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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)

INFORMATION ON AMOUNT DUE FROM RELATED COMPANIES CONTROLLED BY A SUBSTANTIAL SHAREHOLDER

The board (the “**Board**”) of directors (the “**Director(s)**”) of Morris Home Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) would like to provide its shareholders and potential investors with information in relation to amount due from related companies controlled by a substantial shareholder of the Company.

The Company would like to provide its shareholders and potential investors with information on the status of certain amount due (“**Amount Due**”) from companies controlled by Mr. Zou Gebing (the “**Zou Entities**”) in relation to certain historical transactions of the Group. As at the date of this announcement, Morris Capital Limited (“**Morris Capital**”) holds 666,500,000 shares of the Company, representing approximately 24.24% of the issued share capital of the Company. The shares in Morris Capital are owned as to 85% by Mr. Zou Gebing and 15% by Ms. Wu Xiangfei (Mr. Zou Gebing’s spouse and a non-executive Director). Mr. Zou Gebing has resigned as an executive Director with effect from 8 January 2024.

Set out below is a breakdown of the unaudited Amount Due as at 31 December 2023:

Description	Amount Due (approximately)	Note
1. Outstanding exit price for the repurchase of all the issued and outstanding common stock of Jennifer due and payable by Morris PRC	US\$13 million (RMB94 million)	1
2. Outstanding consideration for the disposal of the entire issued share capital of Masia due and payable by Morris Capital	US\$4 million (RMB28 million)	2
Total	RMB122 million	

Notes:

1. On 4 July 2018, the Company (as purchaser) entered into a sale and purchase agreement (“**Acquisition Agreement**”) with 慕容集團有限公司 (Morris Group Co., Ltd*) (“**Morris PRC**”) (as seller), a company the equity interest in which is owned as to 85% by Mr. Zou Gebing and 15% by Ms. Wu Xiangfei and Mr. Zou Gebing (as warrantor), pursuant to which the Company acquired from Morris PRC all the issued and outstanding common stock of Jennifer Convertibles Inc. (“**Jennifer**”) for the consideration of US\$35 million (the “**Jennifer Consideration**”). Completion of the acquisition took place on 31 August 2018.

According to the terms of the Acquisition Agreement, if the Jennifer group does not meet a profit guarantee, the Company may exercise a put option granted by Morris PRC to the Company (the “**Put Option**”) to require Morris PRC to repurchase all the issued and outstanding common stock of Jennifer at a price equivalent to the Jennifer Consideration (the “**Exit Price**”).

On 31 March 2020, the Company by way of an option notice (the “**Option Notice**”) exercised the Put Option to require Morris PRC to repurchase all the issued and outstanding common stock of Jennifer. For more details of the Option Notice, please refer to the circular of the Company dated 3 July 2020.

Up to the date of serving of the Option Notice on 31 March 2020, the remaining balance of the Jennifer Consideration in the amount of US\$15 million remained outstanding and unpaid by the Company. Hence, the unpaid balance of US\$15 million shall be set off against the Exit Price of US\$35 million, resulting in a net payment due and payable by Morris PRC in the amount of US\$20 million (the “**Net Exit Price**”).

The Company set US\$5 million of the Net Exit Price off against a shareholder loan of US\$5 million due to Morris Capital, resulting in a net outstanding balance due from Morris PRC in the amount of US\$15 million. As at the date of this announcement, an amount of approximately US\$13 million remains unpaid and outstanding.

Mr. Zou Gebing was a warrantor to guarantee the performance of the obligations of Morris PRC under the transactions contemplated under the Option Notice.

2. Morris International Group Limited (慕容國際集團有限公司) (as vendor) (a wholly-owned subsidiary of the Company) (“**Morris International**”) and Morris Capital (as purchaser) entered into a share purchase agreement for the disposal of the entire issued share capital in Masia Investment Limited (“**Masia**”) (the “**Disposal**”) at the total consideration of US\$5.513 million (the “**Disposal Consideration**”).

The underlying assets in respect of the Disposal are properties held by Masia Industries Co., Ltd. (a wholly-owned subsidiary of Masia), being the leasehold title for a term ending 18 September 2063 with rights of exclusive use of two plots of industrial land with an aggregate area of 59,781.978 square meters located in Sihanoukville Special Economy Zone, Cambodia, and the five blocks of one to two-storey buildings thereon with a gross floor area of approximately 38,866 square meters. For more details of the Disposal, please refer to the circular of the Company dated 18 February 2021.

As at the date of this announcement, an outstanding balance of the Disposal Consideration in the amount of approximately US\$4 million remains unpaid and outstanding.

Morris Capital charged the entire issued share capital of Masia in favour of Morris International by way of first legal charge, which shall remain effective until the full amount of the Disposal Consideration has been paid by Morris Capital to Morris International (the “**Share Charge**”).

The Amount Due arose from events occurred before the close of the unconditional mandatory cash offer in November 2022 (the “**General Offer**”). Following the close of the General Offer, in order to enable to Company to make an informed assessment, the new Directors and management of the Company (the “**Management**”) have closely examined and reviewed the records of the Company in relation to the Amount Due, including without limitation financial and accounting records, transaction documents and correspondences.

Based on the findings of the review, the Management had various discussions with respect to the Amount Due for the formulation of a repayment plan mainly through disposal of valuable property assets owned by the Zou Entities in the PRC. The Company had requested the Zou Entities to repay the Amount Due but was informed by the Zou Entities that they were incapable of repaying the Amount Due owing to the pessimistic conditions of the PRC property market.

The Management appreciates that the Group was in serious financial difficulties and the Zou Entities have provided substantial financial assistance and guarantee in favour of the Group to sustain its business operations. In addition, Mr. Zou Gebing was the chairman of the Board before, and remained to be an executive Director after, the General Offer, who remained to be influential and could contribute to the success of the Company at the time. The Management was of the view that it would be in the interest of the Company and its shareholders as a whole if the Amount Due could be resolved amicably and reasonably between the Group and the Zou Entities.

The Company has been having bona fide discussions with the Zou Entities with a view to formulate a reasonable repayment plan in respect of the Amount Due, including without limitation physical meetings, telephone conversations and formal meetings with the participation of the Company’s legal advisors. After reaching consensus on a repayment framework, the Company has been continuously and regularly monitoring the status of the Amount Due and the progress of repayment. Throughout 2023 and in early 2024, the Company had diligently and repeatedly demanded payment of the Amount Due from the Zou Entities and arranged meetings with the Zou Entities to follow up on the progress of repayment. The Company had also regularly and continuously enquired on the progress of the disposal of property assets held by the Zou Entities, being a key element of the repayment plan. However, the Company was given to understand that the Zou Entities have encountered continuing difficulties in disposing of the property assets in view of the gloomy sentiment in the PRC property market.

While the Company has been closely monitoring the progress of repayment of the Amount Due, it is noted that no substantive progress in respect of the recovery of the Amount Due has been made. The Company will take further actions, including but not limited to engaging external advisors and taking appropriate recovery actions against the Zou Entities and relevant obligor(s), on the Amount Due. The Company is also considering and assessing the viability and procedures for the enforcement of the Share Charge.

The Company will update its shareholders and potential investors in respect to the Amount Due by further announcement(s) as and when appropriate.

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

Hong Kong, 9 February 2024

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

* *For identification purpose only*