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MORRIS
HOLDINGS LIMITED

MORRIS HOLDINGS LIMITED

慕容控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1575)

**CONTINUING CONNECTED TRANSACTIONS
AND REVISED ANNUAL CAPS
IN RELATION TO THE 2020 LEASE RENEWAL AGREEMENT**

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



Draco Capital Limited

On 8 July 2020, Zhejiang Morris Trendy entered into the 2020 Lease Renewal Agreement with Morris PRC to agree on the renewal of the leases of the 2020 Leased Properties and to set out the terms of the 2020 Lease Agreements to be entered into after the obtaining of approval from the Independent Shareholders.

The 2020 Lease Renewal Agreement and the transactions contemplated thereunder (including the 2020 Lease Agreements) is subject to the approval of the Independent Shareholders. The leasehold period for the 2020 Leased Properties shall be renewed for three years commencing on the date of signing of the 2020 Lease Agreements. The revised annual rents for the 2020 Leased Properties is RMB14,383,488 (HK\$15,634,226), which is in line with the prevailing market rent for similar properties in neighboring areas at which the 2020 Leased Properties are located.

Having considered the revised annual rents for the 2020 Leased Properties as contemplated by the 2020 Lease Renewal Agreement, the Directors proposed to set the Revised Annual Caps to RMB16,020,000 (HK\$17,413,000) for the year ending 31 December 2020 and RMB21,622,000 (HK\$23,502,000) for each of the three financial years ending 31 December 2021, 2022 and 2023.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, Morris PRC is ultimately and beneficially owned as to 85% by Mr. Zou (the Chairman, Chief Executive Officer and an executive Director of the Company) and 15% by Ms. Wu (spouse of Mr. Zou). In addition, Mr. Zou is a substantial and controlling shareholder of the Company due to his 85% and Ms. Wu's 15% shareholding interests in Morris Capital. Accordingly, Morris PRC is a connected person or associate of connected person of the Company, and the transactions contemplated under the 2020 Lease Renewal Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios with respect to the Revised Annual Caps is more than 5%, the 2020 Lease Renewal Agreement and the Revised Annual Caps are subject to the annual review, annual reporting, announcement, circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company has established the Independent Board Committee, comprising all independent non-executive Directors, to advise the Independent Shareholders in relation to the 2020 Lease Renewal Agreement and the transactions contemplated thereunder (including the 2020 Lease Agreements) and the Revised Annual Caps and as to how to vote at the EGM regarding the CCT Resolution. The Company has appointed Draco Capital as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the 2020 Lease Renewal Agreement and the transactions contemplated thereunder (including the 2020 Lease Agreements) and the Revised Annual Caps.

An EGM will be convened at which the Independent Shareholders will consider and, where appropriate, approve the CCT Resolution. The Circular containing, among other things, further information of the 2020 Lease Renewal Agreement, the 2020 Lease Agreements and the Revised Annual Caps, will be dispatched to the Shareholders on or before 31 July 2020.

BACKGROUND

Background of the 2016 Lease Agreements

Reference is made to the section headed "CONNECTED TRANSACTIONS" on pages 229 to 235 of the Company's prospectus dated 30 December 2016 (the "**Prospectus**") containing details of the 2016 Lease Agreements dated 1 January 2016 entered into by Haining Gelin Furniture, Haining Morris Home Gallery, Haining Morris International and Zhejiang Apollo Leather Products (as tenants) and Morris PRC (as landlord) for the leases of the 2016 Leased Properties for factory, direct sale store and office use for a term of ten years from 1 January 2016 to 1 January 2026, both days inclusive.

Details of the 2016 Lease Agreements are as follows:

Premises	Tenants	Lease area <i>(sq.m.)</i>	Annual rents <i>(RMB)</i>
Property A	Zhejiang Apollo Leather Products	40,226.08	2,896,277.76
Property B	Haining Gelin Furniture	19,990.35	1,439,305.20
Property C	Haining Morris Home Gallery	39,312.00	2,830,464.00
Property D	Haining Morris International	1,000.00	72,000.00
		Total:	<u>7,238,046.96</u>

As disclosed in the Prospectus, the annual caps for the 2016 Lease Agreements were originally fixed at RMB7,238,046.96 for the three years ended 31 December 2016, 2017 and 2018. Since the relevant percentage ratios under the Listing Rules in respect of the 2016 Lease Agreements were, on an annual basis, less than 5% at the time of the Prospectus, the transactions contemplated by the 2016 Lease Agreements were exempt from circular and independent shareholders' approval requirements but were only subject to the announcement, annual reporting and annual review requirements under Chapter 14A of the Listing Rules.

In addition, as disclosed in the Prospectus, having considered (i) the proposed use of the 2016 Leased Properties; (ii) that the operation of the Group was expected to be longer than three years; (iii) that long-term nature of the 2016 Lease Agreements would prevent the occurrence of relocation costs and any unnecessary initial investment costs; and (iv) that lease agreements of short duration may give rise to uncertainties on the stability of production and be disadvantageous to the Group from commercial perspective, the Company was of the view (with which the sponsor concurred) that it was normal business practice for the Company to enter into the 2016 Lease Agreements of a term which is longer than three years.

Background of the 2017 Lease Agreements

Reference is made to the Company's announcement dated 17 March 2017 (the "**2017 CCT Announcement**") regarding the 2017 Lease Agreements entered into by Haining Gelin Furniture, Haining Morris Home Gallery and Haining Morris International (as tenants) and Morris PRC (as landlord) for the leases of the 2017 Leased Properties for factory, exhibition hall, dormitory, canteen, office and research and development center use for a term of three years from 17 March 2017 to 16 March 2020, both days inclusive.

Details of the 2017 Lease Agreements are as follows:

Premises	Tenants	Lease area (sq.m.)	Annual rents (RMB)
Property E	Haining Morris International	4,608.00	331,776.00
Property F	Haining Gelin Furniture	9,300.00	669,600.00
Property G	Haining Morris Home Gallery	40,474.00	2,914,128.00
Property H	Haining Morris Home Gallery	20,532.00	1,478,304.00
Property I	Haining Gelin Furniture	19,723.00	1,420,056.00
Property J	Haining Morris International	6,400.00	460,800.00
		Total:	<u>7,274,664.00</u>

As disclosed in the 2017 CCT Announcement, as a result of the entering into of the 2017 Lease Agreements, the annual caps for the Group's aggregate rental payments payable to Morris PRC were revised to RMB15,000,000 for the four years ended 31 December 2017, 2018, 2019 and 2020. Since the relevant percentage ratios under the Listing Rules in respect of the 2017 Lease Agreements (when aggregated with the 2016 Lease Agreements) were, on an annual basis, less than 5% at the time of the 2017 CCT Announcement, the transactions contemplated by the 2017 Lease Agreements (when aggregated with the 2016 Lease Agreements) were exempt from circular and independent shareholders' approval requirements but were only subject to the announcement, annual reporting and annual review requirements under Chapter 14A of the Listing Rules.

THE 2020 LEASE RENEWAL AGREEMENT

On 8 July 2020, Zhejiang Morris Trendy entered into the 2020 Lease Renewal Agreement with Morris PRC to agree on the renewal of the leases of the 2020 Leased Properties and to set out the terms of the 2020 Lease Agreements to be entered into after the obtaining of approval from the Independent Shareholders.

The principal terms of the 2020 Lease Renewal Agreement are set out below:

Date

8 July 2020

Parties

- (1) Morris PRC (as landlord); and
- (2) Zhejiang Morris Trendy (as tenant).

Morris PRC is a company established in the PRC with limited liability and owned as to 85% by Mr. Zou (the Chairman, the Chief Executive Officer and an executive Director of the Company) and as to 15% by Ms. Wu (spouse of Mr. Zou). Based on the information provided by Morris PRC, its scope of business includes the sales and distribution of clothing and household products, investment holdings and property development.

Zhejiang Morris Trendy is a company established in the PRC with limited liability, an indirect wholly-owned subsidiary of the Company and the surviving entity of the merger with Haining Morris Home Gallery and Haining Morris International. As a result of the merger which took place on 22 October 2018, Zhejiang Morris Trendy has become the tenant of all the 2017 Leased Properties in succession of Haining Morris Home Gallery and Haining Morris International. Zhejiang Morris Trendy was formerly known as “Haining Gelin Furniture Co., Ltd.” and was renamed to its current name on 5 September 2017. Zhejiang Morris Trendy is principally engaged in the manufacturing, sales and distribution of sofas, sofa covers and other furniture products.

Key renewal terms

Under the 2020 Lease Renewal Agreement, it was agreed by Zhejiang Morris Trendy and Morris PRC that:

- (1) The leases of Properties I and J were allowed to lapse by mutual agreement at the end of the three-year period of the 2017 Lease Agreements on 16 March 2020 without compensation to each others.
- (2) Subject to the approval of the CCT Resolution by the Independent Shareholders, the 2020 Lease Agreements be entered into between Zhejiang Morris Trendy and Morris PRC to renew the leases of the 2020 Leased Properties (i.e. Properties E to H) for three years (the “**Renewal Period**”) commencing on the date of signing of the 2020 Lease Agreements.
- (3) Pending the obtaining of the approval of the Independent Shareholders and the signing of the 2020 Lease Agreements, the old rental rates of the 2020 Leased Properties as fixed in the 2017 Lease Agreements shall continue to apply, accrue and be payable by Zhejiang Morris Trendy to Morris PRC.
- (4) If the CCT Resolution is voted down by the Independent Shareholders at the EGM, then Zhejiang Morris Trendy shall move out from Properties E to H on or before 31 December 2020 at its own costs.

Condition precedent

The 2020 Lease Renewal Agreement and the transactions contemplated thereunder (including the 2020 Lease Agreements) are subject to the approval of the Independent Shareholders. Upon the approval of the CCT Resolution by the Independent Shareholders at the EGM, Zhejiang Morris Trendy shall enter into separate 2020 Lease Agreements for each of the 2020 Leased Properties.

Renewal of leasehold period

Under the 2020 Lease Renewal Agreement, it was agreed by Zhejiang Morris Trendy and Morris PRC that the leasehold period for the 2020 Leased Properties shall be renewed for three years commencing on the date of signing of the 2020 Lease Agreements, which shall not be earlier than the date of approval of the CCT Resolution by the Independent Shareholders at the EGM.

Notwithstanding the above, under the terms of the 2020 Lease Agreements, Zhejiang Morris Trendy (as tenant) is entitled to serve a notice to Morris PRC to terminate any or all of the leases unilaterally at any time earlier than the expiry of the Renewal Period, if Zhejiang Morris Trendy considers in its absolute discretion that the 2020 Leased Properties cannot fulfill its production and operational requirements. Morris PRC, on the other hand, has no right to terminate the leases earlier than the expiry of the Renewal Period.

In addition, Zhejiang Morris Trendy (as tenant) shall have the right to serve a written notice to Morris PRC to request for further renewal of the leases at least three months before the expiry of the Renewal Period. If Zhejiang Morris Trendy exercises such right of renewal, it shall enjoy a priority right to be awarded further lease renewals (unless Morris PRC intends to retain the premises for self-use and is no longer offering the premises to lease), provided always that the annual rents on further renewals shall be adjusted by reference to the then prevailing market rent and all other terms being equal as compared to competing tenancy offers.

Due to the right of unilateral early termination by Zhejiang Morris Trendy, the Company does not expect that the leases as renewed by the 2020 Lease Agreements would be recognized as right-of-use assets in the Group's consolidated statement of financial position.

The 2020 Leased Properties

The leases of the 2020 Leased Properties renewed under the 2020 Lease Agreements were Properties E, F, G and H.

For the avoidance of doubt, the leases of Properties I and J were allowed to lapse by mutual agreement at the end of the three-year period of the 2017 Lease Agreements on 16 March 2020, as these premises were no longer required for the Group's operations.

Rents

Under the 2020 Lease Renewal Agreement, it was agreed by Zhejiang Morris Trendy and Morris PRC that the revised annual rents for the 2020 Leased Properties shall be RMB14,383,488 (HK\$15,634,226). The revised annual rents of the 2020 Leased Properties agreed under the 2020 Lease Renewal Agreement were arrived at after arm's length negotiations between Zhejiang Morris Trendy and Morris PRC by reference to the prevailing market rent for similar properties in neighboring areas at which the 2020 Leased Properties are located.

Set out below are the comparison of the annual rents of the 2020 Leased Properties as fixed by the 2017 Lease Agreements and as proposed for the 2020 Lease Agreements:

Premises	Lease area (sq.m.)	Old annual rents under 2017 Lease Agreements (RMB)	New annual rents under 2020 Lease Agreements (RMB)
Property E	4,608.00	331,776	884,736
Property F	9,300.00	669,600	1,785,600
Property G	40,474.00	2,914,128	7,771,008
Property H	20,532.00	1,478,304	3,942,144
	Total:	5,393,808	14,383,488

Under the terms of the 2020 Lease Renewal Agreement, the annual rents for the 2020 Leased Properties for the entire Renewal Period in the amount of RMB43,150,464 (HK\$46,902,678) shall be payable by way of advance lump-sum on the date of signing of the 2020 Lease Agreements. This advance lump-sum rental payment is expected to be funded by internal resources of the Group.

For the avoidance of doubt, the 2016 Lease Agreements are continuing until 1 January 2026, and the annual rents for the 2016 Leased Properties (i.e. Properties A to D) are unchanged at RMB7,238,046.96.

Other terms of the leases

Under the 2020 Lease Renewal Agreement, it was agreed by Zhejiang Morris Trendy and Morris PRC that the 2020 Lease Agreements shall also contain the following terms and conditions:

1. Zhejiang Morris Trendy (as tenant) shall have the right of first refusal if the 2020 Leased Properties are offered for sale by Morris PRC.
2. Zhejiang Morris Trendy shall be responsible for any repair and maintenance expenses, safety regulations expenses and utility expenses during the Renewal Period.
3. The performance of the leases are subject to the occurrence of force majeure events, such as changes in laws and regulations, government orders or any other special reasons beyond the control of either parties.

HISTORICAL TRANSACTION AMOUNTS AND HISTORICAL ANNUAL CAPS

As explained in the section headed “BACKGROUND” of this announcement, the historical transaction amounts and historical annual caps for the connected leases between the Group (as tenants) and Morris PRC (as landlord), on an aggregate basis, were as follows:

	For the year ended 31 December				
	2016 (RMB) <i>(Notes 1 and 2)</i>	2017 (RMB) <i>(Notes 1 and 2)</i>	2018 (RMB) <i>(Note 2)</i>	2019 (RMB)	2020 (RMB)
Transaction amount	7,238,046.96	13,017,916.96	14,512,710.96	14,512,710.96	not applicable
Annual caps	not applicable	15,000,000.00	15,000,000.00	15,000,000.00	15,000,000.00

Notes:

1. The transaction amount for the year ended 31 December 2017 was the aggregate of: (a) the annual rents for the 2016 Leased Properties of RMB7,238,046.96; and (b) the pro-rata rents for the 2017 Leased Properties between 17 March 2017 and 31 December 2017 in the sum of approximately RMB5,779,870.
2. The annual caps for 2017 and 2018 were originally fixed at RMB7,238,046.96 at the time of initial public offerings of the Company in December 2016, but were increased to RMB15,000,000 for the reasons set out in the Company’s announcement dated 17 March 2017.

REVISED ANNUAL CAPS

If the rental increase as proposed by the 2020 Lease Renewal Agreement is voted down by the Independent Shareholders at the EGM, Zhejiang Morris Trendy will be allowed to remain at Properties E to H under the old rental rates until 31 December 2020, in which case the transaction amount under the connected leases for the year ending 31 December 2020 would be approximately RMB13,022,854.96 (HK\$14,155,277) which is calculated by the rounded sum of (a) the annual rents for the 2016 Leased Properties of RMB7,238,046.96; (b) the pro-rata rents for Properties I and J between 1 January 2020 and the date of termination on 16 March 2020 in the sum of approximately RMB391,000; and (c) the rents for Properties E to H for the whole year of approximately RMB5,393,808 under the old rates, which is still within the permitted annual cap of RMB15,000,000 as contemplated by the 2017 CCT Announcement.

To cater for the proposed rental increase as contemplated by the 2020 Lease Renewal Agreement and subject to approval by Independent Shareholders, the annual cap for the transaction value of the connected leases will have to be revised. The Revised Annual Caps is proposed to be set at RMB21,622,000 (HK\$23,502,000) for each of the three financial years ending 31 December 2021, 2022 and 2023, being the rounded sum of: (a) the annual rents for the 2016 Leased Properties of RMB7,238,046.96; and (b) the increased annual rents for the 2020 Leased Properties of RMB14,383,488.

Assuming that the rental increases for the 2020 Leased Properties were to take effect on 1 September 2020, it is projected that the transaction value of the connected leases for the year ending 31 December 2020 would be approximately RMB16,020,000 (HK\$17,413,000) which is calculated by the rounded sum of: (a) the annual rents for the 2016 Leased Properties of

RMB7,238,046.96; (b) the pro-rata rents for Properties I and J between 1 January 2020 and the date of termination on 16 March 2020 in the sum of approximately RMB391,000; (c) the pro-rata rents for the 2020 Leased Properties between 1 January 2020 and 31 August 2020 of approximately RMB3,596,000 under the old rates; and (d) the pro-rata rents for the 2020 Leased Properties between 1 September 2020 and 31 December 2020 of approximately RMB4,795,000 under the new rates. The Revised Annual Cap is therefore proposed to be set at RMB16,020,000 (HK\$17,413,000) for the year ending 31 December 2020.

REASONS FOR AND BENEFITS OF THE LEASES

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

The Directors believe that the Group needs to: (a) maintain its production facilities to meet its purchase orders; (b) maintain its exhibition halls to display products to customers and potential customers; (c) maintain its direct sale stores to provide sales and customer services; (d) maintain its research and development center to keep up with new designs and new products; (e) maintain its offices to provide administrative and management support to the Group's operations in China; and (f) maintain its dormitories and ancillary facilities for the welfare of the Group's staff in China. As the 2016 Leased Properties and the 2020 Leased Properties are conveniently located adjacent to each others in the operation center of the Group in Haining City, the Company is of the view that management efficiency can be achieved by renewing the leases of the 2020 Leased Properties. In addition, relocation costs can be saved by the Group by continuing to lease the 2020 Leased Properties.

The revised annual rents of the 2020 Leased Properties as proposed for the 2020 Lease Renewal Agreement and the 2020 Lease Agreements were arrived at after arm's length negotiations between Zhejiang Morris Trendy and Morris PRC with reference to the prevailing market rent for similar properties in neighboring areas at which the 2020 Leased Properties are located. The Company is of the view that the advance payment of the annual rents for the 2020 Leased Properties for the entire three-year Renewal Period is fair and reasonable, because the Company will also enjoy other rights under the 2020 Lease Agreements (such as the first right of refusal on the sale and leasehold renewal of the properties, together with the right to terminate the leases unilaterally at any time earlier than the expiry of the Renewal Period). The other terms of the 2020 Lease Agreements (including the rental period, notice period for termination, terms for renewal, apportionment of costs and expenses and force majeure clauses) are largely in line with the terms of leases of premises of similar size and use and rental period in China with independent third parties.

On the basis of the foregoing, the Directors (excluding the independent non-executive Directors who would defer the expression of views after considering the advice from the Independent Financial Adviser, and except Mr. Zou and Mr. Shen who abstained from voting at Board level due to Mr. Zou's material interest in the transactions) are of the opinion that: (i) the terms of the 2020 Lease Renewal Agreement and the transactions contemplated thereunder (including the 2020 Lease Agreements) are on normal commercial terms and are fair and reasonable; (ii) the Revised Annual Caps are fair and reasonable; and (iii) the continuing connected transactions contemplated under the 2020 Lease Renewal Agreement and the 2020 Lease Agreements are and will be conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole.

Mr. Zou (the Chairman, Chief Executive Officer and an executive Director of the Company) is the 85% shareholder of Morris PRC. The spouse of Mr. Shen (another executive Director) is a cousin of Ms. Wu (15% shareholder of Morris PRC and spouse of Mr. Zou). Mr. Zou and Mr. Shen abstained from voting on Board level regarding the 2020 Lease Renewal Agreement and the 2020 Lease Agreements and the Revised Annual Caps, due to Mr. Zou's material interest in the transactions. Save for Mr. Zou and Mr. Shen, no other Director regarded himself to have a material interest or perceived conflict in the transactions which requires him to disclose his interest and/or to abstain from voting on Board level regarding the 2020 Lease Renewal Agreement and the 2020 Lease Agreements and the Revised Annual Caps.

LISTING RULES IMPLICATIONS

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, Morris PRC is ultimately and beneficially owned as to 85% by Mr. Zou (the Chairman, Chief Executive Officer and an executive Director of the Company) and 15% by Ms. Wu (spouse of Mr. Zou). In addition, Mr. Zou is a substantial and controlling shareholder of the Company due to his 85% and Ms. Wu's 15% shareholding interests in Morris Capital. Accordingly, Morris PRC is a connected person or associate of connected person of the Company, and the transactions contemplated under the 2020 Lease Renewal Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios with respect to the Revised Annual Caps is more than 5%, the 2020 Lease Renewal Agreement and the Revised Annual Caps are subject to the annual review, annual reporting, announcement, circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company has established the Independent Board Committee, comprising all independent non-executive Directors, to advise the Independent Shareholders in relation to the 2020 Lease Renewal Agreement and the transactions contemplated thereunder (including the 2020 Lease Agreements) and the Revised Annual Caps and as to how to vote at the EGM regarding the CCT Resolution. The Company has appointed Draco Capital as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the 2020 Lease Renewal Agreement and the transactions contemplated thereunder (including the 2020 Lease Agreements) and the Revised Annual Caps.

The Circular containing, among other things, further information of the 2020 Lease Renewal Agreement and the transactions contemplated thereunder (including the 2020 Lease Agreements) and the Revised Annual Caps, the recommendations of the Independent Board Committee, the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, and the notice convening the EGM, will be dispatched to the Shareholders on or before 31 July 2020.

An EGM will be convened at which the Independent Shareholders will consider and, where appropriate, approve the CCT Resolution. In compliance with the Listing Rules, all resolutions will be voted on by way of poll at the EGM.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, Morris Capital (a company owned as to 85% by Mr. Zou and 15% by Ms. Wu) holds 750,000,000 Shares, representing 75% of the issued share capital of the Company. Morris Capital would abstain from voting in the EGM of the Company on the CCT Resolution. To the best knowledge, information and belief of the Company, save for Morris Capital, the Directors are not aware of any other Shareholders who have a material interest in the 2020 Lease Renewal Agreement and the Revised Annual Caps or are required to abstain from voting for the CCT Resolution.

DEFINITIONS

In this announcement, the following expressions have the following meanings:

“2016 Lease Agreements”	the lease agreements entered into by Haining Gelin Furniture, Haining Morris Home Gallery, Haining Morris International and Zhejiang Apollo Leather Products (as tenants) and Morris PRC (as landlord) for the lease of the 2016 Leased Properties for a term of ten years from 1 January 2016 to 1 January 2026
“2016 Leased Properties”	collectively, Properties A, B, C and D
“2017 Lease Agreements”	the lease agreements entered into by Haining Gelin Furniture, Haining Morris Home Gallery and Haining Morris International (as tenants) and Morris PRC (as landlord) for the lease of the 2017 Leased Properties for a term of three years from 17 March 2017 to 16 March 2020
“2017 Leased Properties”	collectively, Properties E, F, G, H, I and J
“2020 Lease Renewal Agreement”	the lease renewal agreement dated 8 July 2020 entered into by Zhejiang Morris Trendy (as tenant) and Morris PRC (as landlord) to agree on the signing of the 2020 Lease Agreements subject to the obtaining of the approval from the Independent Shareholders
“2020 Lease Agreements”	the lease agreements to be entered into by Zhejiang Morris Trendy (as tenant) and Morris PRC (as landlord) for the lease of the 2020 Leased Properties for a term of three years, subject to and after the obtaining of the approval from the Independent Shareholders
“2020 Leased Properties”	collectively, Properties E, F, G and H
“associate(s)”	having the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors

“CCT Resolution”	the relevant resolution to be proposed at the EGM to approve the 2020 Lease Renewal Agreement and the transactions contemplated thereunder (including the 2020 Lease Agreements) and the Revised Annual Caps
“Circular”	the circular of the Company to be dispatched to the Shareholders containing, among other things, further information of the 2020 Lease Renewal Agreement and the transactions contemplated thereunder (including the 2020 Lease Agreements) and the Revised Annual Caps, the recommendations of the Independent Board Committee, the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders and the notice convening the EGM
“Company”	Morris Holdings Limited (慕容控股有限公司), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange with stock code: 1575
“connected person(s)”	having the meaning ascribed thereto under the Listing Rules
“controlling shareholder(s)”	having the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Draco Capital” or “Independent Financial Adviser”	Draco Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the CCT Resolution
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve the CCT Resolution
“Group”	the Company and its subsidiaries
“Haining EDZ”	Haining Economic Development Zone, Haining City, Zhejiang Province, the PRC
“Haining Morris Home Gallery”	海寧慕容世家家居有限公司 (Haining Morris Home Gallery Co., Ltd.), a company established in the PRC with limited liability, an indirect wholly-owned subsidiary of the Company which was merged into Zhejiang Morris Trendy on 22 October 2018

“Haining Morris International”	海寧慕容國際家居有限公司 (Haining Morris International Home Furnishings Co., Ltd.), a company established in the PRC with limited liability, an indirect wholly-owned subsidiary of the Company which was merged into Zhejiang Morris Trendy on 22 October 2018
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee established by the Board, comprising all the independent non-executive Directors, to advise the Independent Shareholders regarding the CCT Resolution
“Independent Shareholders”	Shareholders other than (a) Morris PRC, Mr. Zou and their respective associates (including Morris Capital), and (b) any other Shareholders who have a material interest in the CCT Resolution and are required by the Listing Rules to abstain from voting on the CCT Resolution at the EGM
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Morris Capital”	Morris Capital Limited (慕容資本有限公司), a company incorporated in the British Virgin Islands with limited liability and a substantial and controlling shareholder of the Company
“Morris PRC”	慕容集團有限公司 (Morris Group Co., Ltd) (formerly known as 海寧蒙努集團有限公司 (Haining Mengnu Group Co., Ltd.)), a company established in the PRC with limited liability and the landlord of the leases under the 2020 Lease Agreements
“Mr. Shen”	Mr. Shen Zhidong (沈志東), an executive Director of the Company
“Mr. Zou”	Mr. Zou Gebing (鄒格兵), the Chairman, Chief Executive Officer and an executive Director of the Company
“Ms. Wu”	Ms. Wu Xiangfei (鄔向飛), spouse of Mr. Zou
“PRC”	the People’s Republic of China
“Property A”	the premises with a leased area of 40,226.08 sq.m. situated at No. 120 Longxing Road, Haining EDZ

“Property B”	the premises with a leased area of 19,990.35 sq.m. situated at No. 115 Shuanglian Road, Haichang Street, Haining City
“Property C”	the premises with a leased area of 39,312 sq.m. situated at No. 500 Youquan Road, Haining EDZ
“Property D”	the premises with a leased area of 1,000 sq.m. situated at No. 500 Youquan Road, Haining EDZ
“Property E”	the premises with a leased area of 4,608 sq.m. situated at No. 500 Youquan Road, Haining EDZ for exhibition hall use
“Property F”	the premises with a leased area of 9,300 sq.m. situated at No. 500 Youquan Road, Haining EDZ for research and development center and exhibition hall use
“Property G”	the premises with a leased area of 40,474 sq.m. situated at No. 500 Youquan Road, Haining EDZ for factory, office, dormitory and canteen use
“Property H”	the premises with a leased area of 20,532 sq.m. situated at No. 120 Longxing Road, Haining EDZ for factory use
“Property I”	the premises with an area of 19,723 sq.m. situated at No. 20 Shidai Road, Haining EDZ
“Property J”	the premises with an area of 6,400 sq.m. situated at No. 20 Shidai Road, Haining EDZ
“Revised Annual Caps”	the revised annual caps for the Group’s aggregate rental payments payable to Morris PRC under the 2020 Lease Agreements (when aggregated with the 2016 Lease Agreements) of RMB16,020,000 (HK\$17,413,000) for the year ending 31 December 2020 and RMB21,622,000 (HK\$23,502,000) for each of the three financial years ending 31 December 2021, 2022 and 2023, as contemplated by the 2020 Lease Renewal Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of the Company having a par value of US\$0.001 each
“Shareholder(s)”	holder(s) of the Shares
“sq.m”	square meters

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	having the meaning ascribed thereto under the Listing Rules
“Zhejiang Apollo Leather Products”	浙江阿波羅皮革製品有限公司 (Zhejiang Apollo Leather Products Co., Ltd.), a company established in the PRC with limited liability, an indirect wholly-owned subsidiary of the Company
“Zhejiang Morris Trendy” or “Haining Gelin Furniture”	浙江慕容時尚家居有限公司 (Zhejiang Morris Trendy Home Co., Ltd.), formerly known as 海寧格林家具有限公司 (Haining Gelin Furniture Co., Ltd.), a company established in the PRC with limited liability, an indirect wholly-owned subsidiary of the Company and the surviving entity of the merger with Haining Morris Home Gallery and Haining Morris International

In this announcement, amounts denominated in RMB have been converted into HK\$ at the exchange rate of HK\$1.00 = RMB0.92 for illustration purposes only.

By order of the Board
Morris Holdings Limited
Wu Yueming
Executive Director

Hong Kong, 8 July 2020

As at the date of this announcement, the executive Directors are Mr. Zou Gebing, Mr. Zeng Jin, Mr. Shen Zhidong and Mr. Wu Yueming; and the independent non-executive Directors are Mr. Liu Haifeng, Mr. Pang Wing Hong and Mr. Chu Guodi.