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MORRIS
HOME HOLDINGS LIMITED

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慕容家居控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1575)

**(1) ANNOUNCEMENT PURSUANT TO RULE 3.7 OF
THE TAKEOVERS CODE, RULES 13.09 AND 13.10 OF
THE LISTING RULES AND INSIDE INFORMATION PROVISIONS;
AND
(2) RESUMPTION OF TRADING**

This announcement is made by Morris Home Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 3.7 of the Hong Kong Code on Takeovers and Mergers (the “**Takeovers Code**”), Rules 13.09 and 13.10 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities of Futures Ordinance (Cap 571 of the laws of Hong Kong) (the “**SFO**”).

MEMORANDUM OF UNDERSTANDING

The board (the “**Board**”) of directors of the Company (the “**Directors**”) wishes to announce that on 22 April 2022, the Company and a potential subscriber (such potential subscriber or a company to be nominated by him and controlled by him shall hereinafter be referred as the “**Potential Subscriber**”) entered into a memorandum of understanding (the “**Memorandum**”), pursuant to which the Potential Subscriber intends to subscribe (or procure its nominee to subscribe) for and the Company intends to allot and issue 1,300,000,000 new shares of the Company (the “**Subscription Shares**”), representing 52% of the issued share capital of the Company as enlarged by the issuance and allotment of the Subscription Shares (assuming no

other change in the total number of issued shares of the Company (the “**Shares**”) upon and before completion of the subscription of the Subscription Shares (the “**Completion**”) (the “**Possible Subscription**”).

The Potential Subscriber is a third party independent of and not connected with the Company and its connected persons (as defined in the Listing Rules).

Consideration and Deposit

The indicative total consideration for the Subscription Shares shall be HK\$81,900,000 at HK\$0.063 per Share. The final binding subscription price per Subscription Share and payment arrangements will be determined after arm’s length negotiations between the Potential Subscriber and the Company and will be set out in the Subscription Agreement (as defined below).

A refundable deposit in the amount of HK\$20 million shall be payable by the Potential Subscriber to the Company upon the signing of the Subscription Agreement (as defined below).

Formal Agreement

The Potential Subscriber and the Company shall negotiate in good faith with a view that the formal agreement for the subscription of the Subscription Shares (in the form and substance satisfactory to the Potential Subscriber and the Company) to be entered into between the Potential Subscriber and the Company (the “**Subscription Agreement**”) be entered into as soon as practicable and in any event within three (3) months from the date of the Memorandum (or such later date to be agreed in writing by the Company and the Potential Subscriber) (the “**Term**”).

If the Subscription Agreement is not entered into before the expiry of the Term, all rights, obligations and liabilities of the parties in the Memorandum shall cease and determine and none of the parties shall have any claim against each other save for any antecedent breach and/or any right or obligation which may have accrued under the Memorandum prior to such termination.

Conditions Precedent

Completion shall be subject to, among others, (a) the Potential Subscriber being satisfied with the results of the due diligence review on the Group to be conducted by the Potential Subscriber; (b) the restructuring and/or reorganisation of the debts and liabilities of the Group by way of scheme(s) of arrangements or other means; and (c) other customary conditions precedent such as all requisite regulatory and/or third-party consents, approvals and authorisations including the Whitewash Waiver (as defined below) and approval of the shareholders of the Company (the “**Shareholders**”) (or independent Shareholders, if required).

Binding Effect

The Memorandum is non-legally binding except for provisions in relation to, among others, interpretation, the Term, confidentiality, notices, costs, legal effect and governing law and jurisdiction.

POTENTIAL WHITEWASH WAIVER

The Possible Subscription, if materialized, will lead to the Potential Subscriber holding 52% of the issued share capital of the Company as enlarged by the issuance and allotment of the Subscription Shares. Under Rule 26.1 of the Takeovers Code, the Potential Subscriber would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares not already owned or agreed to be acquired by the Potential Subscriber and parties acting in concert with it unless the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any of his delegates having granted a waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligations of the Potential Subscriber to make a mandatory general offer for all the Shares not already owned or agreed to be acquired by the Potential Subscriber and parties acting in concert with it which would, if the Possible Subscription proceeds, otherwise arise as a result of the Completion of the Possible Subscription (the “**Whitewash Waiver**”) and approved by the independent Shareholders.

It is intended that the Possible Subscription will be conditional upon the granting of the Whitewash Waiver and the Whitewash Waiver having been approved by the independent Shareholders.

The Company and the Potential Subscriber agreed that the Potential Subscriber shall reserve the right to waive the conditions precedent under the Subscription Agreement in relation to the Whitewash Waiver. If the conditions in relation to the Whitewash Waiver are waived by the Potential Subscriber and the parties to the Subscription Agreement proceed to Completion, the Potential Subscriber will be obliged to make a mandatory general offer for all the Shares not already owned or agreed to be acquired by the Potential Subscriber or parties acting in concert with it under Rule 26.1 of the Takeovers Code (at an offer price which is no lower than HK\$0.063 per Share) as a result of the Possible Subscription.

UNUSUAL PRICE AND TRADING VOLUME MOVEMENTS

The Board has noted the recent increases in the price and trading volume of the Shares. Having made such enquiries with respect to the Company as is reasonable in the circumstances, the Board confirms that, save as disclosed in this announcement, the Board is not aware of any other reasons for the price or trading volume movements or of any information which must be announced to avoid a false market in the Shares or of any inside information that needs to be disclosed under Part XIVA of the SFO.

SECURITIES OF THE COMPANY

As at the date of this announcement, details of all classes of relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company are as follows:

- (a) a total of 1,200,000,000 Shares in issue of par value US\$0.001 each in the share capital of the Company; and
- (b) convertible bonds in the original principal amount of HK\$200,000,000 issued in January 2018 carrying the right to convert into the Shares, which was partially repaid and having an outstanding principal of HK\$81,439,031 as at 31 March 2022 convertible into 36,684,248 Shares at the conversion price of HK\$2.22 per Share, subject to adjustment mechanisms set out in the terms of the convertible bonds as disclosed in the Company's announcements dated 5 and 24 January 2018.

Save as disclosed above, there are no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company in issue as at the date of this announcement.

DEALING DISCLOSURE

For the purposes of the Takeovers Code, the offer period commences from the date of this announcement, being 22 April 2022.

In accordance with Rule 3.8 of the Takeovers Code, respective associates (as defined in the Takeovers Code) of the Company (including, among others, Shareholders having interests of 5% or more in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company) and of the Potential Subscriber are hereby reminded to disclose their dealings in any securities of the Company pursuant to the requirements of the Takeovers Code.

RESPONSIBILITIES OF STOCKBROKERS, BANKS AND OTHER INTERMEDIARIES

In accordance with Rule 3.8 of the Takeovers Code, reproduced below is the full text of Note 11 to Rule 22 of the Takeovers Code:

“Responsibilities of stockbrokers, banks and other intermediaries

Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates of an offeror or the offeree company and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than \$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”

MONTHLY UPDATE

In compliance with Rule 3.7 of the Takeovers Code, monthly announcement(s) setting out the progress of the Possible Subscription will be made until an announcement of a firm intention to make an offer under Rule 3.5 of the Takeovers Code or of a decision not to proceed with an offer is made.

Further announcement(s) will be made by the Company as and when appropriate or required in accordance with the Listing Rules and/or the Takeovers Code (as the case may be).

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 3:18 p.m. on Wednesday, 20 April 2022, pending the release of this announcement.

Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on Monday, 25 April 2022.

WARNINGS

There is no assurance that the Possible Subscription will proceed or materialize, or will eventually be consummated. The Memorandum (including the indicative subscription price) is non-legally binding in nature, and the Possible Subscription (including the indicative subscription price) is subject to the entering into of the Subscription Agreement and the fulfilment (or, where applicable, waiver) of the conditions precedent contained therein. The relevant discussions and the Possible Subscription may or may not lead to a general offer under Rule 26.1 of the Takeovers Code.

Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company, and if they are in any doubt about their position, they should consult their stockbrokers, bank managers, solicitors or professional advisers.

By order of the Board
Morris Home Holdings Limited
Zou Gebing

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 22 April 2022

As at the date of this announcement, the executive Directors are Mr. Zou Gebing, Mr. Shen Zhidong and Mr. Wu Yueming; and the independent non-executive Directors are Mr. Liu Haifeng, Mr. Chu Guodi, Ms. Wu Weixia, Mr. Tan Tianhong and Ms. Zhao Hongyan.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.