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MORRIS
HOME HOLDINGS LIMITED

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慕容家居控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1575)

**(1) AMENDMENTS TO THE TERMS AND CONDITIONS OF
THE CONVERTIBLE LOAN; AND
(2) ANNOUNCEMENT PURSUANT TO RULE 13.18 OF
THE LISTING RULES**

References are made to the announcements of Morris Home Holdings Limited (the “**Company**”) dated 5 January 2018, 24 January 2018 and 10 October 2019 in relation to, among other things, the Convertible Loan in the principal amount of HK\$200,000,000 due 2025 (the “**Announcements**”). Capitalized terms used in this announcement shall have the same meanings as those defined in the Announcements, unless the context requires otherwise.

THE AMENDMENT AGREEMENT

The Board announces that on 21 December 2022, the Company (as borrower) and IFC (as lender) entered into an amendment agreement (the “**Amendment Agreement**”) to amend the principal terms and conditions of the Convertible Loan in relation to, among others, the repayment schedule of the Convertible Loan.

Effective Date

IFC has subsequently confirmed in writing to the Company that it is satisfied that all conditions precedent in the Amendment Agreement were fulfilled and the Amendment Agreement has become effective on 23 December 2022 (the “**Effective Date**”).

Principal terms of the Amendment Agreement

Set out below are the principal terms of the Amendment Agreement:

- Date** : 21 December 2022
- Parties** :
- (i) the Company, as borrower;
 - (ii) IFC, as lender;
 - (iii) Mr. Zou Gebing, as guarantor;
 - (iv) Ms. Wu Xiangfei, as guarantor;
 - (v) Morris PRC;
 - (vi) Masia Industries Co., Ltd., as security provider;
and
 - (vii) Masia Investments Limited, as security provider.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, IFC and its ultimate beneficial owner(s) are third parties independent of and not connected with the Company and its connected persons.

As at the date of this announcement, Morris Capital holds 666,500,000 shares of the Company, representing 24.24% of the issued share capital of the Company. Each of Morris Capital and Morris PRC is owned as to 85% of its shares by Mr. Zou Gebing (an executive Director) and as to 15% of its shares by Ms. Wu Xiangfei, a non-executive Director and Mr. Zou Gebing's spouse.

As at the date of this announcement, Masia Investments Limited is a direct wholly-owned subsidiary of Morris Capital and Masia Industries Co., Ltd. is a direct wholly-owned subsidiary of Masia Investments Limited.

Pursuant to the Amendment Agreement, the amount of default interests due and payable by the Company to IFC pursuant to the Convertible Loan Agreement for the period starting from 2 August 2022 (inclusive) and ending on 15 September 2022 (exclusive) is HK\$207,667.24 (the "**Accumulated Default Interests**"). The amount of Redemption Premium due and payable by the Company to IFC pursuant to the Convertible Loan Agreement as of the date of the Amendment Agreement is HK\$2,191,768.50 (the "**Accumulated Redemption Premium**"). The outstanding principal amount of the Convertible Loan as of 29 September 2022 is HK\$81,439,030.80 and the amount of due but unpaid jeopardy expenses as of 29 August 2022 in connection with the Convertible Loan is US\$92,383.

Pursuant to the Amendment Agreement, in consideration of IFC agreeing to enter into the Amendment Agreement, the Company has undertaken to pay to IFC (i) all outstanding jeopardy expenses prior to 28 June 2023; and (ii) subject to the Early Discharge (as defined below), each of the Accumulated Redemption Premium and the Accumulated Default Interests on 29 June 2025.

In consideration of the Company agreeing to enter into the Amendment Agreement, IFC agreed that if all present and future obligations and liabilities (whether actual or contingent) of the Company to IFC under the transaction documents (other than the payment of Accumulated Redemption Premium and the Accumulated Default Interests) are irrevocably and unconditionally discharged in full on or prior to 28 June 2025 (such date of discharge being the “**Early Discharge Date**”), each of the Accumulated Redemption Premium and the Accumulated Default Interests shall be reduced to zero and deemed discharged in full on the Early Discharge Date (the “**Early Discharge**”).

Pursuant to the Amendment Agreement, the terms and conditions of the Convertible Loan has been amended as follows:

	Original terms	Amendments
Definitions		
(i) “Change of Control”	any of the following: (i) at any time and for any reason, Mr. Zou Gebing ceases to directly or indirectly own at least 51%, of both the economic and voting interests in the share capital of the Company (determined on a fully diluted basis); (ii) any person or group other than Mr. Zou Gebing shall have obtained the power (whether or not exercised) to elect a majority of the board of directors of Morris Capital;	any of the following: (i) at any time and for any reason, Mr. Tse Kam Pang (謝錦鵬) (“ Mr. Tse ”) and Mr. Zou Gebing (as a whole) cease to directly or indirectly own at least 51%, of both the economic and voting interests in the Company’s share capital (determined on a fully diluted basis), (ii) any person or group other than Mr. Zou Gebing shall have obtained the power (whether or not exercised) to elect a majority of the board of directors of Morris Capital, or any person or group other than Mr. Tse shall have obtained the power (whether or not exercised) to elect a majority of the board of directors of Century Icon Holdings Limited,

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| (iii) | any person or group other than Morris Capital shall have obtained the power (whether or not exercised) to elect a majority of the Board; | (iii) | any person or group other than Century Icon Holdings Limited and the Morris Capital (as a whole) shall have obtained the power (whether or not exercised) to elect a majority of the Board; |
| (iv) | the Board shall cease to consist of a majority of continuing directors; or | (iv) | with effect from the closing of the general offer arising from the completion of the Share Subscription, the Board shall cease to consist of a majority of continuing directors or |
| (v) | a change of control or similar event shall occur as provided in any other loan or preferred stock documentation relating to the Company. | (v) | a “change of control” or similar event shall occur as provided in any other loan or preferred stock documentation relating to the Company. |
| | | | (“Change of Control”) |
| (ii) | “Interest Payment Date” 15 March and 15 September in each year | | with effect from 15 September 2022, the twenty-eighth day of each calendar month in each year (the “Interest Payment Date”) |
| (iii) | “Interest Period” a period of six months in each case beginning on an Interest Payment Date and ending on the day immediately before the next following Interest Payment Date, except that the first interest period shall begin on the date of the Disbursement and end on the day immediately before the next following Interest Payment Date | | with effect from 15 September 2022, each period of one month in each case beginning on an Interest Payment Date and ending on the day immediately before the next following Interest Payment Date, except in the case of the first period applicable to each Disbursement when it means the period beginning on the date which that Disbursement is made and ending on the day immediately before the next following Interest Payment Date (the “Interest Period”) |

(iv) “Share Subscription”	–	the subscription for the ordinary shares in the Company by the New Investor(s) pursuant to the Share Subscription Agreement (the “ Share Subscription ”)
(v) “Share Subscription Agreement”	–	the conditional subscription agreement dated 26 May 2022 and entered into between the Company and Century Icon Holdings Limited in connection with the subscription of a total of 1,300,000,000 new ordinary shares to be issued and allotted by the Company and subscribed by Century Icon Holdings Limited, as amended and supplemented by a supplemental agreement dated 5 August 2022 (the “ Share Subscription Agreement ”)
(vi) “New Investor(s)”	–	collectively, (i) Century Icon Holdings Limited being the investor who subscribes for the equity securities of the Company pursuant to the Share Subscription Agreement; and (ii) its direct or indirect shareholders or ultimate beneficial owner, including Mr. Tse who is its sole shareholder and ultimate beneficial owner of Century Icon Holdings Limited as at the date of the Amendment Agreement (the “ New Investor(s) ”)
Maturity Date	The date falling on the fifth anniversary of the date of the Convertible Loan Agreement	28 June 2025 (the “ Maturity Date ”)
Interest	The outstanding principal of the Convertible Loan will bear interest at a rate of 1.25% per annum above 6 months HIBOR.	The outstanding principal of the Convertible Loan will bear interest at a rate which is the sum of (i) the Relevant Spread (as defined below) 3.25% per annum, unless otherwise provided below (the “ Relevant Spread ”); and (ii) (with effect from 15 September 2022) HIBOR on the Interest Determination Date for that Interest Period for one month rounded upward to the nearest three decimal places.

Relevant Spread

- (i) (with effect from 15 September 2022) 3.25% per annum, unless otherwise provided in paragraph (ii) below
- (ii) If:
 - (A) IFC receives payment of each Rescheduled Repayment Instalment (as defined below) and the accrued interest due and payable on 28 November 2022 and 28 December 2022 respectively in full on their respective due date, with effect from the Interest Period commencing immediately thereafter, 2.75% per annum;
 - (B) the outstanding Convertible Loan is reduced to less than HK\$60,000,000 at any time before 28 April 2023, with effect from the Interest Period commencing immediately thereafter, 2.25% per annum; and
 - (C) the outstanding Convertible Loan is reduced to less than HK\$40,000,000 at any time before 30 June 2023, with effect from the Interest Period commencing immediately thereafter, 1.25% per annum,

provided that, if the Company fails to pay when due any part of the principal, interest or other amount in respect of the Convertible Loan and such failure continues for a period of 30 days, without prejudice to any other right of IFC in respect of such payment default under the financing documents, the Relevant Spread shall be reset to 3.25% per annum with effect from the last day of such 30-day period

(the “**Relevant Spread**”)

Repayment

Subject to any repayment to be made on the First Repayment Instalment Date, the outstanding principal amount of the non-converted portion of the Convertible Loan shall be repaid on the Maturity Date.

Subject to any repayment to be made on the First Repayment Instalment Date, shall repay the Convertible Loan on each date set out under the column titled “Rescheduled Repayment Date” below in the amount equals to the amount set out opposite each such date below (each “**Rescheduled Repayment Instalment**”), provided that the last repayment instalment is subject to rounding adjustment on the Maturity Date:

Rescheduled Repayment Date	Rescheduled Repayment Instalment HK\$
28 November 2022	8,000,000
28 December 2022	3,000,000
28 January 2023	3,000,000
28 February 2023	3,000,000
28 March 2023	3,000,000
28 April 2023	1,500,000
28 July 2023	2,497,460
28 August 2023	2,497,460
28 September 2023	2,497,460
28 October 2023	2,497,460
28 November 2023	2,497,460
28 December 2023	2,497,460
28 January 2024	2,497,460
28 February 2024	2,497,460
28 March 2024	2,497,460
28 April 2024	2,497,460
28 May 2024	2,497,460
28 June 2024	2,497,460
28 July 2024	2,497,460
28 August 2024	2,497,460
28 September 2024	2,497,460
28 October 2024	2,497,460
28 November 2024	2,497,460
28 December 2024	2,497,460
28 January 2025	2,497,460
28 February 2025	2,497,460
28 March 2025	2,497,460
28 April 2025	2,497,460
28 May 2025	2,497,460
Maturity Date	2,497,460
Total	81,439,031

The requirement to pay the Redemption Premium does not apply to any portion of the Convertible Loan repaid or prepaid after 1 January 2022 and no Redemption Premium shall be payable in respect of such portion of the Convertible Loan

Default Interest	the sum of 2% per annum and the interest rate in effect from time to time on the amount of payment due and unpaid	the sum of (i) with effect from 15 September 2022, 4% per annum; and (ii) the interest rate in effect from time to time on the amount of payment due and unpaid
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Mr. Zou Gebing and Ms. Wu Xiangfei as guarantors confirmed that on and after the Effective Date, the guarantee and indemnity contained in the Personal Guarantee Agreement continue in full force and effect and extend to the liabilities and obligations owing to IFC under the Convertible Loan Agreement and each other transaction documents including as varied, amended, supplemented or extended by the Amendment Agreement.

Mr. Zou Gebing and Ms. Wu Xiangfei as guarantors, and Morris PRC confirmed that the undertakings contained in the Share Retention Agreement continue in full force and effect.

Masia Industries Co., Ltd. and Masia Investments Limited confirmed that the security (including an assignment agreement and a sub-lease assignment agreement entered into between IFC and Masia Industries Co., Ltd.) continues in full force and effect as security for the payment or discharge of all amounts owing to IFC under the transaction documents.

REASONS FOR AND BENEFITS OF ENTERING INTO THE AMENDMENT AGREEMENT

As the Company did not have sufficient financial resources, the outstanding principal amount of the Convertible Loan of approximately HK\$81,439,030.80 had fallen due for repayment but have not been repaid as of 29 September 2022.

Following the completion of the Share Subscription and the placing of 250,000,000 new shares of the Company which took place on 10 October 2022, the Company had raised net proceeds of approximately HK\$105.4 million, amongst which approximately HK\$56.5 million will be utilized for partial repayment of the overdue amount under the Convertible Loan.

The Amendment Agreement and the transactions contemplated thereunder would allow the Company to refinance the repayment schedule under the Convertible Loan and avoid continuing default and relevant financial and legal consequences arising therefrom. The restructuring of the repayment schedule of the Convertible Loan would also provide flexibility to the Company's working capital management.

In light of the above, the Directors (including the independent non-executive Directors) consider that the terms of the Amendment Agreement have been entered into after arm's length negotiation and are on normal commercial terms, and the transactions contemplated under the Amendment Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

INFORMATION OF THE PARTIES

Information of Mr. Zou Gebing

Mr. Zou Gebing is an executive Director and a substantial shareholder of the Company who is through Morris Capital interested in 666,500,000 Shares (representing approximately 24.24% of the issued share capital of the Company). He was the chairman of the Board and the chief executive officer of the Company before his resignation on 17 October 2022 following the completion of the Share Subscription. Mr. Zou Gebing is the spouse of Ms. Wu Xiangfei, a non-executive Director.

Information of Ms. Wu Xiangfei

Ms. Wu Xiangfei is a non-executive Director and the spouse of Mr. Zou Gebing. She holds 15% of the shares of Morris Capital, the beneficial owner of 666,500,000 Shares (representing approximately 24.24% of the issued share capital of the Company).

Information of Morris PRC

Morris PRC is a company established in the PRC with limited liability. It is principally engaged in the business of investment holding. Morris PRC is owned as to 85% of its shares by Mr. Zou Gebing and as to 15% of its shares by Ms. Wu Xiangfei.

Information of Masia Industries Co., Ltd.

Masia Industries Co., Ltd. is a company incorporated in Cambodia with limited liability. It is principally engaged in leasing of industrial properties. Masia Industries Co., Ltd. is a direct wholly-owned subsidiary of Masia Investments Limited.

Information of Masia Investments Limited

Masia Investments Limited is a company incorporated in the British Virgin Islands with limited liability. It is principally engaged in investment holding. Masia Investments Limited is a direct wholly-owned subsidiary of Morris Capital.

Information of IFC

IFC is a member of the World Bank Group, which advances economic development and improves the lives of people by encouraging the growth of the private sector in developing countries. It provides debt (loans, bonds, guarantees and other fixed income instruments) and equity investments to the private sector in emerging markets. It has global presence in more than 100 countries, working with over 1,800 private sector clients.

IMPLICATIONS UNDER THE LISTING RULES

Pursuant to Rule 28.05 of the Listing Rules, any alterations in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible debt securities. The Company has applied to the Stock Exchange for its approval of the Amendment Agreement and the transactions contemplated thereunder pursuant to Rule 28.05 of the Listing Rules.

This announcement is also made under Rule 13.18 of the Listing Rules as upon a Change of Control, IFC may serve a written notice (a “**Prepayment Notice**”) on the Company requiring the Company to prepay any portion or all of the outstanding Convertible Loan in full within 10 days of the date of the Prepayment Notice under the Convertible Loan Agreement (as amended by the Amendment Agreement). In view of the Amendment Agreement, the Company believes that such Prepayment Notice would not be given by IFC under the original Convertible Loan Agreement in respect of the Change of Control upon the completion of the Share Subscription.

As (i) Mr. Zou Gebing is through Morris Capital interested in 666,500,000 Shares (representing approximately 24.24% of the issued share capital of the Company), an executive Director and spouse of Ms. Wu Xiangfei; (ii) Ms. Wu Xiangfei is a non-executive Director and spouse of Mr. Zou Gebing; (iii) Morris PRC is owned as to 85% of its shares by Mr. Zou Gebing and as to 15% of its shares by Ms. Wu Xiangfei; (iv) Masia Investments Limited is a direct wholly-owned subsidiary of Morris Capital and Masia Industries Co., Ltd. is a direct wholly-owned subsidiary of Masia Investments Limited; each of Mr. Zou Gebing, Ms. Wu Xiangfei, Morris PRC, Masia Investments Limited and Masia Industries Co., Ltd. is a connected person of the Company under Chapter 14A of the Listing Rules. As the financial assistance received by the Company from each of Mr. Zou Gebing, Ms. Wu Xiangfei, Morris PRC, Masia Investments Limited and Masia Industries Co., Ltd. is (1) conducted on normal commercial terms or better; and (2) not secured by the assets of the Group, they are fully exempt under Rule 14A.90 of the Listing Rules.

By order of the Board
Morris Home Holdings Limited
Tse Kam Pang
Chairman and Executive Director

Hong Kong, 30 December 2022

As at the date of this announcement, the executive Directors are Mr. Tse Kam Pang, Mr. Chong Tsz Ngai and Mr. Zou Gebing; the non-executive Directors are Mr. Tse Hok Kan and Ms. Wu Xiangfei; and the independent non-executive Directors are Professor Lee Chack Fan, Professor Kwan Pun Fong Vincent and Ms. Chen Jianhua.