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MORRIS
HOLDINGS LIMITED

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慕容控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1575)

PROPOSED CHANGE OF AUDITORS

Reference is made to the announcement of Morris Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 28 March 2019 (the “**Announcement**”). This announcement is made by the Company pursuant to Rule 13.51(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). Unless otherwise defined herein or the context otherwise requires, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

The Board (the “**Board**”) of directors (“**Directors**”) of the Company announces that, subject to the passing of the relevant resolutions at an extraordinary general meeting of the Company (the “**EGM**”) to be convened and held, Ernst & Young (“**EY**”) shall be terminated the appointment of the auditor of the Group (the “**Proposed Removal**”) and HLB Hodgson Impey Cheng Limited (“**HLB**”) shall be appointed as the new auditor of the Group (the “**Proposed Appointment**”) to fill the vacancy arising from the Proposed Removal and hold office until the conclusion of the next annual general meeting of the Company.

PROPOSED REMOVAL OF THE APPOINTMENT OF AUDITOR

EY was re-appointed as auditor of the Group at the last annual general meeting of the Company held on 17 May 2018 to hold office until the conclusion of the next annual general meeting of the Company.

However, the Company and EY have been unable to reach an agreement on the estimated additional fees as set out further below. After considering the facts and circumstances, the audit committee of the Company, having been delegated the power to oversee the effectiveness of the external auditor, was of the view that it would be in the best interest of

the Company and its shareholders (the “**Shareholders**”) as a whole to replace EY with another accounting firm, and made a recommendation to the Board to seek the approval of the Shareholders regarding the Proposed Removal of EY as the auditor of the Group.

The Board is of the view that the Proposed Removal would enable the Company to carry out effective cost control and reduce overall operating expenses of the Company to better cope with the future business development of the Group and is in the best interest of the Company and its Shareholders as a whole. The Proposed Removal is subject to the passing of a special resolution at the EGM pursuant to the articles of association of the Company (the “**Articles**”).

MATTERS TO BE BROUGHT TO THE ATTENTION OF THE SHAREHOLDERS

During the performance of the audit of the Company’s consolidated financial statements for the year ended 31 December 2018 (the “**Audit**”), EY identified certain queries (the “**Queries**”). EY have communicated the Queries to the Audit Committee and the Board, and have recommended the Company to engage an independent party to conduct an investigation (the “**Investigation**”) with a view to allow EY as auditors to form a basis for making conclusions on the Queries and to complete the remaining work of the Audit. The Company is now considering the engagement of an independent party in this regard, and EY has communicated with the Company and representative of Audit Committee certain proposed scope of works on the Investigation. However, the Company and EY have been unable to reach an agreement on the estimated additional fees for EY’s completion of remaining work of the Audit.

EY has provided a letter confirming to the Company that, save as disclosed above, there are no circumstances or matters connected with the change of the auditors that need to be brought to the attention of the Shareholders.

To the best of the Directors’ knowledge, save as disclosed above, there are no other circumstances or matters in connection with the change of the auditors that need to be brought to the attention of the Shareholders.

The Board would like to take this opportunity to express its gratitude to EY for their professional services rendered to the Group in the past years.

PROPOSED APPOINTMENT OF AUDITOR

The Board, with the recommendation of the audit committee of the Company, further proposes to appoint HLB as auditor of the Group to fill the vacancy arising from the Proposed Removal and hold office until the conclusion of the next annual general meeting of the Company.

The Proposed Appointment of HLB as auditor of the Group in place of EY is subject to the passing of an ordinary resolution at the EGM pursuant to the Articles.

IMPLICATIONS OF THE LISTING RULES

Pursuant to article 152(2) of the Articles, the Shareholders may, at any general meeting convened and held in accordance with the Articles, by special resolution remove the auditor of the Company at any time before the expiration of its term of office and shall by ordinary resolution at that meeting appoint another auditor in its stead for the remainder of its term.

Pursuant to Rule 13.88 of the Listing Rules, (a) the Company must not remove its auditor before the end of the auditor's term of office without first obtaining Shareholders' approval at a general meeting; (b) the Company must send a circular proposing the removal of the auditor to the Shareholders with any written representations from the auditor not less than 10 business days before the general meeting; and (c) the Company must allow the auditor to attend the general meeting and make written and/or verbal representations to the Shareholders at the general meeting.

In compliance with the Articles and the Listing Rules, the Proposed Removal will be proposed at the EGM as a special resolution and the Proposed Appointment will be proposed at the EGM as an ordinary resolution.

Accordingly, the Company will, at the time of dispatch of the circular containing, among other matters, further information on the Proposed Removal and the Proposed Appointment, together with a notice convening the EGM, to the Shareholders, also dispatch a copy to EY to invite them to attend the EGM to make written or verbal representations to the Shareholders at the EGM, if any.

THE EGM

The EGM will be convened and held for the purposes of considering and, if thought fit, approving the Proposed Removal and the Proposed Appointment. A circular containing, among other matters, further information on the Proposed Removal and the Proposed Appointment, together with a notice convening the EGM, is expected to be dispatched to the Shareholders as soon as practicable.

By Order of the Board
Morris Holdings Limited
ZOU Gebing
Chairman

Hong Kong, 2 May 2019

As at the date of this announcement, the executive Directors are Mr. ZOU Gebing, Mr. SHEN Zhidong, Mr. ZENG Jin and Mr. WU Yueming; and the independent non-executive Directors are Mr. HUANG Wenli, Mr. LIU Haifeng and Mr. PANG Wing Hong.