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MORRIS
HOME HOLDINGS LIMITED

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慕容家居控股有限公司

(formerly known as “Morris Holdings Limited 慕容控股有限公司”)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1575)

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

This announcement is made by the Company pursuant to Rule 3.7 of Takeovers Code, Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the SFO.

MEMORANDUM OF UNDERSTANDING

The Board wishes to announce that on 15 June 2021 (after trading hours), the Company and the Potential Investor entered into the Memorandum of Understanding, pursuant to which the Company intends to issue, and the Potential Investor intends to subscribe for, the Subscription Shares. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, each of the Potential Investor and its ultimate beneficial owner(s) is an Independent Third Party.

Under the terms of the Memorandum of Understanding, if the Possible Subscription proceeds to the signing of the definitive Subscription Agreement, the Company indicated its intention to simultaneously engage the Placing Agent(s) to place, on a best effort basis, up to certain maximum number of Placing Shares for subscription by not less than six independent Placees.

Possible Whitewash Waiver

The Possible Subscription, if materialized, will lead to the Potential Investor holding over 50% of the issued share capital of the Company as enlarged by the Subscription Shares and the maximum number of Placing Shares and thus, a change in control of the Company. The Potential Investor intends to apply to the Executive for the Whitewash Waiver in respect of the mandatory general offer obligation under Rule 26.1 of the Takeovers Code as a result of the issue of the Subscription Shares as contemplated under the Memorandum of Understanding.

The Potential Investor and the Company have not concluded whether obtaining the Whitewash Waiver will be a waivable condition to the Subscription Agreement. If the Whitewash Waiver condition is a waivable condition to the Subscription Agreement, a mandatory general offer cannot be ruled out. If the Whitewash Waiver condition is a non-waivable condition to the Subscription Agreement, the Possible Subscription will not be completed if the Whitewash Waiver is not granted by the Executive.

Conditions precedent

Completion of the Possible Subscription is conditional upon the fulfillment or waiver (if applicable) of, among other things, the restructuring and/or reorganisation of the debts and liabilities of the Group (in particular the Company) by way of scheme(s) of arrangements, and other customary conditions precedent such as all requisite regulatory and/or third-party consents, approvals and authorisations including the Whitewash Waiver and Shareholders' approval being obtained for the transactions contemplated herein.

Working Capital Loan

At the request of the Company, on 15 June 2021, the Potential Investor provided (and procured the provision by its affiliated entities of) short-term working capital loans to the Group in the total amount of RMB 50 million (the "**Working Capital Loan**"), secured by corporate guarantees by the Company and share charges in the equity of certain subsidiaries of the Group. The Working Capital Loan is intended to be repaid by the net proceeds from the Possible Placing.

The Exclusivity Period

Under the terms of the Memorandum of Understanding, the Company and the Potential Investor shall use their best efforts to work towards the preparing, negotiating and entering into of the legally-binding Subscription Agreement by 31 July 2021 (the "**Long Stop Date**"), unless further extended by mutual consent. The Potential Investor has been granted an exclusivity period for up to 31 August 2021 (the "**Exclusivity Period**"), during which each party (and its affiliates) shall not directly or indirectly solicit, encourage or enter into any agreement, arrangement, discussion or negotiation with, provide information to, or consider any inquiries or proposals from any person with respect to a similar transaction or other transaction in conflict with the transactions contemplated in the Memorandum of Understanding.

Non-legally binding nature

The Memorandum of Understanding is non-legally binding except for provisions in relation to, among other things, the Long Stop Date, the Exclusivity Period, governing law and jurisdiction.

The Possible Subscription is subject to further negotiations between the Company and the Potential Investor and the signing of a definitive Subscription Agreement. The Possible Placing is subject to the signing of the definitive Placing Agreement with Placing Agent(s). The Possible Subscription and the Possible Placing may or may not proceed. Shareholders will be informed of any further developments with regard to the Possible Subscription and the Possible Placing by way of further announcement(s) as and when necessary in accordance with the Listing Rules and the Takeovers Code.

SECURITIES OF THE COMPANY

As at the date of this announcement, details of all classes of the Relevant Securities issued by the Company and the numbers of such securities in issue are as follows:

- (a) a total of 1,000,000,000 Shares in issue of par value US\$0.001 each in the share capital of the Company; and
- (b) convertible bonds in the original principal amount of HK\$200,000,000 issued in January 2018 carrying the right to convert into the Shares, which was partially repaid and having an outstanding principal of HK\$81,439,031 as at 31 May 2021 convertible into 36,684,248 Shares at the conversion price of HK\$2.22 per Share, subject to adjustment mechanisms set out in the terms of the convertible bonds as disclosed in the Company's announcements dated 5 and 24 January 2018.

DEALING DISCLOSURE

For the purposes of the Takeovers Code, the offer period commences on the date of this announcement, being 16 June 2021.

In accordance with Rule 3.8 of the Takeovers Code, respective associates (as defined in the Takeovers Code) of the Company (including, among others, shareholders of the Company having interests of 5% or more in the Relevant Securities of the Company) and of the Potential Investor are hereby reminded to disclose their dealings in the securities of the Company pursuant to the requirements of the Takeovers Code.

RESPONSIBILITIES OF STOCKBROKERS, BANKS AND OTHER INTERMEDIARIES

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

“Responsibilities of stockbrokers, banks and other intermediaries

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

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

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

MONTHLY UPDATE

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

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares was halted with effect from 9:00 a.m. on 16 June 2021, pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 17 June 2021.

WARNING

The Memorandum of Understanding is non-legally binding in nature, and the Possible Subscription and the Possible Placing may or may not proceed to signing or completion. Even if the definitive Subscription Agreement and Placing Agreement are signed, completion of the Possible Subscription and the Possible Placing may still be subject to the fulfillment (or, where applicable, waiver) of the conditions precedent contained therein. There is no assurance that the Possible Subscription and the Possible Placing will materialize or eventually be consummated. Shareholders and potential investors are advised to exercise caution when dealing in the Shares and if they are in any doubt about their position, they should consult their professional advisers.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings:

“acting in concert”	having the meaning as ascribed thereto under the Takeovers Code
“Board”	the board of Directors
“Company”	Morris Home Holdings Limited (慕容家居控股有限公司) (formerly known as 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
“Director(s)”	the director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries, or any of their respective associates (as defined in the Listing Rules)

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Memorandum of Understanding”	the non-legally binding memorandum of understanding dated 15 June 2021 entered into between the Company and the Potential Investor in relation to the Possible Subscription
“Placee(s)”	independent individuals, corporate, institutional investors or other investors to be procured by or on behalf of the Placing Agent(s) under the Possible Placing
“Placing Agent(s)”	independent financial institution(s) which are licensed to deal in securities to be engaged by the Company to conduct the Possible Placing, if the Possible Subscription proceeds to signing of the Subscription Agreement
“Placing Agreement”	a legally binding placing agreement which may be entered into between the Company and the Placing Agent(s) in relation to the Possible Placing, if the Possible Subscription proceeds to signing
“Placing Share(s)”	certain maximum number of new Shares proposed to be issued by the Company to the Placees under the Possible Placing
“Possible Placing”	the possible placing of the Placing Shares to not less than six independent Placees through the procurement of the Placing Agent(s) on best effort basis
“Possible Subscription”	the possible subscription of the Subscription Shares by the Potential Investor pursuant to the Memorandum of Understanding
“Potential Investor”	an Independent Third Party, as the potential investor for the Possible Subscription
“PRC”	the People’s Republic of China
“Relevant Securities”	having the meaning as defined in Note 4 to Rule 22 of the Takeovers Code
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong

“Share(s)”	ordinary share(s) of the Company having a par value of US\$0.001 each
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	a legally binding formal agreement which may or may not be entered into between the Company and the Potential Investor in relation to the Possible Subscription
“Subscription Share(s)”	certain number of new Shares proposed to be subscribed by the Potential Investor under the Possible Subscription, resulting in the Potential Investor holding over 50% of the issued share capital of the Company as enlarged by the Subscription Shares and the maximum number of Placing Shares
“substantial shareholder(s)”	having the meaning ascribed thereto under the Listing Rules
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Whitewash Waiver”	a waiver from the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligations of the Potential Investor to make a mandatory general offer for all of the Shares not already owned or agreed to be acquired by the Potential Investor and any parties acting in concert with it which would, if the Possible Subscription proceeds, otherwise arise as a result of the completion of the Possible Subscription

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

Hong Kong, 16 June 2021

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

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