2019 RMB'000
Balance at 1 January	**132,204**	86,759
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(384,905)**	(359,017)
Increase in contract liabilities as a result of receiving forward sales deposits and instalments during the year	**381,795**	404,462
Balance at 31 December	**129,094**	132,204

All of forward sales deposits and instalments received is expected to be recognised as income within one year.

19 Trade and bills receivables

(a) *Trade and bills receivables comprises:*

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

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

19 Trade and bills receivables (Continued)

(a) *Trade and bills receivables comprises: (Continued)*

As at 31 December 2020, trade receivables of RMB169,083,000 (2019: RMB11,099,000) was pledged to secure bank and other loans obtained by the Group (note 25(ii)).

Ageing analysis

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

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

Trade receivables and bills receivables are due within 30 to 365 days from the date of billing. Further details on the Group's credit policy are set out in note 32(a).

(b) *Long-term receivables comprise:*

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

19 Trade and bills receivables (Continued)

(b) Long-term receivables comprise: *(Continued)*

(i) As at the end of 2018, the Group entered into a repayment agreement with certain clients in Peru for receivables amounting to RMB78,669,000 to extended settlement date to the year 2019 and 2020 respectively. These receivables were discounted at a rate of 10%, which is equivalent to the official borrowing rate announced by the Central Bank of Peru and reclassified to long-term receivables. The present value amounting to RMB70,758,000 were recorded as long-term receivables at 31 December 2018.

(ii) For the year ended 31 December 2019 and 2020, those customers only settled first payment of RMB5,705,000 according to the repayment agreement but those customers were default in further repayment. The credit risk of these receivables significantly increased. As a result, a lifetime expected credit loss of RMB50,210,000 and RMB16,964,000 is recognised in "impairment loss of receivables" of 2019 and 2020 respectively.

20 Deposits, prepayments and other receivables

	2020 **RMB'000**	2019 RMB'000
Deposits	**42,364**	20,248
Prepayments for purchase of raw materials	**52,405**	57,114
Prepayments for purchase of plant and equipment	**24,813**	61,830
Lease prepayments	**28,168**	—
Value added tax deductible	**56,297**	68,642
Other prepayments and receivables	**163,707**	132,372
Interest receivables	**7,338**	2,532
Less: loss allowance	**(55,292)**	(9,903)
	319,800	332,835

20 Deposits, prepayments and other receivables (Continued)

Movement in the loss allowance account in respect of analysis of deposits, prepayments and other receivables during the year is as follows:

	2020 RMB'000	2019 RMB'000
Balance at 1 January	**9,903**	12,607
Amounts written off during the year	**(2,093)**	(1,276)
Impairment losses recognised during the year (i)	**49,268**	1,141
Reversal of impairment loss	**(1,786)**	(2,569)
Balance at 31 December	**55,292**	9,903

(i) The Group recognised impairment loss on deposits, prepayments and other receivables when debtors' ability of repayment was low and with no realistic prospect of recovery. Due to the impact of COVID-19 pandemic since early 2020, there has been an increasing number of debtors facing financial difficulties. The Group recognised impairment loss on deposits, prepayments and other receivables of RMB49,268,000 (2019: RMB1,141,000).

An analysis of current and non-current portion of deposits, prepayments and other receivables is as follows:

	2020 RMB'000	2019 RMB'000
Non-current	**52,473**	61,650
Current	**267,327**	271,185
	319,800	332,835

All of deposits, prepayments and other receivables, apart from those classified as non-current portion, and certain deposits RMB11,709,000 (2019: RMB8,735,000), are expected to be recovered or recognised as expense within one year.

21 Restricted deposits

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

	2020 RMB'000	2019 RMB'000
Bank loans (note 25(ii))	**182,984**	164,700
Others	**231,083**	247,911
	414,067	412,611

Others mainly represented deposits placed in the financial institutions in the PRC for security of certain sales contracts and bidding transactions as required by the counter parties.

22 Cash and cash equivalents and other cash flow information

(a) *Cash and cash equivalents comprise:*

	2020 RMB'000	2019 RMB'000
Cash at bank and on hand	**509,385**	540,185

At 31 December 2020, cash and cash equivalents placed with banks in the PRC amounted to RMB421,548,000 (2019: RMB470,530,000). Remittance of funds out of the PRC is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

22 Cash and cash equivalents and other cash flow information (Continued)

(b) Reconciliation of profit before taxation to cash (used in)/generated from operations:

	Note	2020 RMB'000	2019 RMB'000
Profit before taxation		**32,355**	210,987
Adjustments for:			
Depreciation of:			
— investment properties, other properties, plant and equipment	11(a)	**116,169**	99,203
— right-of-use assets	12	**32,325**	23,585
Amortisation of intangible assets	13	**4,269**	3,760
Net finance costs	5(a)	**92,097**	46,985
Impairment loss of:			
— property, plant and equipment	11(b)	**5,786**	37,220
— intangible asset	13	**5,062**	—
— goodwill	14	**1,119**	—
Gain on bargain purchase	4(a)	**—**	(54,734)
Dividend income from investments	4(a)	**(1,923)**	(4,746)
Net loss on disposal of property, plant and equipment	4(b)	**5,579**	1,557
Share of profits less losses of associates and joint venture	4(a)/4(b)	**296**	(175)
Equity settled share-based payment transactions	28(b)	**—**	1,022
Changes in working capital:			
Increase in inventories		**(67,740)**	(177,630)
Increase in trade and bills receivables		**(761,388)**	(427,238)
Decrease in deposits, prepayments and other receivables		**19,161**	3,984
Increase in trade and bills payables		**191,171**	413,761
Increase in deposits received, accruals and other payables		**27,532**	17,140
Cash (used in)/generated from operations		**(298,130)**	194,681

22 Cash and cash equivalents and other cash flow information (Continued)

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank and other loans RMB'000 (Note 25)	Lease liabilities RMB'000 (Note 26)	Total RMB'000
At 1 January 2020	838,549	69,412	907,961
Changes from financing cash flows:			
Proceeds from bank and other loans	1,597,673	—	1,597,673
Repayment of bank and other loans	(943,036)	—	(943,036)
Capital element of lease rentals paid	—	(29,652)	(29,652)
Interest element of lease rentals paid	—	(3,491)	(3,491)
Other borrowing costs paid	(79,148)	—	(79,148)
Total changes from financing cash flows	575,489	(33,143)	542,346
Changes from operating and investing cash flows:			
Grants from letter of credit	(42,586)	—	(42,586)
Total changes from operating and investing cash flows	532,903	(33,143)	499,760
Exchange adjustments	(13,409)	—	(13,409)
Other changes:			
Interest expenses	79,148	3,491	82,639
Increase in lease liabilities from entering into new leases during the year	—	14,769	14,769
Decrease in lease liabilities from terminating leases during the year	—	(884)	(884)
Total other changes	79,148	17,376	96,524
At 31 December 2020	1,437,191	53,645	1,490,836

22 Cash and cash equivalents and other cash flow information (Continued)

(c) *Reconciliation of liabilities arising from financing activities (Continued)*

	Bank and other loans RMB'000 (Note 25)	Lease liabilities RMB'000 (Note 26)	Total RMB'000
At 1 January 2019	700,403	47,851	748,254
Changes from financing cash flows:			
Proceeds from bank and other loans	745,635	—	745,635
Repayment of bank and other loans	(677,914)	—	(677,914)
Capital element of lease rentals paid	—	(19,194)	(19,194)
Interest element of lease rentals paid	—	(3,460)	(3,460)
Other borrowing costs paid	(53,063)	—	(53,063)
Total changes from financing cash flows	14,658	(22,654)	(7,996)
Changes from operating and investing cash flows:			
Grants from letter of credit	22,331	—	22,331
Total changes from operating and investing cash flows	36,989	(22,654)	14,335
Exchange adjustments	5,115	—	5,115
Other changes:			
Interest expenses	53,063	3,460	56,523
Increase in lease liabilities from entering into new leases during the year	—	37,889	37,889
Acquired in business combination	42,979	2,866	45,845
Total other changes	96,042	44,215	140,257
At 31 December 2019	838,549	69,412	907,961

22 Cash and cash equivalents and other cash flow information (Continued)

(d) *Total cash outflow for leases*

Amounts included in the cash flow statement for leases comprise the following:

	2020 **RMB'000**	2019 RMB'000
Within operating cash flows	**16,369**	16,781
Within financing cash flows	**33,143**	22,654
	49,512	39,435

These amounts relate to the following:

	2020 **RMB'000**	2019 RMB'000
Lease rentals paid	**49,512**	39,435

23 Trade and bills payables

	2020 RMB'000	2019 RMB'000
Trade creditors	**1,042,257**	809,196
Bills payables	**571,796**	580,866
	1,614,053	1,390,062

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

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

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

24 Deposits received, accruals and other payables

	2020 RMB'000	2019 RMB'000
Accrued staff costs	**86,553**	64,166
Deposits received from customers	**71,406**	61,510
Amount due to non-controlling shareholders	**50,754**	47,759
Accrued transportation fees	**38,908**	30,085
Value added tax and consumption tax payable	**46,237**	49,646
Payables for purchase of property, plant and equipment	**28,826**	53,670
Accrued advertising fee	**8,355**	15,313
Consideration payables	**7,230**	36,110
Other payables and accruals	**100,426**	110,602
	438,695	468,861

All of the deposits received, accruals and other payables are expected to be settled within one year or are repayable on demand.

25 Bank and other loans

At 31 December 2020, the bank and other loans were repayable as follows:

	2020 RMB'000	2019 RMB'000
Non current		
Bank loans		
— After 1 year but within 2 years	**142,898**	—
— After 2 years but within 5 years	**24,390**	296,077
	167,288	296,077
Current		
Bank loans	**1,264,762**	542,472
Other loans	**5,141**	—
	1,269,903	542,472
	1,437,191	838,549

25 Bank and other loans (Continued)

At 31 December 2020, the bank and other loans were secured as follows:

	2020 RMB'000	2019 RMB'000
Bank loans (i)		
Secured	**956,144**	665,964
Unsecured	**475,906**	172,585
Sub-total	**1,432,050**	838,549
Other loan (i)		
Secured	**5,141**	—
Total	**1,437,191**	838,549

(i) At 31 December 2020, the Group has secured bank and other loans amounting to approximately RMB956,144,000 (31 December 2019: RMB665,964,000), of which:

— approximately RMB106,842,000 (31 December 2019: RMB108,842,000) of secured bank loans were secured by assets of the Group and guaranteed by certain joint venture partners on the joint and several guarantees;

— approximately RMB129,967,000 (31 December 2019: RMB57,788,000) of secured bank loans were secured by 100% equity interest of a subsidiary;

— approximately RMB719,335,000 (31 December 2019: RMB499,334,000) of secured bank loans (the "collateral loans") were solely secured by assets of the Group;

— approximately RMB5,141,000 (31 December 2019: nil) of other loans were secured by trade receivables of the Group.

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

	2020 RMB'000	2019 RMB'000
Investment properties (note 11)	**162,171**	169,414
Other property, plant and equipment (note 11)	**333,841**	258,401
Right-of-use assets (note 12)	**169,259**	139,540
Inventories (note 17)	**24,533**	33,136
Trade receivables (note 19(a))	**169,083**	11,099
Restricted deposits (note 21)	**182,984**	164,700
	1,041,871	776,290

25 Bank and other loans (Continued)

(iii) Part of the Group's banking facilities, amounted to RMB906,264,000 (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. At 31 December 2020 and 31 December 2019, none of the covenants relating to drawn down facilities had been breached except as described below:

At 31 December 2020, the covenants relating to drawn down facilities amounted to RMB117,824,000 due in 2024 had been breached. Accordingly, such bank loans amounted to RMB85,305,000 became payable on demand and have been classified as current in nature as at 31 December 2020. The Group regularly monitors its compliance with these covenants and continuously manages its liquidity to satisfy daily operation. Further details of the Group's management of liquidity risk are set out in note 32(b).

(iv) The unutilised banking facilities as at 31 December 2020 amounted to RMB831,143,000 (2019: RMB418,648,000).

26 Lease liabilities

At 31 December 2020, the lease liabilities were repayable as follows:

	2020 **RMB'000**	2019 RMB'000
Within 1 year	**26,033**	26,667
After 1 year but within 2 years	**16,861**	22,108
After 2 years but within 5 years	**9,690**	19,023
After 5 years	**1,061**	1,614
	27,612	42,745
	53,645	69,412

27 Employee retirement benefits

Defined contribution retirement plan

The employees of the companies in the PRC participate in a defined contribution retirement scheme operated by the local government authorities whereby the Group is required to contribute to the scheme at rate of 12% to 20% of the eligible employees' monthly salary.

The local government authorities are responsible for the entire pension obligations payable to the retired employees.

Contributions to the Mandatory Provident Fund ("MPF") are required under the Hong Kong Mandatory Provident Fund Schemes Ordinance. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HKD30,000.

In accordance with the general regime of The Social Security System, which enrols Macau SAR residents in, employees and employers are required to make obligatory contribution to the Social Security Fund. The current contribution amounts for long-term employee are MOP90 per month (the employer's portion: MOP60; the employee's portion: MOP30), paid on a quarterly basis, i.e. for the preceding quarter paid in January, April, July and October.

According to the relevant regulations regarding the social security system in Poland, both employees and employers required to make obligatory contribution to the system, which the current contribution of employer range from 19.21% to 22.31%.

The Group's contributions to the defined contribution plans are expensed as incurred and not reduced by contributions forfeited by those employees who leave the plans prior to vesting fully in the contributions.

The Group has no other material obligation for the payment of pension benefits beyond the contributions described above.

28 Equity settled share-based transactions

(a) Share Option Schemes

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.

Plans	Date of grant	Batch	Numbers of options granted	Vesting period	Exercise price (HKD)	Contractual life of options	Remaining contractual life
Options granted to employees:							
Post-IPO Plan	4 January 2012	Batch 10	58,000,000	4 January 2012 to 4 January 2015	1.45	10 years	1.02 years
	8 October 2013	Batch 11	31,500,000	8 October 2013 to 8 October 2016	1.61	10 years	2.78 years
Options granted to directors:							
Post-IPO Plan	4 January 2012	Batch 10	10,000,000	4 January 2012 to 4 January 2015	1.45	10 years	1.02 years
		Total	99,500,000				

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

	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 year	**1.73**	**88,800**	1.73	90,401
Forfeited during the year	**1.48**	**(4,000)**	1.61	(1,601)
Expired during the year	**3.38**	**(12,000)**	—	—
Outstanding at the end of the year	**1.47**	**72,800**	1.73	88,800
Exercisable at the end of the year	**1.47**	**72,800**	1.73	88,800

No options were exercised during the year ended 31 December 2020 (2019: Nil).

28 Equity settled share-based transactions (Continued)

(a) *Share Option Schemes (Continued)*

During the year ended 31 December 2020, the Group reversed RMB2,029,000 (2019: RMB1,004,000) in respect of forfeited share options from several resigned staffs.

During the year ended 31 December 2020, the Group reversed RMB14,379,000 (2019: nil) in respect of expired share options under the Pre-IPO Plan.

(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 was vested on 31 March 2019. Thus, no share award expenses recognised during the year ended 31 December 2020 (2019: RMB1,022,000).

During the year ended 31 December 2020, the Group sold 2,210,000 ordinary shares, which were forfeited under the Share Award Scheme during the year ended 31 December 2017 and held as other treasury share. The total amount received on the sales shares of is RMB1,891,000.

29 Income tax in the consolidated statement of financial position

(a) *Current taxation in the consolidated statement of financial position represents:*

	2020 **RMB'000**	2019 RMB'000
At 1 January	**31,948**	16,659
Provision for income tax (note 6(a))	**46,032**	57,945
Provision for dividend withholding tax (note 6(a))	**4,026**	10,220
Under-provision/(over-provision) in respect of prior years (note 6(a))	**557**	(544)
PRC income tax paid	**(54,118)**	(43,027)
Withholding tax paid	**(5,091)**	(9,305)
At 31 December	**23,354**	31,948

29 Income tax in the consolidated statement of financial position (Continued)

(b) *Deferred tax assets and liabilities recognised:*

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Inventories RMB'000	Credit loss allowance RMB'000	Measurement of investment RMB'000	Income tax credit (i) RMB'000	Change in fair value of equity securities RMB'000	Lease RMB'000	Other property, plant and equipment RMB'000	Intangbile assets RMB'000	Accrued expense RMB'000	Provision of withholding tax on retained profits RMB'000	Total RMB'000
Balance at 1 January 2019	15,691	18,366	422	—	(648)	525	(2,561)	—	281	(6,546)	25,530
Credited/(charged) to profit or loss	4,511	(1,374)	(49)	—	—	865	(31)	145	(36)	6,546	10,577
Other comprehensive income	—	—	—	—	1,536	—	—	—	—	—	1,536
Acquisition of subsidiaries	1,379	—	—	30,866	—	(958)	9,696	(1,569)	—	—	39,414
Balance as at 31 December 2019	21,581	16,992	373	30,866	888	432	7,104	(1,424)	245	—	77,057
Balance at 1 January 2020	21,581	16,992	373	30,866	888	432	7,104	(1,424)	245	—	77,057
Credited/(charged) to profit or loss	13,146	16,962	74	(4,076)	—	(250)	5,122	1,424	76	—	32,478
Other comprehensive income	—	—	—	—	(2,562)	—	—	—	—	—	(2,562)
Exchange adjustments	(96)	—	—	(1,422)	—	51	(824)	—	—	—	(2,291)
Balance as at 31 December 2020	34,631	33,954	447	25,368	(1,674)	233	11,402	—	321	—	104,682

(i) One of the Group's subsidiaries located in a special economic zone in Poland. The special economic zone offered an income tax credit to the subsidiary which accounting to certain portion of its investment amount in the special economic zone and is allowed to offset income tax obligation thereafter. Thus, the income tax credit expected to be utilized was recognized as deferred tax asset.

29 Income tax in the consolidated statement of financial position (Continued)

(b) *Deferred tax assets and liabilities recognised: (Continued)*

(ii) Reconciliation to the consolidated statement of financial position

	2020 **RMB'000**	2019 RMB'000
Net deferred tax assets recognised	**111,321**	85,561
Net deferred tax liabilities recognised	**(6,639)**	(8,504)
	104,682	77,057

(c) *Deferred tax assets not recognised*

No deferred tax assets have been recognised in respect of unused tax losses from certain subsidiaries as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. All the tax losses, apart from those in the PRC and Peru, which have expiration periods of 5 and 4 years respectively, do not expire under current tax legislation. As at the end of the reporting period, unused tax losses that:

	2020 **RMB'000**	2019 RMB'000
Expire by		
31 December 2021	**9,428**	44,662
31 December 2022	**29,515**	21,639
31 December 2023	**52,116**	36,323
31 December 2024	**41,175**	64,062
31 December 2025	**61,167**	46,085
Sub-total	**193,401**	212,771
Unexpired under current tax legislation	**449,902**	387,719
Total	**643,303**	600,490

29 Income tax in the consolidated statement of financial position (Continued)

(d) Deferred tax liabilities not recognised

During the year ended 31 December 2020, certain PRC subsidiaries of the Company distributed profit of RMB73,050,000 (2019: RMB100,000,000) to their holding companies in Hong Kong and recognised provision for withholding tax at the rate of 10% or 5% (where preferential tax rate is applicable). At 31 December 2020, no deferred tax liabilities of (2019: nil) was recognised in respect of the dividend withholding tax relating to the undistributed profits of the Company's subsidiaries, as the Company controls the dividend policy of these subsidiaries.

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

	2020 **RMB'000**	2019 RMB'000
Distributable profits earned by PRC subsidiaries on or after 1 January 2008	**1,753,247**	1,668,227

As all of the Company's PRC subsidiaries are directly or indirectly owned by a Hong Kong or Macau incorporated subsidiary which is or is not a qualified tax resident, a rate of 5% or 10% is applicable to the PRC dividend withholding tax. Pursuant to the Corporate Income Tax Law of Peru, Cambodia and Poland, overseas investors of the domiciled legal entities shall be liable for withholding income tax at 6.8%, 14% and 19%.

30 Share capital

(a) Issued and fully paid

	Ordinary shares		
	Number of ordinary shares	**Nominal value of fully paid ordinary shares USD'000**	**Nominal value of fully paid ordinary shares RMB'000**
As at 1 January 2020	**1,379,381,990**	**1,379**	**8,998**
Shares repurchased and cancelled	**(1,598,000)**	**(2)**	**(11)**
As at 31 December 2020	**1,377,783,990**	**1,377**	**8,987**

	Ordinary shares		
	Number of ordinary shares	Nominal value of fully paid ordinary shares USD'000	Nominal value of fully paid ordinary shares RMB'000
As at 1 January 2019	1,437,381,990	1,437	9,391
Shares repurchased and cancelled	(58,000,000)	(58)	(393)
As at 31 December 2019	1,379,381,990	1,379	8,998

30 Share capital (Continued)

(b) *Purchase of own shares*

During 2020 and 2019, the Company repurchased its own shares on The Stock Exchange of Hong Kong Limited as follows:

Month/year	Number of shares repurchased	Highest price paid per share HKD	Lowest price paid per share HKD	Aggregate price paid RMB'000
Aug 2020	**1,598,000**	**1.00**	**0.94**	**1,396**
	1,598,000			**1,396**

Month/year	Number of shares repurchased	Highest price paid per share HKD	Lowest price paid per share HKD	Aggregate price paid RMB'000
Jan 2019	58,000,000	1.55	1.54	77,576
	58,000,000			77,576

The repurchase was governed by section 257 of the Hong Kong Companies Ordinance. The total amount paid on the repurchased shares of RMB1,396,000 (2019: RMB77,576,000) was paid wholly out of retained profits.

31 Reserves

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital RMB'000 (Note 30)	Share premium RMB'000 (Note 31(d))	Share held for the Share Award Scheme RMB'000 (Note 28(b))	Other treasury Shares RMB'000 (Note 28(b))	Capital redemption reserve RMB'000 (Note 31(e))	Exchange reserve RMB'000 (Note 31(b))	Fair value reserve (non-recycling) RMB'000 (Note 31(g))	Other reserves RMB'000	(Accumulated loss)/retained profits RMB'000	Total equity RMB'000
At 31 December 2019	**8,998**	**837,796**	**—**	**(2,382)**	**84**	**38,981**	**8,040**	**366,281**	**(5,832)**	**1,251,966**
Changes in equity for the year ended 31 December 2020										
Profit for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**4,856**	**4,856**
Other comprehensive income	**—**	**—**	**—**	**—**	**—**	**(77,139)**	**(7,997)**	**—**	**—**	**(85,136)**
Total comprehensive income	**—**	**—**	**—**	**—**	**—**	**(77,139)**	**(7,997)**	**—**	**4,856**	**(80,280)**
Share options cancelled during the year (note 28(a))	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(14,379)**	**14,379**	**—**
Share options forfeited during the year (note 28(a))	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(2,029)**	**2,029**	**—**
Disposal financial assets	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**649**	**649**
Sales of treasury shares (note 28(b))	**—**	**(491)**	**—**	**2,382**	**—**	**—**	**—**	**—**	**—**	**1,891**
Purchase and cancel of own shares (note 30(b))	**(11)**	**(1,385)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(1,396)**
At 31 December 2020	**8,987**	**835,920**	**—**	**—**	**84**	**(38,158)**	**43**	**349,873**	**16,081**	**1,172,830**

	Share capital RMB'000 (Note 30)	Share premium RMB'000 (Note 31(d))	Share held for the Share Award Scheme RMB'000 (Note 28(b))	Other treasury Shares RMB'000 (Note 28(b))	Capital redemption reserve RMB'000 (Note 31(e))	Exchange reserve RMB'000 (Note 31(b))	Fair value reserve (non-recycling) RMB'000 (Note 31(g))	Other reserves RMB'000	(Accumulated loss)/retained profits RMB'000	Total equity RMB'000
At 31 December 2018	9,391	917,853	(16,833)	(2,382)	84	15,313	(1,361)	380,222	3,245	1,305,532
Changes in equity for the year ended 31 December 2019										
Loss for the year	—	—	—	—	—	—	—	—	(10,081)	(10,081)
Other comprehensive income	—	—	—	—	—	23,668	9,401	—	—	33,069
Total comprehensive income	—	—	—	—	—	23,668	9,401	—	(10,081)	22,988
Share options forfeited during the year (note 28(a))	—	—	—	—	—	—	—	(1,004)	1,004	—
Equity settled Share Award Scheme (note 28(b))	—	(2,874)	16,833	—	—	—	—	(12,937)	—	1,022
Purchase and cancellation of own shares (note 30(b))	(393)	(77,183)	—	—	—	—	—	—	—	(77,576)
At 31 December 2019	8,998	837,796	—	(2,382)	84	38,981	8,040	366,281	(5,832)	1,251,966

31 Reserves (Continued)

(a) Statutory surplus reserve

(i) According to the current PRC Company Law, the Group's subsidiaries established and operated in the PRC are required to transfer 10% of their profit after taxation to statutory surplus reserve until the surplus reserve balance reaches 50% of the registered capital. For the purpose of calculating the transfer to reserve, the profit after taxation shall be the amount determined based on the statutory financial statements prepared in accordance with PRC accounting standards. The transfer to this reserve has to be made before distribution of dividend by these entities.

The statutory reserve can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase capital of the subsidiary, provided that the balance after such issue is not less than 25% of its registered capital.

(ii) The Macau Commercial Code requires that a company should set aside a minimum of 25% of the company's profit after taxation to the legal reserve until the balance of the reserve reaches 50% of the company's paid-in capital. The reserve can be utilised to offset accumulated losses, if any, and for capitalisation issue.

(iii) The Peru Corporation Law requires that a company should set aside a minimum of 10% of the company's profit after taxation to the legal reserve until the balance equal to 20% of the paid-in capital. The reserve can be used to offset future net losses.

(b) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations with functional currencies other than the RMB presentation currency.

(c) Other reserves

The Group's other reserves mainly comprise 1) equity settled share-based transactions; 2) capital contributions; 3) reserve arising from reorganisation.

The equity settled share-based transactions represent the cumulative value of the equity settled share options granted to employees recognised in accordance with the accounting policy adopted for share-based payments in note 1(t)(ii).

31 Reserves (Continued)

(d) *Share premium*

Under the Companies Law of the Cayman Islands, the funds in the Company's share premium account are distributable to the equity shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(e) *Capital redemption reserve*

Capital redemption reserve represents the nominal amount of the shares repurchased.

(f) *Fair value reserve (recycling)*

Prior to 1 January 2018, this reserve included the cumulative net change in the fair value of available-for-sale financial assets held at the end of the reporting period in accordance with IAS 39. This amount has been reclassified to fair value reserve (non-recycling) upon the initial adoption of IFRS 9 at 1 January 2018.

(g) *Fair value reserve (non-recycling)*

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under IFRS 9 that are held at the end of the reporting period (see note 1(g)).

(h) *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 equity 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 equity 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 net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes bills payables and interest-bearing loans and borrowings), less cash and cash equivalents and pledged deposits. 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 equity shareholders, issue new shares, return capital to equity shareholders, raise new debt financing or sell assets to reduce debt.

31 Reserves (Continued)

The Group's adjusted net debt-to-capital ratio at 31 December 2020 and 2019 was as follows:

	Note	2020 RMB'000	2019 RMB'000
Current liabilities:			
Bills payables	23	**571,796**	580,866
Bank and other loans	25	**1,269,903**	542,472
		1,841,699	1,123,338
Non-current liability:			
Bank loans	25	**167,288**	296,077
Total debt		**2,008,987**	1,419,415
Less: Cash and cash equivalents	22	**(509,385)**	(540,185)
Restricted deposits	21	**(414,067)**	(412,611)
Adjusted net debt		**1,085,535**	466,619
Adjusted capital		**2,435,685**	2,386,602
Adjusted net debt-to-capital ratio		**44.6%**	19.6%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements, except that banking facilities granted to certain subsidiaries are subject to the fulfilment of covenants relating to the subsidiaries' balance sheet ratios (note 25). The Group will actively and regularly monitor its compliance to such covenants.

(i) Distributability of reserves

The aggregate amount of reserves available for distribution to equity shareholders of the Company at 31 December 2020 was HKD1,333,333,000 (equivalent to RMB1,163,759,000) (2019: HKD1,377,994,000 (equivalent to RMB1,206,285,000)) which comprises of share premium, exchange reserve, fair value reserve, other reserves, and (accumulated losses)/retained profits excluding net unrealised gains on derivative financial instrument.

(j) Dividends

No dividend has been proposed by the Company for the year ended 31 December 2020 (2019: Nil).

No dividend attributable to the previous financial year has been approved or paid during the year ended 31 December 2020 (2019: Nil).

32 Financial risk management and fair values

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities and movements in its own equity share price.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables, other receivables and contract assets. The Group's exposure to credit risk arising from cash and cash equivalents and bills receivables is limited because the counterparties are banks and financial institutions, for which the Group considers to have low credit risk.

The Group does not provide any other guarantees which would expose the Group to credit risk.

Trade receivables and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 21% (2019: 13%) and 35% (2019: 34%) of the total trade receivables and contract assets was due from the Group's largest customer and the five largest customers of the Group.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 to 365 days from the date of billing. For debtors with balances past due, the Group will request the debtors to settle all outstanding balances or negotiate the payment terms. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix based on ageing of trade receivables and credit loss rate. As the Group's historical credit loss experience indicates significantly different loss patterns for different customer segments, the loss allowance based on ageing information is further distinguished between the Group's different customer bases, which include property developers, domestic distributors and overseas distributors for the purpose of measuring ECLs.

32 Financial risk management and fair values (Continued)

(a) *Credit risk* *(Continued)*

Trade receivables and contract assets (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets as at 31 December 2020 and 2019:

	At 31 December 2020		
	Expected loss rate %	Gross Carrying amount RMB'000	Loss allowance RMB'000
Property developers			
Within 1 year	1%	1,784,214	(16,718)
Over 1 year but within 2 years	10%	89,315	(8,932)
Over 2 years but within 3 years	50%	40,405	(20,203)
Over 3 years	100%	28,655	(28,655)
Subtotal		1,942,589	(74,508)
Domestic distributors			
Within 1 year	1%	358,887	(3,600)
Over 1 year but within 2 years	26%	29,650	(7,728)
Over 2 years but within 3 years	60%	8,535	(5,122)
Over 3 years	100%	9,089	(9,089)
Subtotal		406,161	(25,539)
Overseas distributors			
Within 1 year	2%	116,748	(2,287)
Over 1 year but within 2 years	71%	2,958	(2,103)
Over 2 years but within 3 years	—	—	—
Over 3 years	100%	20,234	(20,234)
Subtotal		139,940	(24,624)
Total		2,488,690	(124,671)

32 Financial risk management and fair values (Continued)

(a) *Credit risk (Continued)*

Trade receivables and contract assets (Continued)

	At 31 December 2019		
	Expected loss rate %	Gross Carrying amount RMB'000	Loss allowance RMB'000
Property developers			
Within 1 year	1%	1,059,199	(10,592)
Over 1 year but within 2 years	10%	63,747	(6,375)
Over 2 years but within 3 years	50%	15,751	(7,876)
Over 3 years	100%	18,763	(18,763)
Subtotal		1,157,460	(43,606)
Domestic distributors			
Within 1 year	1%	412,995	(4,130)
Over 1 year but within 2 years	25%	23,367	(5,842)
Over 2 years but within 3 years	50%	5,949	(2,975)
Over 3 years	100%	272	(272)
Subtotal		442,583	(13,219)
Overseas distributors			
Within 1 year	1%	74,553	(832)
Over 1 year but within 2 years	94%	6,225	(5,837)
Over 2 years but within 3 years	100%	3,969	(3,969)
Over 3 years	100%	46,438	(46,438)
Subtotal		131,185	(57,076)
Total		1,731,228	(113,901)

Expected loss rates are based on actual loss experience over the past 4 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

32 Financial risk management and fair values (Continued)

(a) *Credit risk (Continued)*

Trade receivables and contract assets (Continued)

Movement in the loss allowance account in respect of trade receivables and contract assets during the year is as follows:

	2020 **RMB'000**	2019 RMB'000
Balance at 1 January	**113,901**	124,396
Amounts written off during the year	**(23,536)**	(14,221)
Impairment losses recognised during the year	**68,060**	44,227
Reversal of impairment loss	**(33,754)**	(40,501)
Balance at 31 December	**124,671**	113,901

The following significant changes in the gross carrying amounts of trade receivables and contract assets contributed to the increase in the loss allowance during 2020:

— origination of new trade receivables resulted in an increase in loss allowance of RMB29,349,000;

— increase in trade receivables balance over one year resulted in an increase in loss allowance of RMB38,711,000; and

— a write-off of trade receivables with a gross carrying amount of RMB23,536,000 resulted in a decrease in loss allowance of RMB23,536,000.

(b) *Liquidity risk*

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach in managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically the Group ensures that it maintains sufficient reserves of cash on demand and adequate committed lines of funding from major financial institutions to meet its liquidity requirement in the short and longer term. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

32 Financial risk management and fair values (Continued)

(b) *Liquidity risk* *(Continued)*

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	At 31 December 2020				
	Within 1 year or on demand RMB'000	**More than 1 year but less than 2 years RMB'000**	**More than 2 years but less than 5 years RMB'000**	**Total RMB'000**	**Carrying amount RMB'000**
Bank and other loans	**1,304,281**	**149,455**	**27,752**	**1,481,488**	**1,437,191**
Trade and bills payables	**1,614,053**	**—**	**—**	**1,614,053**	**1,614,053**
Deposits received, accruals and other payables	**438,695**	**—**	**—**	**438,695**	**438,695**
	3,357,029	**149,455**	**27,752**	**3,534,236**	**3,489,939**

	At 31 December 2019				
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Bank and other loans	554,526	192,855	172,547	919,928	838,549
Trade and bills payables	1,390,062	—	—	1,390,062	1,390,062
Deposits received, accruals and other payables	468,861	—	—	468,861	468,861
	2,413,449	192,855	172,547	2,778,851	2,697,472

32 Financial risk management and fair values (Continued)

(c) *Interest rate risk*

The Group's interest rate risk arises primarily from bank and other loans. Bank and other loans issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

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

	2020		2019	
	Effective interest rate %	**Carrying amount RMB'000**	Effective interest rate %	Carrying amount RMB'000
Variable rate instruments				
Bank loans	**4.34%**	**247,803**	5.39%	252,196
Fixed rate instruments				
Bank loans	**4.83%**	**1,184,247**	4.78%	586,353
Other loans	**4.25%**	**5,141**	—	—
Total borrowings		**1,437,191**		838,549
Fixed rate borrowings as a percentage of total borrowings		**83%**		70%

(ii) Sensitivity analysis

At 31 December 2020, it is estimated that a general increase/decrease of 100 basis points in interest rates in bank loans, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by RMB2,037,000 (2019: RMB2,349,000) respectively.

The sensitivity analysis above indicates the impact on the Group's profit after tax and retained profits and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2019.

32 Financial risk management and fair values (Continued)

(d) *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 USD, PEN and EUR. 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.

(i) Exposure to currency risk

The following table details the Group's exposure at the end of reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB translated using the spot rate at the year-end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

Exposure to foreign currencies

	31 December 2020			31 December 2019			
	USD	**EUR**	**RMB**	USD	PEN	EUR	RMB
	RMB'000	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	**15,895**	**3,186**	**25,964**	—	43	3,593	5,448
Trade and bills receivables	**—**	**12,310**	**5,712**	78,104	12,306	17,639	—
Deposits, prepayments and other receivables	**—**	**6,171**	**—**	20,094	7,033	21,458	—
Trade and bills payables	**(9,990)**	**(17,599)**	**—**	(1,405)	(22)	(21,981)	—
Deposits received, accruals and other payables	**(4,985)**	**(9,502)**	**—**	(2,029)	(1,277)	(45,056)	—
Bank and other loans	**(18,544)**	**(54,931)**	**—**	—	—	(53,622)	—
Gross exposure arising from recognised assets and liabilities	**(17,624)**	**(60,365)**	**31,676**	94,764	18,083	(77,969)	5,448

32 Financial risk management and fair values (Continued)

(d) *Currency risk (Continued)*

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax and retained profits that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables, in particular interest rates, remain constant.

	31 December 2020			31 December 2019		
	Increase/ (decrease) in foreign exchange rates	Effect on profit for the year RMB'000	Effect on other components of equity RMB'000	Increase/ (decrease) in foreign exchange rates	Effect on profit for the year RMB'000	Effect on other components of equity RMB'000
USD	1%	(176)	(176)	1%	78	78
USD	(1%)	176	176	(1%)	(78)	(78)
PEN	1%	—	—	1%	181	181
PEN	(1%)	—	—	(1%)	(181)	(181)
EUR	1%	(604)	(604)	1%	(780)	(780)
EUR	(1%)	604	604	(1%)	780	780
RMB	1%	317	317	1%	54	54
RMB	(1%)	(317)	(317)	(1%)	(54)	(54)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group's entities' profit after tax for the year and equity measured in the respective functional currencies, translated into reporting currency (RMB) at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2019.

32 Financial risk management and fair values (Continued)

(e) *Equity price risk*

The Group is exposed to equity price changes arising from equity investments classified as FVOCI (see note 16). Other than unquoted securities held for strategic purposes, the remaining one investment is listed.

The Group's listed investments is listed on the Stock Exchange of Hong Kong. Listed investments that are not held for trading purposes have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations.

All of the Group's unquoted investments are held for long-term strategic purposes. Their performance is assessed at least bi-annually against performance of similar listed entities, based on the limited information available to the Group, together with an assessment of their relevance to the Group's long-term strategic plans.

At 31 December 2020, it is estimated that an increase/(decrease) of 20% (2019: 20%) in the relevant stock market index (for listed investments), the price/earnings ratios of comparable listed companies (for unquoted investments) or the Company's own share price (for the conversion option of certain convertible bonds) as applicable, with all other variables held constant, would have increased/decreased the Group's profit after tax (and retained profits) and other components of consolidated equity as follows:

	2020		2019	
		Effect on other components of equity RMB'000		Effect on other components of equity RMB'000
Change in the relevant equity price risk variable:				
Increase	**20%**	**1,899**	20%	12,873
Decrease	**(20%)**	**(1,899)**	(20%)	(12,873)

The sensitivity analysis indicates the instantaneous change in the Group's profit after tax and retained profits and other components of consolidated equity that would arise assuming that the changes in the stock market index or other relevant risk variables had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables, and that all other variables remain constant. The analysis is performed on the same basis for 2019.

32 Financial risk management and fair values (Continued)

(f) *Fair value measurement*

(i) Financial instruments carried at fair value

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 31 December 2020	Fair value measurements as at 31 December 2020 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurements				
Assets:				
Non-trading listed equity securities	**9,493**	**9,493**	**—**	**—**
Unlisted equity securities	**81,583**	**—**	**—**	**81,583**

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

32 Financial risk management and fair values (Continued)

(f) Fair value measurement (Continued)

(i) Financial instruments carried at fair value (Continued)

Fair value hierarchy (Continued)

The Group holds an investment in equity shares of Zhejiang Yongyu Bamboo Joint-stock Company with a fair value of RMB56,583,000 as at 31 December 2020 (2019: RMB47,205,000). The fair value of this investment was categorised as Level 1 at 31 December 2019. This was because the shares had a published price quotation in an active market.

In August 2020, Zhejiang Yongyu Bamboo Joint-stock Company delisted from National Equities Exchange and Quotations, as the shares were not listed on an exchange and there were no recent observable arm's length transactions in the shares, the fair value measurement was transferred from Level 1 to Level 3 of the fair value hierarchy at 31 December 2020.

During the years ended 31 December 2020, there were no transfers between Level 1 and Level 2. 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.

Information about Level 3 fair value measurements

The fair value of unlisted equity equities is determined using the cost or latest transaction price 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:

	2020 **RMB'000**	2019 RMB'000
Unlisted equity securities:		
At 1 January	**750**	28,484
Additions	**25,000**	—
Transfer from Level 1	**47,205**	
Disposals	**(1,620)**	(11,000)
Change in fair value	**10,248**	(16,734)
At 31 December	**81,583**	750

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

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

33 Commitments

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

	2020 RMB'000	2019 RMB'000
Contracted for	**60,481**	57,540

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

34 Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2020 (2019: RMB2,337,000).

35 Material related party transactions

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7 and certain of the highest paid employees as disclosed in note 8, is as follows:

	2020 RMB'000	2019 RMB'000
Short-term employee benefits	**11,787**	12,836
Post-employment benefits	**38**	52
Equity settled share-based payment expenses	**—**	152
	11,825	13,040

Total remuneration is included in "staff costs" (note 5(b)).

35 Material related party transactions (Continued)

(b) Related party transactions and balances

	Income/(expenditure) Year ended 31 December		Amount due from/(to) As at 31 December	
	2020 RMB'000	2019 RMB'000	**2020 RMB'000**	2019 RMB'000
Provision of trademarks and distribution network (i)	**1,756**	3,318	**1,863**	5,065
Purchases of goods (ii)	**(2,401)**	(2,166)	**(1,235)**	(1,794)
Receiving of transportation services (iii)	**(74,550)**	(63,425)	**(6,895)**	(1,222)
As a leasee (iv)	**(2,974)**	(2,101)	**1,248**	(6,847)
As a leasor (v)	**809**	612	**15**	(107)
Others	**905**	—	**130**	1,979

(i) In March 2019, the Group entered into a trademarks 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 was granted to Youzong Home to use the trademarks in connection with its production, distribution and sale of licensed products.

(ii) The Group entered into a purchase agreement with Dajia Property Management and its subsidiaries ("Dajia Group") to purchase certain consumables for promotion.

(iii) The Group outsourced transportation service to one of its associates, Jiawayun (Foshan) Supply Chain Management Company Limited ("Jiawayun").

(iv) In April 2019, the Group entered into a three-year lease agreement with Dajia Property Management 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 assets and a lease liability of RMB9,929,000.

(v) The Group earned rental income from certain related parties by leasing out the offices in the PRC.

(c) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of purchase and sales, lease out assets, as well as trademarks and distribution network charges above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section headed "Continuing Connected Transactions" of the Report of the Directors.

36 Company-level statement of financial position

	Note	2020 RMB'000	2019 RMB'000
Non-current assets			
Investments in subsidiaries	15	**292,220**	312,343
Available-for-sale listed equity securities		**9,492**	28,962
Other receivables		**1,450,300**	1,446,097
		1,752,012	1,787,402
Current asset			
Cash and cash equivalents		**25,432**	22,089
		25,432	22,089
Current liabilities			
Banks loans		**135,256**	—
Deposits received, accruals and other payables		**440,670**	423,171
		575,926	423,171
Net current liabilities		**(550,494)**	(401,082)
Total assets less current liabilities		**1,201,518**	1,386,320
Non-current liability			
Banks loans		**28,688**	134,354
		28,688	134,354
NET ASSETS		**1,172,830**	1,251,966
CAPITAL AND RESERVES			
Share capital	30	**8,987**	8,998
Reserves	31	**1,163,843**	1,242,968
TOTAL EQUITY		**1,172,830**	1,251,966

(Expressed in Renminbi unless otherwise indicated)

37 Immediate and ultimate controlling parties

At 31 December 2020, the directors consider the immediate parent of the Group to be Freewings Development Co., Ltd., which is incorporated in BVI. This entity does not produce financial statements available for public use. The ultimate controlling parties are Mr. Se Hok Pan and Ms. Un Son I.

38 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2020

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, and a new standard, IFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2020 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to IAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to IAS 37, *Onerous Contracts — Cost of Fulfilling a Contract*	1 January 2022
Annual Improvements to IFRSs 2018–2020 Cycle	1 January 2022

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements

39 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 2020.

The directors believe consumer sentiment will be recovered from COVID-19 pandemic eventually amid the expectation of vaccine will be available for extensive distribution later in 2021. However, there were new COVID-19 cases lately. The Group will be cautious and stay vigilant and react to the evolving situation.

40 Comparative figures

Certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed in 2020.

FIVE YEARS SUMMARY

	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
Results					
Turnover	**3,931,432**	3,426,786	2,918,016	2,550,646	2,315,651
Profit from operations	**124,452**	257,972	210,235	143,328	66,436
Net finance costs	**(92,097)**	(46,985)	(27,343)	(6,661)	(7,246)
Profit before taxation	**32,355**	210,987	182,892	136,667	59,190
Income tax	**(18,137)**	(57,044)	(37,845)	(83,201)	(57,368)
Profit for the year	**14,218**	153,943	145,047	53,466	1,822
Attributable to:					
Equity shareholders of the Company	**17,899**	162,120	156,785	68,182	38,280
Non-controlling interests	**(3,681)**	(8,177)	(11,738)	(14,716)	(36,458)
Profit for the year	**14,218**	153,943	145,047	53,466	1,822
Assets and liabilities					
Non-current assets	**1,738,952**	1,699,499	1,310,342	1,185,004	1,147,960
Current assets	**4,399,404**	3,626,643	2,976,117	2,816,522	2,541,222
Total assets	**6,138,356**	5,326,142	4,286,459	4,001,526	3,689,182
Current liabilities	**(3,501,132)**	(2,592,214)	(1,898,112)	(1,681,744)	(1,507,873)
Non-current liabilities	**(201,539)**	(347,326)	(118,998)	(139,103)	(98,270)
NET ASSETS	**2,435,685**	2,386,602	2,269,349	2,180,679	2,083,039
Share capital	**8,987**	8,998	9,391	9,596	9,596
Reserves	**2,302,844**	2,282,675	2,203,108	2,105,760	2,047,511
Non-controlling interests	**123,854**	94,929	56,850	65,323	25,932
TOTAL EQUITY	**2,435,685**	2,386,602	2,269,349	2,180,679	2,083,039
Earnings per share (Note)					
Basic	**0.013**	0.118	0.109	0.047	0.026
Diluted	**0.013**	0.118	0.109	0.047	0.026

Note:

For the years ended 31 December 2020, 2019, 2018, 2017 and 2016, the effect of the Company's share option plans were anti-dilutive.