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## **Nature Home Holding Company Limited**

**大自然家居控股有限公司**

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

**(Stock code: 2083)**

### **(1) CONNECTED TRANSACTION LEASE AGREEMENT AND (2) CONTINUING CONNECTED TRANSACTION TRADEMARKS LICENSING AGREEMENT**

#### **CONNECTED TRANSACTION — LEASE AGREEMENT**

The Board announces that on 29 March 2019, Nature Gerui (a non wholly-owned subsidiary of the Company) (as lessee) entered into the Lease Agreement with Dajia Property Management (a company indirectly owned as to 60.2% by Mr. Se and 39.8% by Ms. Un respectively) (as lessor) in respect of the lease of the Properties, being the land and properties located next to No. 163, Qiyong Road, Dayong Town, Zhongshan, Guangdong Province, the PRC with a total leasing area of approximately 26,200 square meters.

The Properties will be used by Nature Gerui for its production and operation activities. The Lease Agreement is for a term of three (3) years commencing from 1 April 2019 and expiring on 31 March 2022 (both days inclusive) and the monthly rent payable by Nature Gerui under the Lease Agreement is RMB324,155.

#### **Listing Rules Implications**

Dajia Property Management is indirectly owned as to 60.2% by Mr. Se and 39.8% by Ms. Un respectively. Mr. Se is an executive Director and the chairman, president and a controlling shareholder of the Company. Ms. Un is an executive Director, a controlling shareholder of the Company and the spouse of Mr. Se. Hence, each of Mr. Se, Ms. Un and Dajia Property Management is a connected person of the Company, the transaction contemplated under the Lease Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Since one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the transaction contemplated under the Lease Agreement are above 0.1% but below 5%, the transaction contemplated under the Lease Agreement is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **CONTINUING CONNECTED TRANSACTION — TRADEMARKS LICENSING AGREEMENT**

The Board also announces that on 29 March 2019, Nature Home China (a wholly-owned subsidiary of the Company) entered into the Trademarks Licensing Agreement with Youzong Home (a company indirectly owned as to 75% by Dajia Property Management), pursuant to which Youzong Home is granted the Usage Right to use the Trademarks in the PRC in connection with the production, distribution and sale of the Licensed Products (being wood baseboards).

Under the Trademarks Licensing Agreement, the 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 months (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 commencing from 1 April 2019 and expiring on 31 December 2019; and (ii) for the financial year ending 31 December 2020 are proposed to be RMB5,000,000 and RMB7,500,000, respectively.

### **Listing Rules Implications**

Youzong Home is indirectly owned by Dajia Property Management as to 75%. Dajia Property Management is in turn indirectly owned as to 60.2% by Mr. Se and 39.8% by Ms. Un respectively. Mr. Se is an executive Director and the chairman, president and a controlling shareholder of the Company. Ms. Un is an executive Director, a controlling shareholder of the Company and the spouse of Mr. Se. Hence, each of Mr. Se, Ms. Un and Youzong Home is a connected person of the Company and the transaction contemplated under the Trademarks Licensing Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Since one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the annual caps under the Trademarks Licensing Agreement are above 0.1% but below 5%, the transaction contemplated under the Trademarks Licensing Agreement is subject to the reporting, announcement and annual review requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## INTRODUCTION

The Board announces that on 29 March 2019, Nature Gerui (a non wholly-owned subsidiary of the Company) (as lessee) entered into the Lease Agreement with Dajia Property Management (a company indirectly owned as to 60.2% by Mr. Se and 39.8% by Ms. Un respectively) (as lessor) in respect of the lease of the Properties.

On the same date, Nature Home China (a wholly-owned subsidiary of the Company) entered into the Trademarks Licensing Agreement with Youzong Home (a company indirectly owned as to 75% by Dajia) pursuant to which Youzong Home is granted the Usage Right to use the Trademarks in the PRC in connection with the production, distribution and sale of the Licensed Products (being wood baseboards).

## LEASE AGREEMENT

The principal terms of the Lease Agreement are set out below:

**Date:** 29 March 2019

**Parties:**

1. Nature Gerui as lessee
2. Dajia Property Management as lessor

**Properties:** The land and properties located next to No. 163, Qiyong Road, Dayong Town, Zhongshan, Guangdong Province, the PRC with a total leasing area of approximately 26,200 square meters.

**Usage:** Production and operation.

**Term of the lease:** Three (3) years commencing from 1 April 2019 and expiring on 31 March 2022 (both days inclusive). Nature Gerui may, by giving Dajia Property Management a three months' written notice before the expiry of the term of the Lease Agreement, request for the renewal of the lease for a further term of three (3) years. Nature Gerui and Dajia Property Management shall enter into a new lease agreement for such renewal.

**Rent:** RMB324,155 per month, payable in cash on a monthly basis and exclusive of electricity and water charges. The total rent payable during the term under the Lease Agreement is approximately RMB11,700,000 and is expected to be financed by internal resources of the Group.

It is estimated that the Lease Agreement will be recognised as a right of use asset at a value of approximately RMB11,700,000. Such value, which is solely based on the preliminary assessment by the management of the Company based on the available information relating to the Properties, has not been audited or reviewed by the auditors of the Company, and is therefore subject to change.

If during the term of the Lease Agreement, Dajia Property Management leases any portion of the premises located next to No. 163, Qiyong Road, Dayong Town, Zhongshan, Guangdong Province, the PRC to any other tenant(s) at an average rent per square meter which is lower than that payable by Nature Gerui under the Lease Agreement, the rent payable by Nature Gerui shall be adjusted to the average rent per square meters payable by such tenant(s).

**Deposit:** RMB600,000, payable within seven (7) days after the date of the Lease Agreement.

#### **Reasons for and Benefits of the Lease Agreement**

Nature Gerui, being the lessee under the Lease Agreement, is a company incorporated in the PRC and is a non wholly-owned subsidiary of the Company. Nature Gerui is principally engaged in the manufacturing and sales of vinyl flooring products in the PRC and has planned to expand its scale of production. The Company considers that the Lease Agreement could (i) fix the amount of the rent payable by Nature Gerui in the medium term and avoid substantial increase in rent payable by Nature Gerui in accordance with the expected appreciation in the value of the Properties; and (ii) provide Nature Gerui with the stability in its production and operation activities in further renewal of the lease of the Properties.

The Properties are a portion of the premises which Dajia Property Management rented from the landlords which are third parties independent of the Company and connected persons of the Company. The rent payable by Nature Gerui to Dajia Property Management under the Lease Agreement was determined with reference to the rent payable by Dajia Property Management under its lease agreements with the landlords, plus a margin which Nature Gerui and Dajia Property Management negotiated on an arm's length basis to reflect the increase in rental value since Dajia Property Management entered into the lease agreements with the landlords. When determining such increase in rental value of the Properties, Nature Gerui and Dajia Property Management have taken into account the average increase in rental value in the real property market in the vicinity of the Properties.

Based on the foresaid, the Directors (including the independent non-executive Directors but excluding Mr. Se, Ms. Un, Mr. She Jian Bin and Mr. Liang Zhihua who have abstained from voting) are of the view that the Lease Agreement was entered into after arm's length negotiation between the parties and in the ordinary and usual course of business of the Group, reflects normal commercial terms and is fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

Apart from Mr. Se (who has an interest in Dajia Property Management, being the lessor under the Lease Agreement), Ms. Un (who has an interest in Dajia Property Management and is the spouse of Mr. Se), Mr. She Jian Bin (who is the brother of Mr. Se) and Mr. Liang Zhihua (who is a brother-in-law of Mr. Se), none of the other Directors have a material interest in the transaction contemplated under the Lease Agreement or were required to abstain from voting on the relevant resolutions of the Board. Mr. Se, Ms. Un, Mr. She Jian Bin and Mr. Liang Zhihua have abstained from voting on the Board resolutions approving the Lease Agreement and the transaction contemplated thereunder.

### **Listing Rules Implications**

Dajia Property Management, being the lessor under the Lease Agreement, is a company incorporated in the PRC and is principally engaged in property development and management in the PRC. Dajia Property Management is indirectly owned as to 60.2% by Mr. Se and 39.8% by Ms. Un respectively. Mr. Se is an executive Director and the chairman, president and a controlling shareholder of the Company. Ms. Un is an executive Director, a controlling shareholder of the Company and the spouse of Mr. Se. Hence, each of Mr. Se, Ms. Un and Dajia Property Management is a connected person of the Company, the transaction contemplated under the Lease Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Since one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the transaction contemplated under the Lease Agreement are above 0.1% but below 5%, the transaction contemplated under the Lease Agreement is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

### **TRADEMARKS LICENSING AGREEMENT**

The principal terms of the Trademarks Licensing Agreement are set out below:

**Date:** 29 March 2019

**Parties:**

1. Nature Home China as the licensor
2. Youzong Home as the licensee

**Usage Right** Youzong Home is granted by Nature Home China a non-exclusive right to use the Trademarks in the PRC in connection with the production, distribution and sale of the Licensed Products (being wood baseboards) in the PRC.

**Usage Fee**

The Usage Fee equivalent to 5% of the net sale value of the Licensed Products being sold shall be payable by Youzong Home to Nature Home China or its affiliated companies.

The Usage Fee shall be payable within 30 days after the end of each month during the term of the Trademarks Licensing Agreement.

**Term:**

Twenty one months (21) months commencing from 1 April 2019 and expiring on 31 December 2020 (both days inclusive). Youzong Home may give notice to Nature Home China prior to the expiry of the term of the Trademarks Licensing Agreement requesting for the renewal of the agreement. Nature Home China and Youzong Home shall enter into a new trademarks licensing agreement for such renewal.

In the event that the Trademarks Licensing Agreement is not being renewed upon the expiry of its term, Youzong Home shall cease manufacturing any Licensed Products bearing the Trademarks but Youzong Home shall be given a three months' period for the clearance of the Licensed Products in inventory. Youzong Home shall continue to pay to Nature Home China the Usage Fee for the sale of the Licensed Products during such three months' period. In these circumstances, the Company shall comply with the then applicable Listing Rules. Upon expiry of such three months' period, Youzong shall cease manufacturing and selling any Licensed Products which bear the Trademarks.

**Quality Control:**

The Licensed Products must meet the quality control standards of the Group and conform to the applicable national or industrial standards (whichever are more stringent). Youzong Home must periodically submit its Licensed Products, at its expense, for quality inspections by independent third-party inspectors.

**Pricing Standard**

The rate of the Usage Fee is determined after taking into account the rate of the AM Usage Fee payable by the independent authorised manufacturers of the Group for the grant of the similar right by the Group to those independent authorised manufacturers to use the Trademarks in the PRC.

In any event, the rate of the Usage Fee shall be no less favourable to the Group than the rate of AM Usage Fee payable by the independent authorised manufacturers of the Group from time to time for the same or similar type of products.

## Historical Figures

The historical amounts paid by Youzong Home to the Group in respect of Usage Right for the indicated periods were as follows:

	Year ended 31 December 2016	Year ended 31 December 2017	Year ended 31 December 2018	From 1 January 2019 up to the date of this announcement
Amount paid	Nil	Nil	Approximately RMB2,311,000	Nil

The amount paid by Youzong Home to the Group for the year ended 31 December 2018 has not exceeded the de minimis threshold under Rule 14A.76(1) of the Listing Rules.

## Annual Caps

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

The above annual caps were determined with reference to (i) the historical net sale value of the Licensed Products; and (ii) the expected growth in the business of Youzong Home.

## Reasons for and Benefits of the Trademarks Licensing Agreement

Nature Home China is a company incorporated in the PRC and is a wholly-owned subsidiary of the Company. Nature Home China is principally engaged in the sales of flooring products in the PRC.

Youzong Home is a company incorporated in the PRC and is principally engaged in the manufacturing and sales of wood accessories, home decoration materials and home decoration accessories in the PRC.

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.

Based on the foresaid and in view that the Usage Fee is no less favourable to the Group than the rate of AM Usage Fee payable by the independent authorised manufacturers of the Group from time to time for the same or similar type of products, the Directors (including the independent non-executive Directors but excluding Mr. Se, Ms. Un, Mr. She Jian Bin and Mr. Liang Zhihua who have abstained from voting) are of the view that the Trademarks Licensing Agreement was entered into after arm's

length negotiation between the parties and in the ordinary and usual course of business of the Group, reflects normal commercial terms and is fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

Apart from Mr. Se (who has an interest in Youzong Home, being a party to the Trademarks Licensing Agreement), Ms. Un (who has an interest in Youzong Home and is the spouse of Mr. Se), Mr. She Jian Bin (who is the brother of Mr. Se) and Mr. Liang Zhihua (who is a brother-in-law of Mr. Se), none of the other Directors have a material interest in the transaction contemplated under the Trademarks Licensing Agreement or were required to abstain from voting on the relevant resolutions of the Board. Mr. Se, Ms. Un, Mr. She Jian Bin and Mr. Liang Zhihua have abstained from voting on the Board resolutions approving the Trademarks Licensing Agreement and the transaction contemplated thereunder.

### **Listing Rules Implications**

Youzong Home is indirectly owned as to 75% by Dajia Property Management. Dajia Property Management is in turn indirectly owned as to 60.2% by Mr. Se and 39.8% by Ms. Un respectively. Mr. Se is an executive Director and the chairman, president and a controlling shareholder of the Company. Ms. Un is an executive Director, a controlling shareholder of the Company and the spouse of Mr. Se. Hence, each of Mr. Se, Mr. Un and Youzong Home is a connected person of the Company and the transaction contemplated under the Trademarks Licensing Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Since one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the annual caps under the Trademarks Licensing Agreement are above 0.1% but below 5%, the transaction contemplated under the Trademarks Licensing Agreement is subject to the reporting, announcement and annual review requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

### **INFORMATION ON THE COMPANY**

The Company is an investment holding company. The principal activities of the Group are the manufacturing and sales of flooring and home decoration products.

### **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“AM Usage Fee”	the trademarks usage fee payable by the independent authorised manufacturers of the Group for the grant of the right to them by the Group to use the Trademarks in the PRC in connection with the production, distribution and sales of the products manufactured by them
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“Board”	the board of directors of the Company
“Company”	Nature Home Holding Company Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to this term under Chapter 14A of the Listing Rules
“controlling shareholder”	has the meaning ascribed to this term under the Listing Rules
“Dajia Property Management”	Foshan Shunde Dajia Property Management Company Limited (佛山市順德區大嘉物業管理有限公司), the lessor under the Lease Agreement
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Lease Agreement”	the lease agreement dated 29 March 2019 and entered into between Nature Gerui (as lessee) and Dajia Property Management (as lessor) in relation to the lease of the Properties
“Licensed Products”	the wood baseboards that are produced and sold by Youzong Home pursuant to the Trademarks Licensing Agreement
“Mr. Se”	Mr. Se Hok Pan, the chairman, president and a controlling shareholder of the Company and an executive Director
“Ms. Un”	Ms. Un Son I, an executive Director, a controlling shareholder of the Company and the spouse of Mr. Se
“Nature Gerui”	Zhongshan Nature Gerui New Material Company Limited (中山市大自然格瑞新型材料有限公司), a non wholly-owned subsidiary of the Company and the lessee under the Lease Agreement
“Nature Home China”	Nature Home (China) Limited (大自然家居(中國)有限公司), a wholly-owned subsidiary of the Company and the licensor under the Trademarks Licensing Agreement
“PRC”	the People’s Republic of China excluding, for the purpose of this announcement, the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan

“Properties”	the land and properties located next to No. 163, Qiyong Road, Dayong Town, Zhongshan, Guangdong Province, the PRC (中國廣東省中山市大湧鎮岐湧路163號) with a total leasing area of approximately 26,200 square meters
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trademarks Licensing Agreement”	the trademarks licensing agreement dated 29 March 2019 and entered into between Nature Home China and Youzong Home in relation to the grant of the Usage Right
“Trademarks”	the trademarks related to “Nature” brand registered in the PRC under class 19 and held by the Group
“Usage Fee”	the trademarks usage fee payable by Youzong Home under the Trademarks Licensing Agreement for the grant of the Usage Right
“Usage Right”	the non-exclusive right granted to Youzong Home under the Trademarks Licensing Agreement to use the Trademarks in the PRC in connection with the production, distribution and sale of the Licensed Products in the PRC
“Youzong Home”	Foshan Shunde Youzong Home Company Limited (佛山市順德區優眾家居有限公司), the licensee under the Trademarks Licensing Agreement

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

Hong Kong, 29 March 2019

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