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**MORRIS**  
HOME HOLDINGS LIMITED

**CENTURY ICON HOLDINGS LIMITED MORRIS HOME HOLDINGS LIMITED**

*(Incorporated in the British Virgin Islands with limited liability)*

**慕容家居控股有限公司**

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

**(Stock Code: 1575)**

## **JOINT ANNOUNCEMENT**

- (1) ISSUE AND SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE;**
- (2) PLACING OF NEW SHARES UNDER SPECIFIC MANDATE;**
- (3) POSSIBLE UNCONDITIONAL MANDATORY CASH OFFER BY ASTRUM FOR AND ON BEHALF OF CENTURY ICON HOLDINGS LIMITED TO ACQUIRE ALL THE ISSUED SHARES AND ALL THE OUTSTANDING CONVERTIBLE LOANS OF MORRIS HOME HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY THE OFFEROR AND PARTIES ACTING IN CONCERT WITH IT);**
- (4) APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER;**
- AND**
- (5) RESUMPTION OF TRADING**

**Financial Adviser to the Offeror**

**MESSIS  大有融資**

**Offer Agent to the Offeror**



**Placing Agent for the Placing**



**Independent Financial Adviser to the Independent Board Committee**



## **THE SHARE SUBSCRIPTION**

On 26 May 2022, the Company entered into the Share Subscription Agreement (as amended and supplemented by the Supplemental Share Subscription Agreement) with the Offeror, pursuant to which the Company has conditionally agreed to allot and issue, and the Offeror has conditionally agreed to subscribe for 1,300,000,000 Subscription Shares at the Share Subscription Price of HK\$0.063 per Subscription Share for the total Consideration of HK\$81,900,000.

### **The Subscription Shares**

As at the date of this joint announcement, the Company had 1,200,000,000 Shares in issue. The 1,300,000,000 Subscription Shares represent:

- (i) approximately 108.33% of the existing total number of Shares in issue;
- (ii) approximately 52.00% of the total number of Shares in issue as enlarged by the allotment and issuance of the Subscription Shares upon the Share Subscription Completion (assuming that there will be no other change in the total number of Shares); and
- (iii) approximately 47.27% of the total number of Shares in issue as enlarged by the allotment and issuance of the Subscription Shares upon the Share Subscription Completion and the allotment and issuance of the Placing Shares upon the Placing Completion (assuming that there will be no other change in the total number of Shares).

The aggregate nominal value of the Subscription Shares under the Share Subscription will be US\$1,300,000 based on the nominal value of US\$0.001 per Share.

### **The Share Subscription Price**

The Share Subscription Price of HK\$0.063 per Subscription Share represents:

- (i) a discount of approximately 7.35% to the closing price of HK\$0.068 per Share as quoted on the Stock Exchange on the last trading day before the date of the first announcement of the Company made pursuant to Rule 3.7 of the Takeovers Code (i.e. 20 April 2022);
- (ii) a discount of approximately 59.35% to the closing price of HK\$0.155 per Share as quoted on the Stock Exchange on 26 May 2022, being the Last Trading Day;
- (iii) a discount of approximately 50.00% to the average of the closing price of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day of approximately HK\$0.126 per Share;

- (iv) a discount of approximately 41.67% over the average of the closing price of the Shares as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day of approximately HK\$0.108 per Share;
- (v) a discount of approximately 37.62% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day of HK\$0.101 per Share; and
- (vi) a discount of approximately 40.57% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the 90 consecutive trading days up to and including the Last Trading Day of HK\$0.106 per Share.

As disclosed in the annual report of the Company published on 13 May 2022, the Company had recorded audited consolidated net liabilities of approximately RMB51,171,000 as at 31 December 2021. Calculated based on 1,200,000,000 Shares in issue as at the date of this joint announcement, the audited consolidated net liabilities value per Share is approximately RMB0.04 per Share (equivalent to approximately HK\$0.05 per Share) as at 31 December 2021.

#### **The Share Subscription Completion**

The Share Subscription Completion shall take place on the Share Subscription Completion Date subject to the satisfaction or waiver (if applicable) of all the conditions precedent set out in the sub-section headed “The Share Subscription – The Share Subscription conditions precedent” of this joint announcement. The Share Subscription Completion and the Placing Completion are inter-conditional and will take place simultaneously.

Upon the Share Subscription Completion, the Offeror shall pay to a bank account designated by the Company by immediately available funds through bank transfer or wiring transfer (or such other way as may be agreed between the Company and the Offeror) the net balance of the Share Subscription Price after deducting the Deposit (i.e. HK\$61,900,000).

#### **THE PLACING**

On 5 August 2022, the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has conditionally agreed to place, on a fully underwritten basis, and the Company has conditionally agreed to issue and allot, 250,000,000 Placing Shares to the Placees for the total consideration of HK\$27,500,000 pursuant to the terms and conditions set out in the Placing Agreement.

## **Placing commission**

The Placing Agent will receive a placing commission of 4.5% of the aggregate Placing Price for the Placing Shares placed by the Placing Agent on behalf of the Company in accordance with its obligations under the Placing Agreement. The placing commission was arrived at after arm's length negotiations between the Company and the Placing Agent and with reference to the prevailing market rate.

## **The Placing Price**

The Placing Price of HK\$0.11 per Placing Share represents:

- (i) a premium of approximately 61.76% to the closing price of HK\$0.068 per Share as quoted on the Stock Exchange on the last trading day before the date of the first announcement of the Company made pursuant to Rule 3.7 of the Takeovers Code (i.e. 20 April 2022);
- (ii) a discount of approximately 29.03% to the closing price of HK\$0.155 per Share as quoted on the Stock Exchange on 26 May 2022, being the Last Trading Day;
- (iii) a discount of approximately 12.70% to the average of the closing price of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day of approximately HK\$0.126 per Share;
- (iv) a premium of approximately 1.85% over the average of the closing price of the Shares as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day of approximately HK\$0.108 per Share;
- (v) a premium of approximately 8.91% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day of HK\$0.101 per Share; and
- (vi) a premium of approximately 3.77% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the 90 consecutive trading days up to and including the Last Trading Day of HK\$0.106 per Share.

As disclosed in the annual report of the Company published on 13 May 2022, the Company had recorded audited consolidated net liabilities of approximately RMB51,171,000 as at 31 December 2021. Calculated based on 1,200,000,000 Shares in issue as at the date of this joint announcement, the audited consolidated net liabilities value per Share is approximately RMB0.04 per Share (equivalent to approximately HK\$0.05 per Share) as at 31 December 2021.

## **The Placing Shares**

As at the date of this joint announcement, the Company had 1,200,000,000 Shares in issue. The 250,000,000 Placing Shares represent:

- (i) approximately 20.83% of the existing total number of Shares in issue;
- (ii) approximately 17.24% of the total number of Shares in issue as enlarged by the allotment and issuance of the Placing Shares upon the Placing Completion (assuming that there will be no other change in the total number of Shares); and
- (iii) approximately 9.09% of the total number of Shares in issue as enlarged by the allotment and issuance of the Subscription Shares upon the Share Subscription Completion and the Placing Shares upon the Placing Completion (assuming that there will be no other change in the total number of Shares).

The aggregate nominal value of the Placing Shares under the Placing will be US\$250,000 based on the nominal value of US\$0.001 per Share.

## **The Placing Completion**

The Placing Completion is expected to take place on the second Business Day after the day on which all the conditions to the Placing Completion under the Placing Agreement as set out in the sub-section headed “The Placing – The Placing conditions precedent” of this joint announcement having been fulfilled.

The Placing Completion is expected to take place simultaneously with the Share Subscription Completion, as the Share Subscription Agreement and the Placing Agreement are inter-conditional.

## **MANDATE TO ISSUE THE SUBSCRIPTION SHARES AND THE PLACING SHARES**

The Subscription Shares and the Placing Shares will be allotted and issued under the Specific Mandate to be sought from the Shareholders at the EGM.

## **POSSIBLE UNCONDITIONAL MANDATORY CASH OFFER**

As at the date of this joint announcement, save for the 666,500,000 Shares (representing 55.54% of the issued Shares) held by Morris Capital which will be presumed to be acting in concert with the Offeror upon the Share Subscription Completion, the Offeror and parties acting in concert with it are not interested in any Share. Upon the Share Subscription Completion and the Placing Completion, the Offeror and parties acting in concert with it (including Morris Capital) will be interested in 1,966,500,000 Shares (representing 71.51% of the issued Shares as enlarged by the allotment and issue of the Subscription Shares and the Placing Shares, assuming there is no other change to the issued Shares from the date of this joint announcement up to the Share Subscription Completion Date and the Placing Completion Date).

Subject to the Share Subscription Completion and pursuant to Rule 26.1 of the Takeovers Code, upon the Share Subscription Completion, the Offeror is required to make the unconditional mandatory cash offer for all the issued Shares and all the outstanding Convertible Loan (other than those already owned or to be acquired by the Offeror and parties acting in concert with it).

### **The Share Offer**

For every Offer Share held . . . . . HK\$0.063 in cash

The Share Offer will be extended to all Independent Shareholders in accordance with the Takeovers Code.

The Share Offer Price of HK\$0.063 per Offer Share is equal to the Share Subscription Price per Subscription Share under the Share Subscription Agreement.

The Offer Shares to be acquired under the Share Offer shall be fully paid and free from all Encumbrances and together with all rights attaching to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date on which the Share Offer is made, that is, the date of despatch of the Composite Document.

As at the date of this joint announcement, no dividend has been paid or declared by the Company on the Shares and the Convertible Loan, and it is advised by the Board that no dividend is expected to be declared on the Shares and the Convertible Loan during the Offer Period.

### **The Convertible Loan Offer**

For every HK\$1 principal amount of the Convertible Loan . . . . . HK\$0.0284 in cash

The Convertible Loan Offer will be extended to the Convertible Loan Creditor(s) in accordance with the Takeovers Code.

The Convertible Loan will be acquired fully-paid and free from all Encumbrances of any nature and together with all rights now or hereafter attaching or accruing to them as at the date on which the Convertible Loan Offer is made, that is, the date of despatch of the Composite Document.

The Convertible Loan Offer will apply to the outstanding principal amount of the Convertible Loan on the date on which the Convertible Loan Offer is made and will not apply to any outstanding principal amount of the Convertible Loan which is or has been converted into Shares prior to the close of the Convertible Loan Offer.

The proposed offer price for the Convertible Loan is HK\$0.0284 for every HK\$1 principal amount of the Convertible Loan, determined in accordance with Rule 13 of the Takeovers Code and Practice Note 6 as the “see-through” consideration for the Convertible Loan, being the number of new Shares which the Convertible Loan could be convertible into (i.e. approximately 36,684,248 new conversion Shares) multiplied by the Share Offer Price of HK\$0.063 per Offer Share, valuing the total Convertible Loan Offer at approximately HK\$2,311,108.

#### **IRREVOCABLE UNDERTAKING IN RELATION TO THE SHARE OFFER**

Morris Capital has entered into the Irrevocable Undertaking, pursuant to which it has unconditionally and irrevocably undertaken to the Offeror that, amongst others: (i) it will not accept the Share Offer in respect of the 666,500,000 Shares held by it or sell any of the 666,500,000 Shares held it to the Offeror or the parties acting in concert with the Offeror under the Share Offer; (ii) it will not take any other action to make the 666,500,000 Shares held by it available for acceptance under the Share Offer; and (iii) it (a) will hold the 666,500,000 Shares indirectly held by it until, and (b) will not sell, transfer, dispose of or create or agree to create any Encumbrance of or otherwise create any interests on the 666,500,000 Shares held by it before, the close of the Offers.

The Irrevocable Undertaking will cease upon the close of the Offers or the lapse of the Offers or the withdrawal of the Offers in accordance with the Takeovers Code or the Offeror announces that it does not intend to proceed with the Offers.

#### **ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE**

Pursuant to Rule 2.1 of the Takeovers Code, the Independent Board Committee comprising all the independent non-executive Directors, namely, Ms. Wu Weixia, Mr. Tan Tianhong and Ms. Zhao Hongyan, has been established to advise the Independent Shareholders and the Convertible Loan Creditor(s) as to the terms of the Offers and as to their acceptance. All the independent non-executive Directors comprising the Independent Board Committee have no direct or indirect interest or involvement in the Offers, and are considered appropriate for joining as members of the Independent Board Committee to advise the Independent Shareholders and the Convertible Loan Creditor(s) as to the terms and acceptance of the Offers.

## **APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER**

Lego Corporate Finance Limited has been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee, the Independent Shareholders and the Convertible Loan Creditor(s) in respect of the terms of the Offers and as to their acceptance.

## **THE EGM**

The EGM will be held to consider and, if thought fit, pass resolutions to approve, among other matters, (a) the Share Subscription Agreement and the transactions contemplated thereunder; (b) the Placing Agreement and the transactions contemplated thereunder; and (c) the granting of the Specific Mandate.

A circular containing, among other things, (i) details of the Share Subscription, the Placing and the Specific Mandate; (ii) other information as required under the Listing Rules; and (iii) a notice of the EGM, will be despatched to the Independent Shareholders as soon as practicable in compliance with the requirements of the Listing Rules.

No existing Shareholder has a material interest in the Share Subscription, the Placing and the Specific Mandate and therefore no Shareholder is required to abstain from voting in relation to the resolutions on the Share Subscription Agreement, the Placing Agreement and the transactions contemplated thereunder and the granting of the Specific Mandate to be proposed at the EGM. As at the date of this joint announcement and the date of the EGM, save for Morris Capital which will be presumed to be acting in concert with the Offeror under class (1) of the definition of acting in concert upon the Share Subscription Completion, the Offeror and/or the parties acting in concert with it do not and will not hold any Shares and accordingly will not be entitled to vote on any resolutions at the EGM.

The resolutions in relation to the Share Subscription, the Placing and the Specific Mandate will be voted on by the Shareholders by way of poll at the EGM.

## **COMPOSITE DOCUMENT**

Subject to the Share Subscription Completion and the Placing Completion, if the Offers materialize, it is the intention of the Offeror and the Company that the offer document from the Offeror and the offeree board circular from the Company be combined into a composite offer and response document and be jointly despatched by the Offeror and the Company to the Independent Shareholders and the Convertible Loan Creditor(s) in accordance with the requirements of the Takeovers Code after the Share Subscription Completion and the Placing Completion take place.

In accordance with Rule 8.2 of the Takeovers Code, the Composite Document containing, amongst other things: (i) details of the Offers (including the expected timetable and terms of the Offers); (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders and the Convertible Loan Creditor(s) in relation to the Offers; and (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee, the Independent Shareholders and the Convertible Loan Creditor(s) in relation to the Offers, together with the relevant forms of acceptance and transfer, are required to be despatched to the Independent Shareholders and the Convertible Loan Creditor(s) within 21 days of the date of this joint announcement or such later date as the Executive may approve.

As the making of the Offers is subject to the Share Subscription Completion, an application will be made to the Executive under Note 2 to Rule 8.2 of the Takeovers Code for the Executive's consent to extend the deadline for despatch of the Composite Document.

Further announcement(s) will be made by the Offeror and the Company on the timing of despatch of the Composite Document.

#### **LISTING RULES IMPLICATIONS**

Based on the closing price of HK\$0.155 per Share on the Last Trading Day, the theoretical value dilution in respect of the Share Subscription and the Placing is approximately 30.71%. With reference to Rule 7.27B of the Listing Rules, the Share Subscription and the Placing would result in a theoretical dilution effect of 25% or more within a 12-month period. However, the Share Subscription and the Placing form part of a rescue proposal for the Company (including the Debt Restructuring and the Pre-restructuring) amidst the following background: (i) the debt position of the Company (including the substantial unpaid amounts in relation to the Convertible Loan and the indebtedness of the Relevant Subsidiaries), (ii) the loss-making position of the Company for three consecutive years since 2019, and (iii) the net liabilities recorded by the Company of approximately RMB51 million as at 31 December 2021. Pursuant to Note 2 to Rule 7.27B of the Listing Rules, the Company has consulted the Stock Exchange regarding the Share Subscription and the Placing and the Stock Exchange agrees that the Company has demonstrated that there are exceptional circumstances for the purpose of Rule 7.27B of the Listing Rules and the Company can proceed with the Share Subscription and the Placing.

#### **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 1:08 p.m. on Thursday, 26 May 2022 pending the release of this joint 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, 8 August 2022.

## **WARNING**

**Shareholders should note that the Share Subscription Agreement, the Placing Agreement and the transactions contemplated thereunder are subject to the fulfillment and/or waiver, as applicable, of the conditions precedent under the Share Subscription Agreement and the Placing Agreement. As such, the Share Subscription and the Placing may or may not proceed.**

**The Offers will be made only if the Share Subscription Completion and the Placing Completion take place. Accordingly, the Offers may or may not be made. The issue of this joint announcement does not in any way imply that the Offers will be made.**

**The Directors make no recommendation as to the fairness or reasonableness of the Offers or as to the acceptance of the Offers in this joint announcement, and strongly recommend the Independent Shareholders and the Convertible Loan Creditor(s) not to form a view on the Offers unless and until they have received and read the Composite Document, including the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Offers and the letter of advice from the Independent Financial Adviser to the Independent Board Committee, the Independent Shareholders and the Convertible Loan Creditor(s) in respect of the Offers.**

**Shareholders and potential investors of the Company are (i) reminded to monitor the announcements to be made by the Company or jointly by the Offeror and the Company in respect of the progress of the Offers; and (ii) 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 professional advisers.**

Reference is made to the announcements of the Company dated 22 April 2022 and 13 May 2022 made pursuant to Rule 3.7 of the Takeovers Code regarding the MOU and the possible Share Subscription contemplated thereunder.

## **THE SHARE SUBSCRIPTION**

On 26 May 2022, the Company entered into the Share Subscription Agreement (as amended and supplemented by the Supplemental Share Subscription Agreement) with the Offeror, pursuant to which the Company has conditionally agreed to allot and issue, and the Offeror has conditionally agreed to subscribe for 1,300,000,000 Subscription Shares at the Share Subscription Price of HK\$0.063 per Subscription Share for the total Consideration of HK\$81,900,000.

Set out below is a summary of the principal terms of the Share Subscription Agreement (as amended and supplemented by the Supplemental Share Subscription Agreement):

**Date**

26 May 2022\*

\* *The Share Subscription Agreement was amended and supplemented by the Supplemental Share Subscription Agreement entered into by the Company and the Offeror on 5 August 2022.*

**Parties**

Issuer: The Company

Subscriber: Century Icon Holdings Limited

As at the date of this joint announcement, the Offeror and its ultimate beneficial owner(s) are parties independent of and not connected with the Company and its connected persons.

**The Subscription Shares**

As at the date of this joint announcement, the Company had 1,200,000,000 Shares in issue. The 1,300,000,000 Subscription Shares represent:

- (i) approximately 108.33% of the existing total number of Shares in issue;
- (ii) approximately 52.00% of the total number of Shares in issue as enlarged by the allotment and issuance of the Subscription Shares upon the Share Subscription Completion (assuming that there will be no other change in the total number of Shares); and
- (iii) approximately 47.27% of the total number of Shares in issue as enlarged by the allotment and issuance of the Subscription Shares upon the Share Subscription Completion and the Placing Shares upon the Placing Completion (assuming that there will be no other change in the total number of Shares).

The aggregate nominal value of the Subscription Shares under the Share Subscription will be US\$1,300,000 based on the nominal value of US\$0.001 per Share.

## **The Deposit**

The Offeror has agreed to pay the refundable Deposit in the sum of HK\$20,000,000 (which amounts to approximately 24.42% of the Consideration) to the Company within three (3) Business Days after the date of the Share Subscription Agreement. The Deposit shall be settled by immediately available fund through bank transfer or wire transfer into a designated bank account of the Company as agreed by the Offeror (or such other means as may be agreed in writing between the Company and the Offeror). The Deposit shall be interest free and shall not be utilized by the Company before the Share Subscription Completion unless with the consent of the Offeror. Upon the Share Subscription Completion, the Deposit will be used to offset a corresponding part of the total Consideration.

As at the date of this joint announcement, the Deposit has been paid by the Offeror to the Company in accordance with the terms and conditions of the Share Subscription Agreement.

If the conditions precedent are not satisfied (or waived) on or before the Share Subscription Long Stop Date, the Company shall within two (2) Business Days after receiving the Offeror's notice in writing refund the interest free Deposit in full to the Offeror.

## **The Share Subscription Price**

The Share Subscription Price of HK\$0.063 per Subscription Share represents:

- (i) a discount of approximately 7.35% to the closing price of HK\$0.068 per Share as quoted on the Stock Exchange on the last trading day before the date of the first announcement of the Company made pursuant to Rule 3.7 of the Takeovers Code (i.e. 20 April 2022);
- (ii) a discount of approximately 59.35% to the closing price of HK\$0.155 per Share as quoted on the Stock Exchange on 26 May 2022, being the Last Trading Day;
- (iii) a discount of approximately 50.00% to the average of the closing price of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day of approximately HK\$0.126 per Share;
- (iv) a discount of approximately 41.67% over the average of the closing price of the Shares as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day of approximately HK\$0.108 per Share;
- (v) a discount of approximately 37.62% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day of HK\$0.101 per Share; and
- (vi) a discount of approximately 40.57% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the 90 consecutive trading days up to and including the Last Trading Day of HK\$0.106 per Share.

As disclosed in the annual report of the Company published on 13 May 2022, the Company had recorded audited consolidated net liabilities of approximately RMB51,171,000 as at 31 December 2021. Calculated based on 1,200,000,000 Shares in issue as at the date of this joint announcement, the audited consolidated net liabilities value per Share is approximately RMB0.04 per Share (equivalent to approximately HK\$0.05 per Share) as at 31 December 2021.

The Share Subscription Price was determined after arm's length negotiations between the Company and the Offeror with reference to (i) the recent and historical prices of the Shares, in particular the premium over the closing price or average closing prices per Share in the last trading day and certain periods prior to the date of the MOU as illustrated below; (ii) the financial condition of the Group, in particular the loss-making position of the Group for the three consecutive financial years from 2019 and the net liabilities of the Group as at 31 December 2021 of RMB51,171,000; (iii) uncertain prospect of the businesses and viability of the Group; and (iv) the implications to the Company in respect of the provision of immediate funds to the Company for, amongst others, maintaining its operations and repayment of indebtedness.

The Share Subscription Price of HK\$0.063 per Subscription Share represents:

- (i) a discount of approximately 7.35% to the closing price of HK\$0.068 per Share as quoted on the Stock Exchange on 20 April 2022, being the last trading day before the date of the first announcement of the Company made pursuant to Rule 3.7 of the Takeovers Code; and
- (ii) a premium of approximately 1.61% to the average of the closing price of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the last trading day before the date of the first announcement of the Company made pursuant to Rule 3.7 of the Takeovers Code (i.e. 20 April 2022) of approximately HK\$0.062 per Share.

The Directors consider that the basis in determining the Share Subscription Price and the Consideration is fair and reasonable and on normal commercial terms, and the entering into of the Share Subscription Agreement is in the interest of the Company and the Shareholders as a whole.

The net Share Subscription Price, after taking into account the estimated expenses of the Share Subscription, is approximately HK\$0.61 per Subscription Share.

## **The Share Subscription conditions precedent**

The Share Subscription Completion is conditional upon the satisfaction (or waiver) (if applicable) of the following conditions precedent on or before the Share Subscription Long Stop Date:

- (a) the passing of resolutions by the Shareholders (or independent Shareholders, if required) at the EGM convened in accordance with the Listing Rules approving the Share Subscription and all transactions contemplated under the Share Subscription Agreement;
- (b) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Subscription Shares, and such approval not having been revoked or cancelled before the allotment and issue of Subscription Shares;
- (c) the Company and its affiliates having obtained all necessary approval(s) in respect of the Share Subscription Agreement and all transactions contemplated thereunder, including but not limited to all approval(s), consent(s), authorisation(s), registration(s) and filing(s) from the Board, relevant government department(s) (including but not limited to the Stock Exchange and necessary approvals under applicable national laws), authority(ies), organisation(s) or any other third parties (including creditors or persons having rights under agreements), and such approvals not having been revoked or cancelled before Share Subscription Completion;
- (d) the Offeror having obtained all necessary approvals in respect of the Share Subscription Agreement and all transactions contemplated thereunder, including but not limited to all approval(s), consent(s), authorisation(s), registration(s) and filing(s) from the board of directors of the Offeror, relevant government department(s) (including but not limited to the Stock Exchange and necessary approvals under applicable national laws), authority(ies), organisation(s) or any other third parties, and such approvals not having been revoked or cancelled before Share Subscription Completion;
- (e) there having been no government actions, court orders or legal proceedings that would cause the allotment and issue of the Subscription Shares or the Share Subscription to be illegal, restricted or prohibited before the Share Subscription Completion;
- (f) all conditions to the Placing Completion under the Placing Agreement (except for the condition in relation to the fulfilment of the conditions to the Share Subscription Completion) having been fulfilled (or waived, if applicable);
- (g) the Offeror being satisfied with the results of its due diligence (including but not limited to legal, financial, operation and tax) on the Group;
- (h) there having been no material adverse change on the operations, assets, business prospects and financial conditions of the Group as at the Share Subscription Completion Date;

- (i) the representations, warranties and/or undertakings given by the Company under the Share Subscription Agreement remaining true, accurate, complete and not misleading in all material respects from the date of the Share Subscription Agreement to the Share Subscription Completion Date; and there having been no material breach of the Share Subscription Agreement committed by any of the parties to the Share Subscription Agreement;
- (j) the listing status of the Company on the Stock Exchange not having been revoked or cancelled at any time before the Share Subscription Completion, and the Shares remaining trading on the Stock Exchange at any time before the Share Subscription Completion (except for trading halt(s) not exceeding 10 consecutive trading days (or such other relevant period as may be agreed by the Offeror in writing) or trading halt(s) in relation to the Share Subscription and all transactions contemplated under the Share Subscription Agreement); and the Stock Exchange not having indicated that the listing status of the Company will be suspended, cancelled or revoked at any time after the Share Subscription Completion; and
- (k) there having been no change of controlling shareholder of the Company from the date of the Share Subscription Agreement to the Share Subscription Completion Date.

The Company and the Offeror have agreed to use their reasonable endeavours to the extent possible to procure the fulfilment of the conditions precedent set out above on or before the Share Subscription Long Stop Date.

Save for the conditions set out in (a) to (f) above which are not capable of being waived, all other conditions precedent are waivable by the Offeror.

The listing approval for the Subscription Shares to be granted by the Stock Exchange and the consent of a creditor to the change of control of the Company pursuant to a loan agreement are the only outstanding specific consents or approvals required to be obtained by the Company under the condition set out in (c) above. There is no outstanding consent or approval required to be obtained by the Offeror under the condition set out in (d) above.

Save as disclosed above, the Company and the Offeror are not aware of any other approvals or consents required for the purpose of the Share Subscription and the Specific Mandate.

If the conditions set out above are not satisfied or waived (if applicable) on or before the Share Subscription Long Stop Date, the Share Subscription Agreement shall automatically lapse with immediate effect, save for any antecedent rights and obligations and the Surviving Provisions.

As at the date of this joint announcement, none of the conditions set out above has been fully satisfied.

## **The Share Subscription Completion**

The Share Subscription Completion shall take place on the Share Subscription Completion Date subject to the satisfaction or waiver (if applicable) of all the above conditions precedent. The Share Subscription Completion and the Placing Completion are inter-conditional and shall take place simultaneously.

Upon the Share Subscription Completion, the Offeror shall pay to a bank account designated by the Company by immediately available funds through bank transfer or wiring transfer (or such other way as may be agreed between the Company and the Offeror) the net balance of the Share Subscription Price after deducting the Deposit (i.e. HK\$61,900,000).

In the event that the Share Subscription Completion does not take place on the Share Subscription Completion Date as a result of the non-performance of any of the obligations in respect of the Share Subscription Completion procedures (whether or not constituting a repudiatory breach) specified in the Share Subscription Agreement, the conforming party may by notice in writing to the breaching party elect to (i) proceed with the Share Subscription Completion to the extent possible; or (ii) delay the Share Subscription Completion to another date; or (iii) terminate the Share Subscription Agreement.

If the Offeror or the Company elects to delay the Share Subscription Completion to another date, the terms of the Share Subscription Agreement shall remain effective and such date shall be deemed to be the Share Subscription Completion Date. If the Offeror or the Company elects to terminate the Share Subscription Agreement, the further rights and obligations of each of the Offeror and the Company shall lapse immediately upon such termination, save for any antecedent rights and obligations and the Surviving Provisions.

## **Ranking**

The Subscription Shares will be issued and allotted fully paid and will rank pari passu in all respects among themselves and with the Shares in issue as at the date of allotment and issuance of the Subscription Shares.

## **THE PLACING**

On 5 August 2022, the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has conditionally agreed to place, on a fully underwritten basis, and the Company has conditionally agreed to issue and allot, 250,000,000 Placing Shares to the Placees for the total consideration of HK\$27,500,000 pursuant to the terms and conditions set out in the Placing Agreement.

Set out below is a summary of the principal terms of the Placing Agreement:

**Date**

5 August 2022

**Parties**

Issuer: The Company

Placing Agent: Forwin Securities Group Limited

As at the date of this joint announcement, the Placing Agent and its ultimate beneficial owner(s) are third parties independent of and not connected with the Company and its connected persons.

The Placing Agent has confirmed that the Placing Agent or its nominee(s) is/are not, and to procure that each of the Placees will not be, acting in concert with the Offeror, Morris Capital (which will be presumed to be acting in concert with the Offeror upon the Share Subscription Completion) and their respective associates and/or the parties acting in concert with any of them and there will be no relationship, agreement, arrangement or understanding (whether express or implied and whether formal or informal) between the Offeror, Morris Capital, the Placing Agent (or its nominee(s)) and/or the Placees (as the case may be) and their respective ultimate beneficial owners to actively cooperate to obtain or consolidate control of the Company through subscription of the Placing Shares.

**Subject matter**

Pursuant to the Placing Agreement, the Placing Agent has conditionally agreed to place, on a fully underwritten basis, and the Company has conditionally agreed to issue and allot, 250,000,000 Placing Shares to the Placees at the Placing Price of HK\$0.11 per Placing Share.

**Placing commission**

The Placing Agent will receive a placing commission of 4.5% of the aggregate Placing Price for the Placing Shares placed by the Placing Agent on behalf of the Company in accordance with its obligations under the Placing Agreement. The placing commission was arrived at after arm's length negotiations between the Company and the Placing Agent and with reference to the prevailing market rate.

## The Placing Price

The Placing Price of HK\$0.11 per Placing Share represents:

- (i) a premium of approximately 61.76% to the closing price of HK\$0.068 per Share as quoted on the Stock Exchange on the last trading day before the date of the first announcement of the Company made pursuant to Rule 3.7 of the Takeovers Code (i.e. 20 April 2022);
- (ii) a discount of approximately 29.03% to the closing price of HK\$0.155 per Share as quoted on the Stock Exchange on 26 May 2022, being the Last Trading Day;
- (iii) a discount of approximately 12.70% to the average of the closing price of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day of approximately HK\$0.126 per Share;
- (iv) a premium of approximately 1.85% over the average of the closing price of the Shares as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day of approximately HK\$0.108 per Share;
- (v) a premium of approximately 8.91% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day of HK\$0.101 per Share; and
- (vi) a premium of approximately 3.77% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the 90 consecutive trading days up to and including the Last Trading Day of HK\$0.106 per Share.

As disclosed in the annual report of the Company published on 13 May 2022, the Company had recorded audited consolidated net liabilities of approximately RMB51,171,000 as at 31 December 2021. Calculated based on 1,200,000,000 Shares in issue as at the date of this joint announcement, the audited consolidated net liabilities value per Share is approximately RMB0.04 per Share (equivalent to approximately HK\$0.05 per Share) as at 31 December 2021.

The Placing Price was arrived at after arm's length negotiations between the Company and the Placing Agent which had taken into account, among other things, the prevailing market price of the Shares and the financial and other conditions of the Company.

The net Placing Price, after taking into account the maximum placing commission and the estimated expenses of the Placing, is approximately HK\$0.104 per Placing Share.

## **The Placing Shares**

As at the date of this joint announcement, the Company had 1,200,000,000 Shares in issue. The 250,000,000 Placing Shares represent:

- (i) approximately 20.83% of the existing total number of Shares in issue;
- (ii) approximately 17.24% of the total number of Shares in issue as enlarged by the allotment and issuance of the Placing Shares upon the Placing Completion (assuming that there will be no other change in the total number of Shares); and
- (iii) approximately 9.09% of the total number of Shares in issue as enlarged by the allotment and issuance of the Subscription Shares upon the Share Subscription Completion and the Placing Shares upon the Placing Completion (assuming that there will be no other change in the total number of Shares).

The aggregate nominal value of the Placing Shares under the Placing will be US\$250,000 based on the nominal value of US\$0.001 per Share.

## **Placees**

The Placees and their respective ultimate beneficial owners (a) shall be third parties independent of and not connected with the Company and its connected persons; and (b) shall not be parties acting in concert with the Offeror, Morris Capital (which will be presumed to be acting in concert with the Offeror under class (1) of the definition of acting in concert upon the Share Subscription Completion) and their respective associates and/or the parties acting in concert with any of them.

It is expected that none of the Placees and/or the Placing Agent (or its nominee(s)) as underwriter (as the case may be) will become a substantial shareholder of the Company immediately after the Placing Completion.

## **Ranking**

The Placing Shares will be issued and allotted fully paid and will rank *pari passu* in all respects among themselves and with the Shares in issue as at the date of allotment and issuance of the Placing Shares.

## **The Placing conditions precedent**

The Placing Completion is conditional upon the satisfaction of the following conditions precedent on or before the Placing Long Stop Date:

- (a) the passing of resolutions by the Shareholders (or independent Shareholders, if required) at the EGM convened in accordance with the Listing Rules approving the Placing and all transactions contemplated under the Placing Agreement;

- (b) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Placing Shares, and such approval not having been revoked or cancelled before the issue and allotment of Placing Shares; and
- (c) all conditions to the Share Subscription Completion under the Share Subscription (except for the condition in relation to the fulfilment of the conditions to the Placing Completion) having been fulfilled (or waived, if applicable).

None of the conditions precedent above are waivable by the Placing Agent or the Company.

As at the date of this joint announcement, none of the conditions set out above has been fully satisfied.

If the conditions set out above are not satisfied on or before the Placing Long Stop Date, the Placing Agreement shall automatically lapse with immediate effect, and no party shall have any claim against the other party, save for any antecedent breaches.

### **The Placing Completion**

The Placing Completion is expected to take place on the second Business Day after the day on which all the conditions to the Placing Completion under the Placing Agreement having been fulfilled.

The Placing Completion is expected to take place simultaneously with the Share Subscription Completion, as the Share Subscription Agreement and the Placing Agreement are inter-conditional.

### **Termination of the Placing**

Notwithstanding anything contained in the Placing Agreement, if at any time on or prior to 12:00 noon on the Placing Completion Date:

- (i) there shall develop, occur or come into force, since the date of the Placing Agreement, any change (whether or not permanent) in national, regional, international, financial, military, industrial or economic conditions or prospect, stock market, fiscal or political conditions, laws or regulations, regulatory or market conditions and matters and/or disasters in Hong Kong, China, the Cayman Islands or any other jurisdictions relevant to the Company or any of its subsidiaries which, in the sole and reasonable opinion of the Placing Agent, has or may be expected to have or is likely to have a material adverse effect on the business or financial conditions or prospect of the Company or its subsidiaries or the consummation of the Placing; or

- (ii) there shall develop, occur or come into force, any event, or series of events, beyond the control of the Placing Agent, including but not limited to the imposition of economic sanctions (in whatever form, directly or indirectly) in Hong Kong, China, the Cayman Islands or any other jurisdictions relevant to the Company or its subsidiaries, acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreaks, escalation or adverse mutation of diseases, economic sanctions, strikes, lock-outs, natural disasters, civil commotion, riots, public disorders, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism which, in the sole and reasonable opinion of the Placing Agent, has or is likely to have a material adverse effect on the business or financial conditions or prospect of the Company and its subsidiaries or the consummation of the Placing; or
- (iii) any material breach of any of the representations and warranties set out in the Placing Agreement comes to the knowledge of the Placing Agent or any event occurs or any matter arises on or after the date of the Placing Agreement and prior to the Placing Completion Date which if it had occurred or arisen before the date of the Placing Agreement would have rendered any of such representations and warranties untrue or incorrect in any material respect or there has been a material breach by the Company of any other provisions of the Placing Agreement; or
- (iv) there shall develop, occur or come into force any moratorium, suspension or material restriction on trading in shares or securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or
- (v) trading of the Shares of the Company on the Stock Exchange has been suspended for more than five Business Days except for trading halts pending announcement to be made by the Company in relation to the Placing or the Share Subscription,

then and in any such case, the Placing Agent may after consultation with the Company (to the extent that the same is reasonably practicable) terminate the Placing Agreement without liability to the Company by giving notice in writing to the Company prior to 12:00 noon on the Placing Completion Date. In the event the Placing Agent terminates the Placing Agreement pursuant to the clause above, all obligations of each of the parties under the Placing Agreement shall cease and determine and no party shall have any claim against the other party in respect of any matter arising out of or in connection with the Placing Agreement.

### **Lock-up undertaking**

The Placing Agent has unconditionally and irrevocably undertaken to the Company that, for the period of six months from the date of the Placing Completion, each of the Placees and/or the Placing Agent as underwriter (as the case may be) will not, directly or indirectly, sell, give, transfer, assign or dispose of or otherwise create any encumbrance on the Placing Shares in any form.

## **MANDATE TO ISSUE THE SUBSCRIPTION SHARES AND THE PLACING SHARES**

The Subscription Shares and the Placing Shares will be allotted and issued under the Specific Mandate to be sought from the Shareholders at the EGM.

## **APPLICATION FOR LISTING**

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Subscription Shares and the Placing Shares.

## **REASONS FOR AND BENEFITS OF THE SHARE SUBSCRIPTION AND THE PLACING**

The Company is the holding company of the Group. Its subsidiaries are principally engaged in the manufacturing and sales of sofas, sofa covers and other furniture products.

As disclosed in the Company's annual report for the year ended 31 December 2021, the Group recorded net loss of RMB123,402,000 for the year ended 31 December 2021. The Group had been loss-making for three consecutive financial years from 2019. The Group had also recorded net liabilities of RMB51,171,000 as at 31 December 2021, as compared to net assets of RMB76,743,000 as at 31 December 2020.

As at 31 December 2021, the Group had trade and bills payables and other payables and accruals of RMB179,145,000 and RMB43,320,000, respectively. The Group's aggregate interest-bearing bank and other borrowings, lease liabilities and convertible loan liability amounted to approximately RMB64,616,000, RMB25,002,000 and RMB69,977,000, respectively, whilst its cash and cash equivalents amounted to approximately RMB13,485,000. The Convertible Loan with outstanding principal amount of approximately RMB69,977,000 as at the date of this joint announcement had also matured and fallen due for repayment during the year ended 31 December 2021. The outstanding principal amount and related overdue interests on the Convertible Loan, amounting to approximately HK\$86,674,920 (equivalent to approximately RMB73,417,000) in aggregate, have not been repaid as at 31 May 2022, as the Company did not have sufficient financial resources. The Company is currently in negotiation with the Convertible Loan Creditor in relation to the Debt Restructuring (i.e. the restructuring of the repayment terms under the Convertible Loan). The extreme environment, including the outbreak of the COVID-19 pandemic and the Sino-U.S. Trade War, has adversely and seriously affected the operations and financial conditions of the Relevant Subsidiaries (i.e. Zhejiang Apollo and Fashion Home), being the previous principal manufacturing subsidiaries of the Company in the PRC. The Relevant Subsidiaries initiated the Pre-restructuring procedures, under which a restructuring plan for the settlement of all the indebtedness of the Relevant Subsidiaries was formulated. As at the date of this joint announcement, the Pre-restructuring proposal was passed by the requisite majority of creditors, pending sanction by the People's Court of Haining City.

The Board considers that the Group is in need of external financings with a view to improving the Group's financial position, reducing its debt level (including trading and financial debts) and replenishing working capital for the Company's operations. It is the Board's view that the Share Subscription and the Placing, under which the Offeror and the Placees are to be introduced as investors, represent a crucial and precious opportunity to improve the liquidity and financial position of the Group and enable it to continue as a going concern. The introduction of investors would also present a positive signal to the market and the customers, supplier and business partners of the Group, which is conducive to the continuing operations and stability of the Company.

The net proceeds of the Share Subscription and the Placing would also be used to repay indebtedness of the Group under the Convertible Loan and make settlements for the Relevant Subsidiaries' indebtedness under the Pre-restructuring. For more details on the use of proceeds from the Share Subscription and the Placing for the Group, please refer to the section headed "Use of Proceeds" of this joint announcement.

The Offeror is wholly-owned by Mr. Tse Kam Pang, who has extensive experience and connections in the furniture sales and manufacturing industry in the PRC. The Group may be able to leverage the support of its new controlling shareholder to resolve its financial difficulties and optimize and further develop its existing business in the PRC.

Based on the above, the Directors (including the independent non-executive Directors) are of the view that the terms of each of the Share Subscription Agreement and the Placing Agreement are negotiated after arm's length negotiation, on normal commercial terms and the Share Subscription and the Placing are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **USE OF PROCEEDS**

The gross proceeds from the Share Subscription and the Placing will be in aggregate approximately HK\$109.4 million. The net proceeds after deducting all relevant costs and expenses of the Share Subscription and the Placing are estimated to be approximately HK\$105.4 million.

The Company intends to apply the net proceeds to be raised from the Share Subscription and the Placing in the following manner:

**(a) Repayment of indebtedness**

As to approximately HK\$100 million (representing approximately 94.88% of the net proceeds) for repayment of indebtedness

- As to approximately HK\$43.5 million (representing approximately 41.27% of the net proceeds) for repayment of indebtedness under the Pre-restructuring
- As to approximately HK\$56.5 million (representing approximately 53.61% of the net proceeds) for the partial repayment of the overdue amount under the Convertible Loan

**(b) Replenishment of general working capital**

As to approximately HK\$5.4 million (representing approximately 5.12% of the net proceeds) for general working capital of the Group.

The Directors confirm that the utilization of the net proceeds from the Share Subscription and the Placing as set out above will not involve payment of funds to Shareholders.

**EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY**

As at the date of this joint announcement, the Company has (i) a total of 1,200,000,000 Shares in issue; and (ii) outstanding Convertible Loans in the principal amount of HK\$81,439,031 convertible into 36,684,248 Shares (representing approximately 3.06% of the total number of Shares in issue). Save for the above, the Company does not have any other Shares, outstanding warrants, options, derivatives or other securities carrying conversion or subscription rights into Shares.

Set out below is the shareholding structure of the Company (i) as at the date of this joint announcement; (ii) immediately upon the Share Subscription Completion and the Placing Completion (assuming there is no other change in the total number of Shares); and (iii) immediately upon the Share Subscription Completion and the Placing Completion (assuming full conversion of the Convertible Loan and there is no other change in the total number of Shares):

Name of the Shareholder	As at the date of this joint announcement		Immediately upon the Share Subscription Completion and the Placing Completion (assuming there is no other change in the total number of Shares)		Immediately upon the Share Subscription Completion and the Placing Completion (assuming full conversion of the Convertible Loan and there is no other change in the total number of Shares)	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
<b>The Offeror and parties acting in concert with it (including Morris Capital which will be presumed to be acting in concert with the Offeror upon the Share Subscription Completion)</b>						
The Offeror (Note 1)	–	–	1,300,000,000	47.27	1,300,000,000	46.65
Morris Capital (Notes 1 & 2)	666,500,000	55.54	666,500,000	24.24	666,500,000	23.92
<b>Sub-total</b>	<b>666,500,000</b>	<b>55.54</b>	<b>1,966,500,000</b>	<b>71.51</b>	<b>1,966,500,000</b>	<b>70.57</b>
Morris ESOP (Note 3)	75,812,000	6.32	75,812,000	2.76	75,812,000	2.72
<b>Public Shareholders</b>						
The Convertible Loan Creditor(s)	–	–	–	–	36,684,248	1.32
The Placees	–	–	250,000,000	9.09	250,000,000	8.97
Other Public Shareholders	<u>457,688,000</u>	<u>38.14</u>	<u>457,688,000</u>	<u>16.64</u>	<u>457,688,000</u>	<u>16.42</u>
<b>Total</b>	<b><u>1,200,000,000</u></b>	<b><u>100.00</u></b>	<b><u>2,750,000,000</u></b>	<b><u>100.00</u></b>	<b><u>2,786,684,248</u></b>	<b><u>100.00</u></b>

*Notes:*

1. Upon the Share Subscription Completion, each of the Offeror and Morris Capital will hold 20% or more of the issued share capital of the Company. Therefore, they will be presumed to be acting in concert under class (1) of the definition of persons acting in concert in the Takeovers Code.
2. Morris Capital is owned as to 85% of its shares by Mr. Zou Gebing (who is the chairman and chief executive officer of the Company and an executive Director) and as to 15% of its shares by Mr. Zou Gebing's spouse, Ms. Wu Xiangfei. Under Part XV of the SFO, Mr. Zou Gebing is therefore deemed, or taken to be, interested in the Shares held by Morris Capital.
3. Morris ESOP is wholly-owned by The Core Trust Company Limited, being the trustee appointed for the purpose of the Share Award Scheme (the "Trustee"). As at the date of this joint announcement, the Trustee and its ultimate beneficial owner(s) are independent of and not connected with the Offeror or parties acting in concert with it. As at the date of this joint announcement, there is no outstanding award granted by the Company under the Share Award Scheme. The Board expects that no award will be granted under the Share Award Scheme until the Share Subscription Completion.

## **EQUITY FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS**

Save as disclosed below, the Company has not conducted any equity fund raising activities in the past twelve months before the date of this joint announcement:

<b>Date of announcement</b>	<b>Fund raising activity</b>	<b>Net proceeds raised</b>	<b>Proposed use of proceeds</b>	<b>Actual use of proceeds</b>
25 February 2022	Placing of 200,000,000 new shares at a price of HK\$0.12 per placing Share under general mandate, which was completed on 23 March 2022	HK\$23.71 million	Repay debts and replenish the working capital of the Group	Approximately HK\$23.71 million (representing all of the net proceeds raised) has been utilized for repaying debts, administrative costs and replenishing the working capital of the Group.
18 January 2022	Placing of 200,000,000 new shares at a price of HK\$0.175 per placing Share under general mandate, which was terminated on 11 February 2022	Not Applicable	Repay debts and replenish the working capital of the Group	Not Applicable

## **POSSIBLE UNCONDITIONAL MANDATORY CASH OFFERS**

As at the date of this joint announcement, save for the 666,500,000 Shares (representing 55.54% of the issued Shares) held by Morris Capital which will be presumed to be acting in concert with the Offeror under class (1) of the definition of acting in concert upon the Share Subscription Completion, the Offeror and parties acting in concert with it is not interested in any Share. Upon the Share Subscription Completion and the Placing Completion, the Offeror and parties acting in concert with it (including Morris Capital) will be interested in 1,966,500,000 Shares (representing 71.51% of the issued Shares as enlarged by the allotment and issue of the Subscription Shares and the Placing Shares, assuming there is no other change to the issued Shares from the date of this joint announcement up to the Share Subscription Completion Date and the Placing Completion Date).

Subject to the Share Subscription Completion and pursuant to Rule 26.1 of the Takeovers Code, upon the Share Subscription Completion, the Offeror is required to make the unconditional mandatory cash offer for all the issued Shares and all the outstanding Convertible Loan (other than those already owned or to be acquired by the Offeror and parties acting in concert with it).

### **Securities of the Company**

As at the date of this joint announcement, the Company has a total of 1,200,000,000 Shares in issue.

As at the date of this joint announcement, the Company had outstanding Convertible Loans in the principal amount of HK\$81,439,031 convertible into 36,684,248 Shares (representing approximately 3.06% of the total number of Shares in issue) at the conversion price of HK\$2.22 per Share.

Save for the above, the Company does not have any other Shares, outstanding warrants, options, derivatives or other securities carrying conversion or subscription rights into Shares.

Subject to the Share Subscription Completion and the Placing Completion, assuming there is no further change in the total number of issued Shares, there will be 2,750,000,000 Shares in issue as a result of the issuance and allotment of the Subscription Shares and the Placing Shares. Upon the Share Subscription Completion and the Placing Completion, the Offeror will be interested in 1,300,000,000 Shares (representing approximately 47.27% of the total number of Shares in issue as enlarged by the allotment and issue of the Subscription Shares and Placing Shares).

## **Terms of the Offers**

Upon the Share Subscription Completion, Astrum, on behalf of the Offeror in compliance with the Takeovers Code, will make the Offers to acquire all the Offer Shares and all the Convertible Loan pursuant to Rule 13 of the Takeovers Code on the terms to be set out in the Composite Document to be issued in accordance with the Takeovers Code on the following basis:

### **The Share Offer**

For every Offer Share held . . . . .HK\$0.063 in cash

The Share Offer will be extended to all Independent Shareholders in accordance with the Takeovers Code.

The Share Offer Price of HK\$0.063 per Offer Share is equal to the Share Subscription Price per Subscription Share under the Share Subscription Agreement.

The Offer Shares to be acquired under the Share Offer shall be fully paid and free from all Encumbrances and together with all rights attaching to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date on which the Share Offer is made, that is, the date of despatch of the Composite Document.

As at the date of this joint announcement, no dividend has been paid or declared by the Company on the Shares and the Convertible Loan, and it is advised by the Board that no dividend is expected to be declared on the Shares and the Convertible Loan during the Offer Period.

### **The Convertible Loan Offer**

For every HK\$1 principal amount of the Convertible Loan . . . . .HK\$0.0284 in cash

The Convertible Loan Offer will be extended to the Convertible Loan Creditor(s) in accordance with the Takeovers Code.

The Convertible Loan will be acquired fully-paid and free from all Encumbrances of any nature and together with all rights now or hereafter attaching or accruing to them as at the date on which the Convertible Loan Offer is made, that is, the date of despatch of the Composite Document.

The Convertible Loan Offer will apply to the outstanding principal amount of the Convertible Loan on the date on which the Convertible Loan Offer is made and will not apply to any outstanding principal amount of the Convertible Loan which is or has been converted into Shares prior to the close of the Convertible Loan Offer.

The proposed offer price for the Convertible Loan is HK\$0.0284 for every HK\$1 principal amount of the Convertible Loan, determined in accordance with Rule 13 of the Takeovers Code and Practice Note 6 as the “see-through” consideration for the Convertible Loan, being the number of new Shares which the Convertible Loan could be convertible into (i.e. approximately 36,684,248 new conversion Shares) multiplied by the Share Offer Price of HK\$0.063 per Offer Share, valuing the total Convertible Loan Offer at approximately HK\$2,311,108.

### **Comparisons of value**

The Share Offer Price of HK\$0.063 per Offer Share represents:

- (i) a discount of approximately 7.35% to the closing price of HK\$0.068 per Share as quoted on the Stock Exchange on the last trading day before the date of the first announcement of the Company made pursuant to Rule 3.7 of the Takeovers Code (i.e. 20 April 2022);
- (ii) a discount of approximately 59.35% to the closing price of HK\$0.155 per Share as quoted on the Stock Exchange on 26 May 2022, being the Last Trading Day;
- (iii) a discount of approximately 50.00% to the average of the closing price of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day of approximately HK\$0.126 per Share;
- (iv) a discount of approximately 41.67% over the average of the closing price of the Shares as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day of approximately HK\$0.108 per Share;
- (v) a discount of approximately 37.62% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day of HK\$0.101 per Share; and
- (vi) a discount of approximately 40.57% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the 90 consecutive trading days up to and including the Last Trading Day of HK\$0.106 per Share.

As disclosed in the annual report of the Company published on 13 May 2022, the Company had recorded audited consolidated net liabilities of approximately RMB51,171,000 as at 31 December 2021. Calculated based on 1,200,000,000 Shares in issue as at the date of this joint announcement, the audited consolidated net liabilities value per Share is approximately RMB0.04 per Share (equivalent to approximately HK\$0.05 per Share) as at 31 December 2021.

## **Highest and lowest Share prices**

During the period commencing six months prior to the Offer Period and ending on the Last Trading Day, the highest closing price of the Shares was HK\$0.249 per Share as quoted on the Stock Exchange on 11 January 2022 and the lowest closing price of the Shares was HK\$0.050 per Share as quoted on the Stock Exchange on 19 April 2022.

## **Value and total consideration of the Offers**

As at the date of this joint announcement, there are 1,200,000,000 Shares in issue. Assuming there is no change in the total number of issued Shares, there will be 2,750,000,000 Shares in issue upon the Share Subscription Completion and the Placing Completion. On the basis of the Share Offer Price at HK\$0.063 per Share, the entire issued ordinary share capital of the Company would be valued at HK\$173,250,000 upon the Share Subscription Completion and the Placing Completion.

Assuming that there is no change in the total number of issued Shares, upon the Share Subscription Completion and the Placing Completion, the Offeror will be interested in 1,300,000,000 Shares.

Assuming there will be no change in the share capital of the Company, taking into account the 666,500,000 Shares held by Morris Capital which are subject to the Irrevocable Undertaking, upon the Share Subscription Completion and the Placing Completion, 783,500,000 Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it will be subject to the Share Offer and the consideration of the Share Offer is therefore valued at HK\$49,360,500 based on the Share Offer Price at HK\$0.063 per Share and the full acceptance of the Share Offer. Assuming the Convertible Loan Offer is accepted in full, the consideration of the Convertible Loan Offer is valued at approximately HK\$2,311,108.

Assuming there will be no change in the share capital of the Company other than the full conversion of the Convertible Loan, taking into account the 666,500,000 Shares held by Morris Capital which are subject to the Irrevocable Undertaking, upon the Share Subscription Completion and the Placing Completion, 820,184,248 Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it will be subject to the Share Offer and the consideration of the Share Offer is therefore valued at approximately HK\$51,671,608 based on the Share Offer Price at HK\$0.063 per Share and the full acceptance of the Share Offer. The Convertible Loan Offer will then be valued at HK\$0.

Based on the above, (i) assuming there will be no change in the share capital of the Company, the Offers are valued at HK\$51,671,608; and (ii) assuming there will be no change in the share capital of the Company other than the full conversion of the Convertible Loan, the Offers are valued at approximately HK\$51,671,608.

## **Confirmation of financial resources**

The Offeror intends to finance the consideration for the Offers by its own internal resources.

Messis Capital, being the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy the amount of funds required for the Share Subscription Completion and the full acceptance of the Share Offer (excluding the 666,500,000 Shares held by Morris Capital which are subject to the Irrevocable Undertaking) and the Convertible Loan Offer.

## **Effect of accepting the Offers**

The Share Offer will be made on the basis that valid acceptance of the Share Offer by any Independent Shareholder will be deemed to constitute a warranty by such person that the Offer Shares sold by such person under the Share Offer are free from all Encumbrances and together with all rights attaching thereto, including, without limitation, the right to receive in full all dividends and other distributions, if any, recommended, declared, made or paid on or after the date on which the Share Offer is made, being the date of the Composite Document.

Acceptance of the Convertible Loan Offer shall be made subject to the terms and conditions of the Convertible Loan, and will be deemed to constitute a warranty by such person that all Convertible Loan sold by such person under the Convertible Loan Offer are free from all Encumbrances whatsoever, together with all rights attaching thereto as at the date on which the Convertible Loan Offer is made, being the date of the Composite Document.

As at the date of this joint announcement, no dividend has been paid or declared by the Company on the Shares and the Convertible Loan, and it is advised by the Board that no dividend is expected to be declared on the Shares and the Convertible Loan during the Offer Period.

Acceptance of the Offers will be irrevocable and not be capable of being withdrawn except with the consent of the Executive.

## **Payment**

Payment in cash in respect of acceptances of the Offers will be made as soon as possible but in any event within seven (7) Business Days following the later of the date on which the duly completed acceptance forms of the Offers and the relevant documents of title in respect of such acceptance are received by the Offeror to render such acceptance complete and valid.

No fractions of a cent will be payable and the amount of the consideration payable to a Shareholder or the Convertible Loan Creditor(s) who accepts the Offers will be rounded up to the nearest cent.

## **Hong Kong stamp duty**

Seller's Hong Kong ad valorem stamp duty arising in connection with acceptances of the Share Offer will be payable by the Independent Shareholders at a rate of 0.13% of (i) the market value of the Offer Shares; or (ii) the consideration payable by the Offeror in respect of the relevant acceptances of the Share Offer, whichever is higher. The amount of such duty will be deducted from the cash amount payable by the Offeror to the Independent Shareholders accepting the Share Offer.

Seller's ad valorem stamp duty (if any) in connection with the acceptance of the Convertible Loan Offer and calculated at a rate of 0.13% of the higher of (i) the market value of the Convertible Loan Offer; or (ii) the consideration payable by the Offeror in respect of the relevant acceptance of the Convertible Loan Offer, shall be borne by the Convertible Loan Creditor(s). The amount of such duty will be deducted from the cash amount payable by the Offeror to the Convertible Loan Creditor(s) accepting the Convertible Loan Offer.

The Offeror will arrange for payment of the seller's Hong Kong ad valorem stamp duty on behalf of the Independent Shareholders and the Convertible Loan Creditor(s) accepting the Share Offer and the Convertible Loan Offer and pay the buyer's Hong Kong ad valorem stamp duty in connection with the acceptance of the Share Offer and the Convertible Loan Offer and transfer of the Offer Shares and Convertible Loans in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

## **Taxation advice**

Shareholders and the Convertible Loan Creditor(s) are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offers. It is emphasized that none of the Offeror, parties acting in concert with the Offeror, the Company, Messis Capital, Astrum or any of their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offers accept responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offers.

## **Overseas Shareholders**

The availability of the Offers to any Overseas Shareholders and the overseas Convertible Loan Creditor(s) may be affected by the applicable laws and regulations of their relevant jurisdictions of residence. The Overseas Shareholders and the overseas Convertible Loan Creditor(s) should observe any applicable legal or regulatory requirements and, where necessary, consult their own professional advisers. It is the responsibilities of the Overseas Shareholders and the overseas Convertible Loan Creditor(s) who wish to accept the Offers to satisfy themselves as to the full observance of the laws and regulations of the relevant overseas jurisdictions in connection with the acceptance of the Offers (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Overseas Shareholders and the overseas Convertible Loan Creditor(s) in respect of such overseas jurisdictions).

Acceptance of the Offers by any Overseas Shareholder and the overseas Convertible Loan Creditor(s) will be deemed to constitute a representation and warranty from such Overseas Shareholder and/or the overseas Convertible Loan Creditor(s) to the Offeror that all applicable local laws and requirements have been complied with and that the Offers can be accepted by such Overseas Shareholder and/or the overseas Convertible Loan Creditor(s) lawfully under the laws of the relevant jurisdictions. The Overseas Shareholders and the overseas Convertible Loan Creditor(s) should consult their stockbroker, licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers if in doubt.

If the receipt of the Composite Document by the Overseas Shareholders and/or the overseas Convertible Loan Creditor(s) is prohibited by any applicable laws and regulations or may only be effected upon compliance with conditions or requirements in such overseas jurisdictions that would be unduly burdensome, the Composite Document, subject to the Executive's consent, may not be despatched to such Overseas Shareholders and/or the overseas Convertible Loan Creditor(s). In those circumstances, the Offeror will apply for any waivers as may be required by the Executive pursuant to Note 3 to Rule 8 of the Takeovers Code at such time.

## **IRREVOCABLE UNDERTAKING IN RELATION TO THE SHARE OFFER**

As at the date of this joint announcement, Morris Capital holds 666,500,000 Shares, representing approximately 55.54% of the total issued Shares.

Morris Capital has entered into the Irrevocable Undertaking, pursuant to which it has unconditionally and irrevocably undertaken to the Offeror that: (i) it will not accept the Share Offer in respect of the 666,500,000 Shares held by it or sell any of the 666,500,000 Shares held by it to the Offeror or the parties acting in concert with the Offeror under the Share Offer; (ii) it will not take any other action to make the 666,500,000 Shares held by it available for acceptance under the Share Offer; and (iii) it (a) will hold the 666,500,000 Shares held by it until, and (b) will not sell, transfer, dispose of or create or agree to create any Encumbrance of or otherwise create any interests on the 666,500,000 Shares held by it before, the close of the Offers.

Morris Capital has also undertaken to the Offeror that it shall not: (i) sell, transfer, charge, encumber, grant any option or lien over or otherwise dispose of any interest in any of the 666,500,000 Shares held by it; (ii) accept, in respect of the 666,500,000 Shares held by it, any share offer or other transaction made in competition with or which might otherwise frustrate, impede or delay the Offers; or (iii) solicit, directly or indirectly, any other offer in competition with the Offeror, whether conditionally or unconditionally (by whatever means the same is to be implemented) nor enter into any negotiation to such effect.

The Irrevocable Undertaking will cease upon the close of the Offers or the lapse of the Offers or the withdrawal of the Offers in accordance with the Takeovers Code or the Offeror announces that it does not intend to proceed with the Offers.

## **INFORMATION ON THE COMPANY AND THE GROUP**

The Company is a company incorporated in the Cayman Islands with limited liability and the principal activity of the Company is investment holding. The Group is principally engaged in the manufacturing and sales of sofas, sofa covers and other furniture products.

Set out below is a summary of the audited consolidated financial results of the Group for the years ended 31 December 2020 and 2021, prepared in accordance with the Hong Kong Financial Reporting Standards:

	<b>For the year ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
	(audited)	(audited)
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	502,932	606,363
Net loss before tax	(120,286)	(87,840)
Net loss after tax	(123,402)	(90,730)

The audited net assets of the Group as at 31 December 2020 was RMB76,743,000 and the audited net liabilities of the Group as at 31 December 2021 was RMB51,171,000.

## **INFORMATION ON THE OFFEROR**

The Offeror is a company incorporated under the laws of the British Virgin Islands with limited liability. It is principally engaged in investment holding. The Offeror is wholly-owned by Mr. Tse Kam Pang, who is also the sole director of the Offeror.

Mr. Tse Kam Pang is a founder, the chairman and an executive director of Royale Home, a company the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1198). He is also a controlling shareholder of Royale Home who is deemed to be interested in approximately 74.86% of the issued share capital of Royale Home. He previously held the position of Deputy Managing Director in another public listed company in Hong Kong. He has over 30 years of experience in the international trade and China trade business. Mr. Tse Kam Pang is a vice chairman of Hong Kong Furniture Association and has extensive experience in the manufacture and sale of furniture business. It is expected that the reputation, experience, insight and extended connections of Mr. Tse Kam Pang will create synergy in respect of the business of the Group.

## **INFORMATION ON THE PLACING AGENT**

The Placing Agent is a corporation licensed to carry on type 1 (dealing in securities) regulated activities under the SFO.

## **FUTURE INTENTIONS OF THE OFFEROR REGARDING THE COMPANY AND THE GROUP**

Upon the Share Subscription Completion and the Placing Completion, the Offeror will become a controlling shareholder of the Company. The Offeror considers and confirms that it is intended that the Group will continue with its existing principal business following the Share Subscription Completion and the Placing Completion.

The Offeror will conduct a review on the existing principal businesses and the financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. In this regard, the Offeror may look into business opportunities and consider whether any asset disposals, asset acquisitions, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential and sustainability of the Group. Should such corporate actions materialise, further announcement(s) will be made in accordance with the Listing Rules as and when appropriate. As at the date of this joint announcement, the Offeror has no intention or concrete plans for any acquisition of assets and/or business, nor any intention to dispose of any assets and/or existing business by the Group.

Save as disclosed above, the Offeror has no intention to introduce any major changes to the existing business of the Group or redeploy the fixed assets of the Group other than in its ordinary course of business.

In addition to the proposed change as mentioned in the section headed “Proposed Change to Board Composition” in this joint announcement, the Offeror may further review the composition of the Board and senior management of the Company upon or after the close of the Offers. As at the date of this joint announcement, the Offeror has no intention to discontinue the employment of any of the Group’s employees.

## **PROPOSED CHANGE TO BOARD COMPOSITION**

As at the date of this joint announcement, the Board comprises three (3) executive Directors, namely Mr. Zou Gebing, Mr. Shen Zhidong and Mr. Wu Yueming; and three (3) independent non-executive Directors, namely Ms. Wu Weixia, Mr. Tan Tianhong and Ms. Zhao Hongyan.

It is intended that seven (7) candidates will be nominated by the Offeror for appointment as seven (7) new Directors of a Board comprising 13 Directors. The composition of the Board (i.e. the number of executive Directors, non-executive Directors or independent non-executive Directors) will be provided and confirmed by the Offeror upon or after the close of the Offers.

The Offeror will, upon the Share Subscription Completion and the Placing Completion, be a controlling shareholder entitled to propose resolutions at general meeting(s) of the Company under the articles of association of the Company. The suitability of the candidates nominated by the Offeror upon or after the close of the Offers will be subject to the approval of the Board and the review of the nomination committee of the Company with reference to an array of factors in compliance with the Company’s articles of association and the Listing Rules. For the purpose of optimizing corporate governance of the Company, the Offeror and the Company may subsequently agree to other Board compositions.

The Offeror may further review the composition of the Board and the senior management of the Company upon or after the close of the Offers. Details of the actual change of the Board composition and biographical information of new Directors to be appointed will be further announced by the Company as and when appropriate in accordance with the Takeovers Code and the Listing Rules.

Any change to the Board composition will be made in compliance with the Takeovers Code and the Listing Rules.

## **PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY**

The Offeror intends the issued Shares to remain listed on the Stock Exchange upon the close of the Offers.

Pursuant to the Listing Rules, if, at the closing of the Offers, less than 25% of the issued Shares are held by the public or if the Stock Exchange believes that: (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, the Stock Exchange will consider exercising its discretion to suspend trading in the Shares until a level of sufficient public float is attained.

The Offeror will undertake to the Stock Exchange to take appropriate steps as soon as possible following the close of the Offers to ensure that sufficient public float (i.e. not less than 25% of the issued Shares) exists in the Shares after the close of the Offers.

## **DEALING AND INTERESTS IN THE COMPANY'S SECURITIES**

The Offeror confirms that, as at the date of this joint announcement:

- (i) save for the entering into of the Share Subscription Agreement and the disposals of (i) 50,000,000 Shares on 11 January 2022 on market at the consideration between HK\$0.17 and HK\$0.18 per Share, and (ii) 33,500,000 Shares on 12 January 2022 on market at the consideration between HK\$0.21 and HK\$0.26 per Share by Morris Capital which will be presumed to be acting in concert with the Offeror upon the Share Subscription Completion, none of the Offeror and/or parties acting in concert with it has dealt in or owned any Shares, warrants, options, derivatives or other securities convertible into Shares during the period commencing six months prior to and including the date of this joint announcement;
- (ii) save for the 666,500,000 held by Morris Capital which will be presumed to be acting in concert with the Offeror upon the Share Subscription Completion, none of the Offeror and/or parties acting in concert with it holds, owns or has control or direction over any voting rights or rights over Shares or convertible securities, warrants, options or derivatives of the Company;
- (iii) save for the Irrevocable Undertaking, none of the Offeror and parties acting in concert with it has received any irrevocable commitment(s) to accept or reject the Offers;
- (iv) there is no outstanding derivative in respect of the securities of the Company entered into by the Offeror and/or parties acting in concert with it;
- (v) save for the Share Subscription Agreement and the Placing Agreement, there is no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of the Offeror or the Shares which might be material to the Offers;
- (vi) save for the Share Subscription Agreement, there is no agreement or arrangement to which the Offeror and/or parties acting in concert with it is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or condition to the Offers;
- (vii) none of the Offeror and/or parties acting in concert with it has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;

- (viii) save for the considerations paid by the Offeror to the Company under the Share Subscription Agreement, there is no other consideration, compensation or benefits paid by the Offeror and/or parties acting in concert with it to the Company;
- (ix) there is no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between the Offeror and/or any parties acting in concert with it on the one hand, and the Company, any Shareholders and any parties acting in concert with any of them on the other hand; and
- (x) there is no understanding, arrangement, agreement or special deal between (1) any Shareholder; and (2)(a) the Offeror and any party acting in concert with it, or (b) the Company, its subsidiaries or associated companies.

### **ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE**

Pursuant to Rule 2.1 of the Takeovers Code, the Independent Board Committee comprising all the independent non-executive Directors, namely, Ms. Wu Weixia, Mr. Tan Tianhong and Ms. Zhao Hongyan, has been established to advise the Independent Shareholders and the Convertible Loan Creditor(s) as to the terms of the Offers and as to their acceptance. All the independent non-executive Directors comprising the Independent Board Committee have no direct or indirect interest or involvement in the Offers, and are considered appropriate for joining as members of the Independent Board Committee to advise the Independent Shareholders and the Convertible Loan Creditor(s) as to the terms and acceptance of the Offers.

### **APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER**

Lego Corporate Finance Limited has been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee, the Independent Shareholders and the Convertible Loan Creditor(s) in respect of the terms of the Offers and as to their acceptance.

### **THE EGM**

The EGM will be held to consider and, if thought fit, pass resolutions to approve, among other matters, (a) the Share Subscription Agreement and the transactions contemplated thereunder; (b) the Placing Agreement and the transactions contemplated thereunder; and (c) the granting of the Specific Mandate.

A circular containing, among other things, (i) details of the Share Subscription, the Placing and the Specific Mandate; (ii) other information as required under the Listing Rules; and (iii) a notice of the EGM, will be despatched to the Independent Shareholders as soon as practicable in compliance with the requirements of the Listing Rules.

No existing Shareholder has a material interest in the Share Subscription, the Placing and the Specific Mandate and therefore no Shareholder is required to abstain from voting in relation to the resolutions on the Share Subscription Agreement, the Placing Agreement and the transactions contemplated thereunder and the granting of the Specific Mandate to be proposed at the EGM. As at the date of this joint announcement and the date of the EGM, save for Morris Capital which will be presumed to be acting in concert with the Offeror under class (1) of the definition of acting in concert upon the Share Subscription Completion, the Offeror and/or the parties acting in concert with it do not and will not hold any Shares and accordingly will not be entitled to vote on any resolutions at the EGM.

The resolutions in relation to the Share Subscription, the Placing and the Specific Mandate will be voted on by the Shareholders by way of poll at the EGM.

## **COMPOSITE DOCUMENT**

Subject to the Share Subscription Completion and the Placing Completion, if the Offers materialize, it is the intention of the Offeror and the Company that the offer document from the Offeror and the offeree board circular from the Company be combined into a composite offer and response document and be jointly despatched by the Offeror and the Company to the Independent Shareholders and the Convertible Loan Creditor(s) in accordance with the requirements of the Takeovers Code after the Share Subscription Completion and the Placing Completion take place.

In accordance with Rule 8.2 of the Takeovers Code, the Composite Document containing, amongst other things: (i) details of the Offers (including the expected timetable and terms of the Offers); (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders and the Convertible Loan Creditor(s) in relation to the Offers; and (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee, the Independent Shareholders and the Convertible Loan Creditor(s) in relation to the Offers, together with the relevant forms of acceptance and transfer, are required to be despatched to the Independent Shareholders and the Convertible Loan Creditor(s) within 21 days of the date of this joint announcement or such later date as the Executive may approve.

As the making of the Offers is subject to the Share Subscription Completion, an application will be made to the Executive under Note 2 to Rule 8.2 of the Takeovers Code for the Executive's consent to extend the deadline for despatch of the Composite Document.

Further announcement(s) will be made by the Offeror and the Company on the timing of despatch of the Composite Document.

**The Independent Shareholders and the Convertible Loan Creditor(s) are encouraged to read the Composite Document carefully, including the advice of the Independent Financial Adviser to the Independent Board Committee, the Independent Shareholders and the Convertible Loan Creditor(s) and the recommendation from the Independent Board Committee to the Independent Shareholders and the Convertible Loan Creditor(s) in respect of the Offers, before deciding whether or not to accept the Offers.**

## DEALINGS DISCLOSURE

In accordance with Rule 3.8 of the Takeovers Code, associates (as defined under the Takeovers Code) of the Company and the Offeror (including persons holding 5% or more of a class of relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or the Offeror) are hereby reminded to disclose their dealings in any securities of the Company pursuant to Rule 22 of the Takeovers Code.

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

### ***“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 of the Takeovers Code 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 of the Takeovers Code. 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 HK\$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.”*

## LISTING RULES IMPLICATIONS

Based on the closing price of HK\$0.155 per Share on the Last Trading Day, the theoretical value dilution in respect of the Share Subscription and the Placing is approximately 30.71%. With reference to Rule 7.27B of the Listing Rules, the Share Subscription and the Placing would result in a theoretical dilution effect of 25% or more within a 12-month period. However, in light of (i) the debt position of the Company (including the substantial unpaid amounts in relation to the Convertible Loan and the indebtedness of the Relevant Subsidiaries), (ii) the loss-making position of the Company for three consecutive years since 2019, and (iii) the net liabilities recorded by the Company of approximately RMB51 million as at 31 December 2021; the Share Subscription and the Placing form part of a rescue proposal for the Company (including the Debt Restructuring and the Pre-restructuring). Pursuant to Note 2 to Rule 7.27B of the Listing Rules, the Company has consulted the Stock Exchange regarding the Share Subscription and the Placing and the Stock Exchange agrees that the Company has demonstrated that there are exceptional circumstances for the purpose of Rule 7.27B of the Listing Rules and the Company can proceed with the Share Subscription and the Placing.

## **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 joint 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.

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 1:08 p.m. on Thursday, 26 May 2022 pending the release of this joint 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, 8 August 2022.

## **WARNING**

**Shareholders should note that the Share Subscription Agreement, the Placing Agreement and the transactions contemplated thereunder are subject to the fulfillment and/or waiver, as applicable, of the conditions precedent under the Share Subscription Agreement and the Placing Agreement. As such, the Share Subscription and the Placing may or may not proceed.**

**The Offers will be made only if the Share Subscription Completion and the Placing Completion take place. Accordingly, the Offers may or may not be made. The issue of this joint announcement does not in any way imply that the Offers will be made.**

**The Directors make no recommendation as to the fairness or reasonableness of the Offers or as to the acceptance of the Offers in this joint announcement, and strongly recommend the Independent Shareholders and the Convertible Loan Creditor(s) not to form a view on the Offers unless and until they have received and read the Composite Document, including the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Offers and the letter of advice from the Independent Financial Adviser to the Independent Board Committee, the Independent Shareholders and the Convertible Loan Creditor(s) in respect of the Offers.**

**Shareholders and potential investors of the Company are (i) reminded to monitor the announcements to be made by the Company or jointly by the Offeror and the Company in respect of the progress of the Offers; and (ii) 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 professional advisers.**

## DEFINITIONS

Unless the context otherwise requires, the terms used in this joint announcement shall have the following meanings:

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“associate(s)”	has the meaning ascribed to it under the Takeovers Code
“Astrum”	Astrum Capital Management Limited, a licensed corporation under the SFO, licensed to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the offer agent of the Offerors
“Board”	the board of Directors
“Business Day(s)”	a day on which the Stock Exchange is open for the transaction of business
“Company”	Morris Home Holdings Limited, a company incorporated in the Cayman Islands with limited liability and whose Shares are listed on the Main Board of the Stock Exchange (stock code: 1575)
“Composite Document”	the composite offer and response document to be jointly issued by the Offeror and the Company in accordance with the Takeovers Code containing, among other things, details of the Offers, the recommendation from the Independent Board Committee to the Independent Shareholders and the Convertible Loan Creditor(s) and the advice from the Independent Financial Adviser to the Independent Board Committee, the Independent Shareholders and the Convertible Loan Creditor(s) in respect of the Offers
“Consideration”	the total consideration for the Share Subscription in the amount of HK\$81,900,000

“Convertible Loan”	the outstanding convertible loan owing to the Convertible Loan Creditor(s) in the aggregate principal amount of HK\$81,439,031 convertible into 36,684,248 new conversion Shares at the conversion price of HK\$2.22 per Share, subject to adjustment. Under the Convertible Loan, the Convertible Loan Creditor(s) has the right to convert all or any part of the outstanding principal amount of the Convertible Loan into Shares at any time prior to maturity or, in the event of a failure of payment, up to and including the date on which the Company has repaid the Convertible Loan in full
“Convertible Loan Creditor(s)”	the lender(s) of the Convertible Loan. As at the date of this joint announcement, the International Finance Corporation (an international organisation established by articles of agreement among its member countries including the PRC and Cambodia) is the only lender of the Convertible Loan and it does not hold any Share
“Convertible Loan Offer”	subject to the Share Subscription Completion, the unconditional mandatory cash offer to be made by Astrum for and on behalf of the Offeror to acquire the Convertible Loan in accordance with the terms described in this joint announcement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Debt Restructuring”	the restructuring of repayment terms of the outstanding Convertible Loan which has fallen due
“Deposit”	a refundable deposit in the sum of HK\$20,000,000 paid by the Offeror to the Company pursuant the terms and conditions of the Share Subscription Agreement
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve, among others, the Share Subscription, the Placing and the granting of the Specific Mandate

“Encumbrances”	includes any option, right to acquire, right of pre-emption, mortgage, charge, pledge, lien, hypothecation, title retention, right of set off, claim, counterclaim, trust arrangement or other security, any equity or restriction (including any restriction imposed under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) or other adverse rights and interests of all kinds and descriptions)
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Fashion Home”	Zhejiang Morris Fashion Home Co., Ltd. (浙江慕容時尚家居有限公司), a company established in the PRC with limited liabilities and a wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all the non-executive Directors, established for the purpose of advising the Independent Shareholders and the Convertible Loan Creditor(s) in respect of the Offers and as to acceptance of the Offers
“Independent Financial Adviser”	Lego Corporate Finance Limited, a licensed corporation under the SFO to carry out Type 6 (advising on corporate finance) regulated activity as defined in the SFO, being the independent financial adviser appointed to advise the Independent Board Committee, the Independent Shareholders and the Convertible Loan Creditor(s) in respect of the Offers and as to their acceptance
“Independent Shareholders”	the Shareholders other than the Offeror and parties acting in concert with it (including Morris Capital who has given the Irrevocable Undertaking)
“Irrevocable Undertaking”	the irrevocable undertaking given by Morris Capital in favour of the Offeror that it will not, amongst others, accept the Share Offer in respect of the 666,500,000 Shares held by it

“Last Trading Day”	26 May 2022, being the last trading day of the Shares before the halt of trading in the Shares pending release of this joint announcement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Messis Capital”	Messis Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) under the SFO, the financial adviser to the Offeror in respect of the Offers
“MOU”	the memorandum of understanding entered into between the Company and Mr. Tse Kam Pang on 22 April 2022 in relation to the possible subscription of Shares
“Morris Capital”	Morris Capital Limited, a company incorporated in the British Virgin Islands with limited liability and the shares of which are held as to 85% by Mr. Zou Gebing and 15% by Ms. Wu Xiangfei
“Morris ESOP”	Morris ESOP Development Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly-owned by The Core Trust Company Limited (being the trustee appointed for the purpose of the Share Award Scheme)
“Offer Period”	has the meaning ascribed to it under the Takeovers Code which commences on 22 April 2022 (i.e. the date of the first announcement of the Company made pursuant to Rule 3.7 of the Takeovers Code) and ends on the date on which the Offers close or lapse
“Offer Share(s)”	the Shares (other than those already owned or to be acquired by the Offeror or parties acting in concert with it) that are subject to the Share Offer
“Offeror”	Century Icon Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, being the subscriber under the Share Subscription Agreement. The ultimate beneficial owner of the Offeror is Mr. Tse Kam Pang
“Offers”	the Share Offer and the Convertible Loan Offer (as the case may be)

“Overseas Shareholders”	Shareholders whose addresses as shown on the register of members of the Company are outside Hong Kong
“Placee(s)”	any individual, professional, institutional or other investor(s) whom the Placing Agent will procure to subscribe for and/or the Placing Agent itself and/or its nominee(s) in the event that the Placing Agent is required to underwrite any of the Placing Shares pursuant to its obligations under the Placing Agreement who (including its ultimate beneficial owners) are regarded as public (as defined under the Listing Rules) and are third parties independent of and not connected with the Company and its connected persons, and not acting in concert with the Offeror and/or Morris Capital (which will be presumed to be acting in concert with the Offeror upon the Share Subscription Completion) and their respective associates and/or parties acting in concert with any of them
“Placing”	the placing of the Placing Shares pursuant to the terms and conditions of the Placing Agreement
“Placing Agent”	Forwin Securities Group Limited, a corporation licensed to carry on type 1 (dealing in securities) regulated activities under the SFO
“Placing Agreement”	the conditional placing agreement dated 5 August 2022 entered into between the Company and the Placing Agent in relation to the Placing
“Placing Completion”	completion of the Placing in accordance with the terms and conditions of the Placing Agreement
“Placing Completion Date”	the second (2nd) Business Day after all the conditions precedent under the Placing Agreement have been fulfilled or waived (as the case may be), or such other date as may be agreed by the Placing Agent and the Company in writing
“Placing Long Stop Date”	31 October 2022, or such other date as may be agreed in writing by the parties to the Placing Agreement, provided that no extension shall be made in respect thereof beyond six weeks after the passing of the resolution approving the Placing at the EGM
“Placing Price”	the placing price of HK\$0.11 per Placing Share

“Placing Share(s)”	an aggregate of 250,000,000 new Shares to be placed by the Placing Agent and issue and allotted by the Company to the Placee(s) pursuant to the terms and conditions of the Placing Agreement
“PRC”	the People’s Republic of China (excluding, for the purpose of this joint announcement only, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan region)
“Pre-restructuring”	the pre-restructuring of the repayment schedule of the debts of the Relevant Subsidiaries in the PRC as supervised by the People’s Court of Haining City in the PRC
“Relevant Subsidiaries”	Zhejiang Apollo and Fashion Home
“Royale Home”	Royale Home Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1198)
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission
“SFO”	Securities and Futures Ordinance (Cap 571 of the laws of Hong Kong)
“Share Award Scheme”	the restricted share award scheme adopted on 29 August 2019 by the Company for the benefit of certain eligible participants, as amended from time to time in accordance with its rules
“Share Offer”	subject to the Share Subscription Completion, the unconditional mandatory cash offer to be made by Astrum for and on behalf of the Offeror for all the Offer Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) in accordance with the Takeovers Code
“Share Offer Price”	HK\$0.063 per Offer Share
“Share Subscription”	the subscription for the Subscription Shares by the Offeror pursuant to the terms and conditions of the Share Subscription Agreement

“Share Subscription Agreement”	the conditional subscription agreement dated 26 May 2022 and entered into between the Company and the Offeror in connection with the Share Subscription, as amended and supplemented by the Supplemental Share Subscription Agreement
“Share Subscription Completion”	completion of the Share Subscription in accordance with the terms and conditions of the Share Subscription Agreement
“Share Subscription Completion Date”	the second (2nd) Business Day after all the conditions precedent under the Share Subscription Agreement have been fulfilled or waived (as the case may be), or such other date as may be agreed by the Offeror and the Company in writing
“Share Subscription Long Stop Date”	31 October 2022, or such other date as may be agreed in writing by the parties
“Share Subscription Price”	HK\$0.063 per Subscription Share
“Shareholder(s)”	holder(s) of Share(s)
“Shares”	ordinary shares with a par value of US\$0.001 each in the share capital of the Company
“Specific Mandate”	the specific mandate proposed to be considered, approved and granted by the Shareholders at the EGM to authorize the Board to allot and issue and/or deal in the Subscription Shares and the Placing Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Shares”	a total of 1,300,000,000 new Shares to be issued and allotted by the Company and subscribed by the Offeror pursuant to the Share Subscription Agreement
“subsidiary(ies)”	has the meaning ascribed to it under the Companies Ordinance (Cap 622 of the laws of Hong Kong)
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Supplemental Share Subscription Agreement”	a supplemental agreement to the Share Subscription Agreement dated 5 August 2022 entered into between the Offeror and the Company

“Surviving Provisions”	provisions in the Share Subscription Agreement relating to the Deposit, definition and interpretation, confidentiality, entire agreement and non-reliance, general provisions, notice and other communication, termination and governing laws and jurisdiction
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“US\$”	United States dollar, the lawful currency of the United States of America
“Zhejiang Apollo”	Zhejiang Apollo Leather Products Co., Ltd. (浙江阿波羅皮革製品有限公司), a company established in the PRC with limited liabilities and a wholly-owned subsidiary of the Company
“%”	per cent

For and on behalf of  
**Century Icon Holdings Limited**  
**Tse Kam Pang**  
*Sole Director*

By order of the Board  
**Morris Home Holdings Limited**  
**Zou Gebing**  
*Chairman, Chief Executive Officer and  
Executive Director*

Hong Kong, 5 August 2022

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

*As at the date of this joint announcement, the sole director of the Offeror is Mr. Tse Kam Pang.*

*The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement (other than that relating to the Offeror and parties acting in concert with it) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this joint announcement (other than that expressed by the sole director of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statement in this joint announcement misleading.*

*The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in this joint announcement (other than that relating to the Group) and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this joint announcement (other than those expressed by the Directors) have been arrived at after due and careful consideration, and there are no other facts not contained in this joint announcement the omission of which would make any statement in this joint announcement misleading.*