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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)

CONNECTED TRANSACTION ACQUISITION OF THE TARGET COMPANY

The Board is pleased to announce that on 26 January 2021 (after trading hours), Nature Home China (a wholly-owned subsidiary of the Company) entered into the Agreement with the Vendor, pursuant to which Nature Home China has agreed to purchase, and the Vendor has agreed to sell, the entire equity interest in the Target Company.

The total consideration for the Acquisition is RMB9,500,000 (equivalent to approximately HK\$11,400,000) and is payable by Nature Home China to the Vendor in cash upon completion.

The Target Company is principally engaged in the sales of wood accessories, home decoration materials and home decoration accessories in the PRC.

Upon completion of the Acquisition, Nature Home China will own the entire equity interest in the Target Company. The Target Company will become a wholly-owned subsidiary of the Company and the financial statements of the Target Company will be consolidated into the Group's consolidated financial statements.

LISTING RULES IMPLICATIONS

The Target Company is wholly-owned by the Vendor. The Vendor is wholly-owned by a holding company which 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 the Vendor is a connected person of the Company and the transaction contemplated under the 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 Agreement are above 0.1% but below 5%, the Acquisition is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 26 January 2021, Nature Home China (a wholly-owned subsidiary of the Company) entered into the Agreement with the Vendor in respect of the Acquisition. Set out below is a summary of the material terms of the Agreement.

AGREEMENT

Date

26 January 2021 (after trading hours)

Parties

Purchaser: Nature Home (China) Limited (大自然家居(中國)有限公司)

Vendor: Ziran Youpin (Hengqin) Technology Co., Limited
(自然優品科技(橫琴)有限公司)

Assets to be acquired

Pursuant to the Agreement, Nature Home China has agreed to purchase, and the Vendor has agreed to sell, the entire equity interest in the Target Company.

Consideration

The total consideration for the Acquisition is RMB9,500,000 (equivalent to approximately HK\$11,400,000) and payable by Nature Home China to the Vendor in cash upon completion. The consideration for the Acquisition will be financed by the Group's internal resources.

The consideration for the Acquisition was determined after arm's length negotiation between Nature Home China and the Vendor having taken into account, among other things, (i) the reasons for the Acquisition as disclosed in the section headed "Reasons for and Benefits of the Acquisition" below; and (ii) the net asset value of the Target Company as at 31 December 2020.

As the Target Company was established by the Vendor, and was not acquired from a third party, there is no original acquisition cost for the equity interest of the Target Company.

Acquisition Conditions

The completion of the Acquisition is conditional upon the fulfilment of all the following Acquisition Conditions, which shall not be waived in any event:

- (1) there being no breach of any of the representations and warranties given by the Vendor to Nature Home China under the Agreement; and
- (2) the board of directors of Nature Home China and the Vendor having approved the Agreement and the transaction contemplated thereunder, respectively.

Completion of the Acquisition

The completion of the Acquisition shall take place within 15 days after the fulfilment of all the Acquisition Conditions.

Upon completion of the Acquisition, Nature Home China will own the entire equity interest in the Target Company. The Target Company will become a wholly-owned subsidiary of the Company and the financial statements of the Target Company will be consolidated into the Group's consolidated financial statements.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated in the PRC with a registered capital of RMB5,000,000 (equivalent to approximately HK\$6,000,000) and is wholly-owned by the Vendor as at the date of this announcement. The Target Company is principally engaged in the sales of wood accessories, home decoration materials and home decoration accessories in the PRC.

Based on the audited financial statements of Target Company for the financial year ended 31 December 2019 and unaudited financial statements of Target Company for the financial year ended 31 December 2020 prepared in accordance with generally accepted accounting principles in the PRC, certain selected financial information of the Target Company for the financial years ended 31 December 2019 and 31 December 2020 is set out as follows:

	For the financial year ended 31 December			
	2019		2020	
	<i>(equivalent to)</i>		<i>(equivalent to)</i>	
	<i>RMB'000</i>	<i>HK\$'000</i>	<i>RMB'000</i>	<i>HK\$'000</i>
Net profit before taxation	1,938	2,326	2,205	2,646
Net profit after taxation	1,454	1,745	1,968	2,362

Based on the unaudited financial statements of Target Company for the financial year ended 31 December 2020 prepared in accordance with generally accepted accounting principles in the PRC, the net asset value of the Target Company as at 31 December 2020 was approximately RMB9,500,000 (equivalent to approximately HK\$11,400,000).

INFORMATION ON THE VENDOR

The Vendor is a company incorporated in the PRC and is engaged in investment holding. The Vendor is wholly-owned by a holding company which is indirectly owned as to 60.2% by Mr. Se and 39.8% by Ms. Un, respectively.

INFORMATION ON THE COMPANY AND NATURE HOME CHINA

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

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.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Reference is made to the 2019 March Announcement. On 29 March 2019, Nature Home China entered into the Trademarks Licensing Agreement with the Target Company, pursuant to which the Target Company was granted the right to use the “Nature” trademarks of the Group in the PRC in connection with the production, distribution and sale of the wood baseboards products. With the usage right granted under the Trademarks Licensing Agreement, the business of the Target Company has been expanding and the Target Company has developed an extensive customer base and business network.

An increasing demand of one-stop home decoration services (covering design, construction, home decoration and home appliance configuration) has become a market trend in recent years. The Company considers that the Acquisition would not only complement the existing business of the Group, in particular the flooring business and comprehensive decoration services, through seamless integration, but also represents an opportunity to create synergies with the business of the Target Company by consolidating the resources, customer base and well established business network of the Target Company and the Group to enable the Group to offer more comprehensive products portfolio and services to the customers.

Based on the aforesaid, the Directors (including the independent non-executive Directors but excluding Mr. Se, Ms. Un, Mr. She Jian Bin (brother of Mr. Se) and Mr. Liang Zhihua (brother-in-law of Mr. Se) who have abstained from voting) are of the view that the Agreement was entered into after arm’s length negotiation between Nature Home China and the Vendor, reflects normal commercial terms and is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Apart from Mr. Se, Ms. Un, Mr. She Jian Bin and Mr. Liang Zhihua, none of the other Directors has a material interest in the transaction contemplated under the Agreement or was 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 Agreement and the transaction contemplated thereunder.

Listing Rules Implications

The Target Company is wholly-owned by the Vendor. The Vendor is wholly-owned by a holding company which 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 the Vendor is a connected person of the Company and the transaction contemplated under the 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 transaction contemplated under the Agreement are above 0.1% but below 5%, the Acquisition is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“2019 March Announcement”	the announcement of the Company dated 29 March 2019 in relation to, among other things, the Trademarks Licensing Agreement
“Acquisition”	the proposed acquisition of the entire equity interest in the Target Company by Nature Home China from the Vendor pursuant to the terms of the Agreement
“Acquisition Conditions”	the conditions precedent to the completion of the Acquisition
“Agreement”	the sale and purchase agreement dated 26 January 2021 and entered into between Nature Home China and the Vendor in relation to the Acquisition
“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 (Stock Code: 2083)
“connected person(s)”	has the meaning ascribed to this term under Chapter 14A of the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“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 Home China”	Nature Home (China) Limited (大自然家居(中國)有限公司), a wholly-owned subsidiary of the Company
“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
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Guangdong Youzhong Home Co., Limited (廣東優眾家居有限公司) (formerly known as Foshan Shunde Youzong Home Company Limited (佛山市順德區優眾家居有限公司)), a company incorporated in the PRC
“Trademarks Licensing Agreement”	the trademarks licensing agreement dated 29 March 2019 and entered into between Nature Home China and the Target Company

“Vendor” Ziran Youpin (Hengqin) Technology Co., Limited (自然優品科技(橫琴)有限公司), a company incorporated in the PRC which owns the entire equity interest in the Target Company as at the date of this announcement

“%” percentage

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

Hong Kong, 26 January 2021

As at the date of this announcement, the Board of Directors of the Company comprises Mr. SE Hok Pan, Ms. UN Son I and Mr. SHE Jian Bin, as executive directors; Mr. 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.

For the purpose of this announcement, the exchange rate of RMB 1.00 = HK\$1.20 has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at such a rate or at any other rates.