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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)**

**DISCLOSEABLE AND CONNECTED TRANSACTION  
IN RELATION TO THE ACQUISITION OF ALL THE ISSUED AND  
OUTSTANDING COMMON STOCK OF  
JENNIFER CONVERTIBLES INC.**

After trading hours on 4 July 2018, the Company (as purchaser) entered into the Sale and Purchase Agreement with the Seller (as vendor) and Mr. Zou (as warrantor) in relation to the Acquisition, pursuant to which the Company conditionally agreed to purchase and the Seller conditionally agreed to sell the Sale Shares at the Consideration of US\$35 million (subject to adjustment in accordance with the Sale and Purchase Agreement), which shall be satisfied by the Company by cash.

**LISTING RULES IMPLICATIONS**

As certain of the applicable percentage ratios (as defined in the Listing Rules) for the Acquisition is 5% or more but less than 25%, the Acquisition constitutes a discloseable transaction under the Listing Rules.

As at the date of this announcement, the Seller is owned as to 85% by Mr. Zou and 15% by Ms. Wu. Mr. Zou, the chairman, the chief executive officer and an executive Director of the Company, and Ms. Wu, the spouse of Mr. Zou, are each a controlling Shareholder and are therefore each a connected person of the Company under Chapter 14A of the Listing Rules. As such, the Seller is an associate of the controlling Shareholders and therefore a connected person of the Company under the Listing Rules and the Acquisition also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As a result, the Sale and Purchase Agreement and the Acquisition are subject to the requirements of notification, announcement, circular and Independent Shareholders' approval under the Listing Rules.

In accordance with the Listing Rules, Mr. Zou, the director and a majority shareholder of the Seller, has abstained from voting at the Board meeting. Save as disclosed, none of the Directors has any material interest in the transaction.

In accordance with the Listing Rules, any Shareholder who has a material interest in the Sale and Purchase Agreement and the Acquisition shall abstain from voting on the resolution(s) to approve the Sale and Purchase Agreement and the Acquisition at the EGM. As at the date of this announcement, Morris Capital, being close associate of Mr. Zou and Ms. Wu, is interested in 750,000,000 Shares, representing 75% of the total issued Shares, will be required to abstain from voting on the relevant resolution(s) at the EGM accordingly. Save for Morris Capital, to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no other Shareholder has a material interest in the Sale and Purchase Agreement and the Acquisition and will be required to abstain from voting on the relevant resolution(s) to approve the Sale and Purchase Agreement and the Acquisition at the EGM.

## **GENERAL**

The Independent Board Committee has been established by the Company to advise the Independent Shareholders as to whether the Sale and Purchase Agreement and the Acquisition are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. An independent financial adviser will be engaged to advise the Independent Board Committee and the Independent Shareholders in this regard.

The EGM will be convened and held for the Independent Shareholders to consider, and if thought fit, to approve, among others, the Sale and Purchase Agreement and the Acquisition.

A circular containing, among other things, (i) further details of the Sale and Purchase Agreement and the Acquisition; (ii) the letter of the Independent Board Committee to the Independent Shareholders in respect of the Sale and Purchase Agreement and the Acquisition; (iii) the letter from an independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the Acquisition; (iv) the Valuation Report; and (v) a notice of the EGM is expected to be despatched to the Shareholders on or before 25 July 2018 in accordance with the Listing Rules.

**Completion is subject to the success of the Company and the Seller in the fulfilment of certain conditions precedent set out in the Sale and Purchase Agreement and therefore the Acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.**

## **INTRODUCTION**

After trading hours on 4 July 2018, the Company (as purchaser) entered into the Sale and Purchase Agreement with the Seller (as vendor) and Mr. Zou (as warrantor) in relation to the Acquisition, pursuant to which the Company conditionally agreed to purchase and the Seller conditionally agreed to sell the Sale Shares at the Consideration of US\$35 million (subject to adjustment in accordance with the Sale and Purchase Agreement), which shall be satisfied by the Company by cash.

## **THE SALE AND PURCHASE AGREEMENT**

The principal terms of the Sale and Purchase Agreement are summarized below:

### **Date:**

4 July 2018

### **Parties:**

- (a) Seller: 慕容集團有限公司(Morris Group Co., Ltd.\*)
- (b) Purchaser: the Company
- (c) Warrantor: Mr. Zou Gebing

As at the date of this announcement, the Seller is owned as to 85% by Mr. Zou and 15% by Ms. Wu. Mr. Zou, the chairman, the chief executive officer and an executive Director of the Company, and Ms. Wu, the spouse of Mr. Zou, are each a controlling Shareholder and are therefore each a connected person of the Company under Chapter 14A of the Listing Rules. As such, the Seller is an associate of the controlling Shareholders and therefore a connected person of the Company under the Listing Rules.

### **Assets to be acquired**

Pursuant to the Sale and Purchase Agreement, the Company will acquire from the Seller the Sale Shares, representing all the issued and outstanding common stock of the Target Company.

### **Conditions precedent**

Completion is conditional upon the following conditions being satisfied or waived by the Company (provided that Condition (e) below cannot be waived):

- (a) the warranties provided by the Seller and the Warrantor pursuant to the Sale and Purchase Agreement (the “**Warranties**”) remaining true and accurate in all material respects at Completion as if repeated at Completion;

- (b) the Company having been delivered the legal opinion issued by its U.S. legal advisers on laws of the U.S. in respect of, *inter alia*, (i) the valid existence and good standing of the Target Company and its subsidiary; (ii) the transfer of the Sale Shares to the Company do not result in a violation or breach of the Target Company's constitutional documents or the relevant laws; (iii) the Sale Shares are fully paid and nonassessable; (iv) the Target Company and its subsidiary have all requisite corporate power and authority to own, lease and operate their assets and to conduct their respective business operations; and (v) the Target Company and its subsidiary are duly qualified to conduct business as a foreign corporation in each jurisdiction where they conduct their business, in form and substance satisfactory to the Company;
- (c) the Seller having performed in all material respects all of the covenants and agreements required to be performed by it under the Sale and Purchase Agreement;
- (d) all waivers or consents as set out in the Sale and Purchase Agreement being granted by third parties (including governmental or official authorities) and no statute, regulation or decision which would prohibit, restrict or materially delay the sale and purchase of the Sale Shares or the operation of any member of the Target Group having been proposed, enacted or taken by any governmental or official authority;
- (e) the Company having obtained its Independent Shareholders' approval at the EGM to proceed with the sale and purchase of the Sale Shares in accordance with the Listing Rules;
- (f) there not being in existence on the Completion Date any material adverse change;
- (g) the Seller having completed all necessary corporate actions and its internal approval procedures in relation to the sale and purchase of the Sale Shares pursuant to its constitutional documents and the relevant laws;
- (h) the Seller having provided evidence, to the satisfaction of the Company, regarding the due qualification of the Target Group to conduct business as a foreign corporation in each jurisdiction where it conducts its business;
- (i) the Seller having procured the relevant members of the Target Group to rectify, to the satisfaction of the company, their respective register of members and all other statutory books such that they are up to date and contain true, full and accurate records of all matters required to be dealt with therein;
- (j) a successful completion of the financial due diligence, legal due diligence and commercial due diligence, the results of which shall be reasonably satisfactory to the Company and any adverse due diligence findings resolved to the reasonable satisfaction of the Company; and
- (k) the Seller having procured the tenants in the leases of the Leased Properties which is not a member of the Target Group to (i) assign all of their interest in the relevant leases to a member of the Target Group; and (ii) obtain the consent from the relevant landlord for the said assignment.

In the event any of the above Conditions shall not have been fulfilled or waived prior to the Completion Date then the Company shall have the right to terminate the Sale and Purchase Agreement and the Sale and Purchase Agreement shall cease to be of any effect save for those clauses in relation to, among others, restriction on announcement, confidentiality, costs, notices and governing law and save for claims arising out of any antecedent breach of the Sale and Purchase Agreement.

## **Consideration**

The Consideration shall be US\$35 million (subject to the below Profit Guarantee Payment (as defined below) and any adjustment as may be mutually agreed among the Parties in writing pursuant to the Sale and Purchase Agreement) payable in cash at any time prior to the second anniversary of the Completion Date (the “**Payment Period**”). The Company shall have the right to pay the Consideration in any number of instalment and in any amount per instalment (subject to the below paragraphs) at its absolute discretion during the Payment Period, provided that the Company shall be obliged to pay all outstanding amount of the Consideration to the Seller on the expiration date of the Payment Period.

Each instalment of the Consideration shall be in the minimum denomination of US\$1 million and in integral multiples of US\$1 million, save that at any time, the amount of the Consideration outstanding is less than US\$1 million, the whole (but not part only) of the outstanding amount of the Consideration may be paid.

Each instalment of the Consideration shall be paid by the delivery to the Seller by the Company by way of a bankers’ draft drawn on a bank in the Hong Kong or U.S. in favour of the Seller or another party as it in writing may direct.

The right to pay an instalment of the Consideration may, subject to the Sale and Purchase Agreement, be exercised on any business day during the Payment Period by the Company delivering to the Seller a written notice stating its intention to pay an instalment of the Consideration no less than 14 days prior to such payment of instalment of the amount and time of the payment of the instalment of the Consideration provided that the payment date of any instalment of the Consideration shall not be later than the last day of the Payment Period. The notice shall also specify the total outstanding amount of the Consideration immediately prior to the payment of the instalment and the total outstanding amount of the Consideration immediately subsequent to the payment of the instalment.

No interest shall accrue on any part of the Consideration outstanding during the Payment Period.

If the Average Profit is less than US\$3 million, the Consideration shall be reduced on a dollar-for-dollar basis by an amount equivalent to the 11.67 multiplied by the shortfall difference between US\$3 million and the Average Profit (the “**Profit Guarantee Payment**”) and the Seller shall, subject to the Sale and Purchase Agreement, pay to the

Company, upon demand, the Profit Guarantee Payment in accordance with the Sale and Purchase Agreement provided that:

- (a) the Audited Accounts shall be prepared in accordance with the accounting principles and standards consistently applied by the Target Group prior to Completion; and
- (b) the Audited Accounts shall be made available to the Seller and the Company as soon as practicable after they become available and in any event no later than three months after the end of each of the years ending 31 December 2019 and 2020 (and if there is any reasonable dispute on the part the Seller or the Company in respect of the Audited Accounts or the Average Profit and such dispute remains unresolved within 30 days from the day on which they are made available to the Seller or the Company, the relevant Party may require the Audited Accounts or the Average Profit to be reviewed by an independent internationally reputable accountancy firm to be agreed by the Seller and the Company or, failing such agreement, by the President of the Hong Kong Institute of Certified Public Accountants — it being understood and agreed that (i) the outcome of such review shall be final and binding upon the Parties and (ii) the costs and expenses associated with such review shall be borne by the Party against whom the outcome of such review prevails),

and provided further that, (i) in the event the Average Profit shall be negative, it shall be considered as zero for the purpose of calculating the Profit Guarantee Payment; and (ii) the adjustment to the Consideration shall not reduce the Consideration by more than the entire Consideration and the Profit Guarantee Payment shall not exceed US\$35 million.

Subject to the Sale and Purchase Agreement, in the event of an adjustment of the Consideration, the Company may demand the payment of the Profit Guarantee Payment from the Seller at any time during the period of three months from the date of the issuance of the Audited Accounts for the year ending 31 December 2020 by delivering to the Seller a written notice stating its demand for the Profit Guarantee Payment. The notice shall specify the Average Profit and the amount of the Profit Guarantee Payment and enclose the Audited Accounts.

Within 20 business days upon service of the notice for demand of the Profit Guarantee Payment to the Seller by the Company, the Seller shall pay to the Company the Profit Guarantee Payment by way of a bankers' draft drawn on a bank in the Hong Kong or U.S. in favour of the Company or another party as it in writing may direct.

Unless dispute by the Seller or the Company in accordance with the Sale and Purchase Agreement, the Audited Accounts prepared by the Company's accountants and the Average Profit as calculated and determined by the Company's accountants shall, in the absence of manifest error, be final and binding on the Parties.

The Company intends to fund the Consideration by its internal resources and bank borrowings.

## **Basis of the determination of the Consideration**

The Consideration was determined after arm's length negotiation between the Company and the Seller with reference to (i) the fair value of the entire equity interest of the Target Company as at 31 March 2018 in the amount of US\$35 million based on a preliminary valuation prepared by the Independent Valuer based on the market-based approach; and (ii) the benefits of the Acquisition brought about to the Group upon Completion as set out in the paragraph headed "Reasons for and benefits of the Acquisition" below in this announcement, the Directors (excluding the Director who is required to abstain from voting and the independent non-executive Directors who will express their views after considering the advice of an independent financial adviser) consider that the Consideration is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

## **Repurchase undertaking**

Subject to the Sale and Purchase Agreement, the Seller irrevocably grants to the Company an option to sell, and to require the Seller to buy, all (but not part only) of the Repurchase Shares on terms set out in the Sale and Purchase Agreement, together with all interests attached or attaching, accrued or accruing thereto after the date of Repurchase Completion.

Subject to the Sale and Purchase Agreement, in the event the Target Group shall record an audited net loss after tax (excluding profits and losses not from the ordinary and usual course of business) in the Audited Accounts for any of the years ending 31 December 2019 and 2020, the Put Option may be exercised by the Company on any date during the period of three months from the date of the issuance of the Audited Accounts for the relevant year by the delivery of the Option Notice to the Seller. Upon service of the Option Notice, the Seller shall become bound to buy the Repurchase Shares at the price and in accordance with the Sale and Purchase Agreement.

The purchase price of the Repurchase Shares by the Seller shall be the Consideration (the "**Exit Price**"). The Repurchase Shares shall be sold free from any encumbrances.

Repurchase Completion shall take place at such place as the Parties may agree in writing on the date falling 20 business days after service of the Option Notice by the Company to the Seller.

At Repurchase Completion:

- (a) the Company shall deliver to the Seller a stock certificate evidencing the Repurchase Shares, free and clear of encumbrances, duly endorsed in blank or accompanied by stock powers or other instruments of transfer duly executed in blank and with all required stock transfer tax stamps affixed; and
- (b) the Seller shall pay the Exit Price for the Repurchase Shares as set out in the Option Notice in US\$ to the Company by the delivery to the Company by way of a bankers' draft drawn on a bank in the Hong Kong or U.S. in favour of the Company or another party as it in writing may direct.

If, at Repurchase Completion, the Seller shall be in breach of its obligations under (b) above, the Company shall be entitled (in addition to and without prejudice to all other rights and remedies available to it) to defer Repurchase Completion to a date not more than twenty business days after such date (and the relevant provisions of the Sale and Purchase Agreement shall apply as if that other date is the date set for Repurchase Completion).

The Seller hereby irrevocably undertakes to the Company that it shall be responsible for all costs and expenses to be incurred for and incidental to the sale and purchase of the Repurchase Shares.

For the avoidance of doubt, the Company shall be entitled to either exercise the Put Option or to demand the Profit Guarantee Payment, but not both.

### **Completion**

Completion shall take place on the Completion Date. At Completion, the Seller shall:

(a) deliver to the Company:

- i. a stock certificate evidencing the Sale Shares, free and clear of encumbrances, duly endorsed in blank or accompanied by stock powers or other instruments of transfer duly executed in blank and with all required stock transfer tax stamps affixed;
- ii. such waivers or consents as required under Condition (d);
- iii. certified true copies of minutes of duly convened shareholder's meeting or board meeting or written shareholders' resolutions or board resolutions of the Target Company and its subsidiary confirming, adopting, approving or ratifying, on terms to the satisfaction of the Company, the election of its directors, the appointment of its officers and all corporate actions taken by it including without limitation the transfer of the Sale Shares prior to the Completion Date;
- iv. the leases and all other relevant documents and correspondence relating to the Leased properties;
- v. all the statutory and other books and records (including financial records) duly written up to date of the Target Company and its subsidiary and their respective certificates of incorporation, current business registration certificate(s), common seals and any other papers and documents of the Target Company and its subsidiary in their possession or under their control;
- vi. a completion certificate duly executed by a duly authorised officer of the Seller, pursuant to which it represents and warrants to the Company that the Warranties remaining true and accurate and not misleading in any respect at Completion and having performed in all respects all of the covenants and agreements required to be performed by it under the Sale and Purchase Agreement on or prior to the Completion Date;
- vii. evidence satisfactory to the Company of the authority of any person signing on behalf of the Seller;

- viii. a duly executed release under seal, in a form acceptable to the Company, releasing the Target Group from any liability whatsoever (whether actual or contingent) which may be owing to the Seller or the Warrantor by the Target Group at Completion;
  - ix. irrevocable powers of attorney (in such form as the Company may require) executed under seal by the Seller in favour of the Company or such person(s) as may be nominated by the Company to enable the Company or its nominee(s) (pending registration of the said transfers) to act generally in respect of the Sale Shares and to execute all voting and other rights attaching to the Sale Shares and to appoint proxies for that purpose;
  - x. a certificate of the secretary or an assistant secretary (or equivalent officer) of the Seller certifying that attached thereto are true and complete copies of all resolutions adopted by the board of directors of the Seller authorizing the execution, delivery, and performance of the Sale and Purchase Agreement and all documents and instruments contemplated hereunder and the consummation of the transactions contemplated hereby and thereby, and that all such resolutions are in full force and effect and are all the resolutions adopted in connection with the transactions contemplated hereby and thereby;
  - xi. a good standing certificate (or its equivalent) for the Target Company and its subsidiary from the secretary of state or similar governmental authority of the jurisdiction under the laws in which the Target Company and its subsidiary are organised;
  - xii. a certificate pursuant to Treasury Regulations Section 1.1445-2(b), laws of the U.S., that the Seller is not a foreign person within the meaning of Section 1445 of the Internal Revenue Code, laws of the U.S.;
  - xiii. such other documents or instruments as the Company may reasonably requests and are reasonably necessary to consummate the transactions contemplated by the Sale and Purchase Agreement;
- (b) cause the directors of the Target Company and its subsidiary to hold a meeting of the board of directors at which the directors of the relevant company shall pass resolutions or to pass written resolutions in the approved terms (inter alia) to approve the registration of the Company or its nominee(s) as members of the Target Company subject only to the production of duly stamped and completed transfers in respect of the Sale Shares; and
- (c) cause such persons as the Company may nominate (if any) to be validly appointed as directors and/or secretary of the Target Company and its subsidiary with effect from the Completion Date and upon such appointment forthwith cause the existing directors and/or secretary of the Target Company and its subsidiary to resign from their respective offices and as employees with effect from the close of business on the Completion Date, and deliver to the Company certified copies of the resignation letters in the approved terms (if applicable, under seal) of each such directors and secretary acknowledging that each has no outstanding claim against the Target Company or its subsidiary for compensation or otherwise.

If the Seller fails to comply with its obligations at Completion, without prejudice to any other remedies available to the Company, the Company may:

- (a) defer Completion to a date as the Parties may agree in writing (and so that the obligations at Completion shall apply to Completion as so deferred);
- (b) proceed to Completion so far as practicable (without prejudice to its rights under the Sale and Purchase Agreement; or
- (c) rescind the Sale and Purchase Agreement except the clauses in relation to, among others, restriction on announcement, confidentiality, costs, notices and governing law. No party to the Sale and Purchase Agreement shall have any claim against the other parties, save in respect of claims arising out of any antecedent breach of the Sale and Purchase Agreement and save for the right to apply for and obtain injunctive relief which may be available at equity or under applicable laws.

## **VALUATION**

The Independent Valuer was commissioned by the Company to conduct a preliminary valuation on the fair value of the entire equity interest in the Target Company as at 31 March 2018. The 100% equity interest of the Target Company preliminarily is valued at approximately US\$35 million as at 31 March 2018 by adopting the market-based approach.

## **Experts and consents**

The qualifications of the expert who has given its statements in this announcement are as follows:

<b>Name</b>	<b>Qualification</b>
Roma Appraisals Limited	Independent valuer

To the best of the Directors' knowledge, information and belief and after having made all reasonable enquiries, the Independent Valuer is a third party independent of the Group and is not a connected person of the Group.

As at the date of this announcement, the Independent Valuer does not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

The Independent Valuer has given and has not withdrawn its written consent to the issue of this announcement with inclusion of its name, statements and all references to its name (including its qualification) in the form and context in which they are included.

## **INFORMATION ON THE GROUP**

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

## INFORMATION ON THE SELLER

The Seller was established in the PRC in 2001 and is owned as to 85% by Mr. Zou and 15% by Ms. Wu. Its principal business includes but not limited to processing and sale of clothes, knitwear and accessories, property development and trading of non-furniture products.

## INFORMATION ON THE TARGET COMPANY

The Target Company was incorporated in 1986 and is principally engaged in the retail business of sale of a complete line of furniture products and home furnishings in the eastern part of the U.S. As at the date of this announcement, it operated 17 retail outlets in the eastern part of the U.S.

### Financial information of the Target Group

Set out below is a summary of the key financial information of the Target Group based on the unaudited financial statements of the Target Group for the two financial years ended 31 December 2017, which were prepared under the International Financial Reporting Standards:

	<b>For the year ended 31 December 2016 (US\$'000) (unaudited)</b>	<b>For the year ended 31 December 2017 (US\$'000) (unaudited)</b>
Revenue	40,768	37,998
Loss before taxation and extraordinary items	(4,825)	(1,997)
Loss after taxation and extraordinary items	(4,965)	(1,998)
		<b>As at 31 December 2017 (US\$'000) (unaudited)</b>
Net liabilities		7,910

Upon Completion, the Target Company will become a direct wholly-owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the Group's financial statement.

The original acquisition cost of the Sale Shares to the Seller was approximately US\$33.4 million.

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Group is principally engaged in the manufacturing and sale of sofas, sofa covers and other furniture products to customers in the U.S., while the Target Company is principally engaged in the retail business of sale of furniture products and home furnishings in the eastern part of the U.S. With the Acquisition, the Group can secure the distribution channel and obtain a greater flexibility in pricing strategies of its sofas, sofa covers and other furniture products and create synergy effects with the existing business of the Group and with the Target Company's well-established sales network, it will help to facilitate the Company's own-brand strategy by providing freedom in the Company's promotion and marketing activities. Hence, the Acquisition will facilitate the operations of the existing Group.

Having considered the above, the Directors (excluding the Director who is required to abstain from voting and the independent non-executive Directors who will express their views after considering the advice of an independent financial adviser) consider that the terms of the Acquisition are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As certain of the applicable percentage ratios (as defined in the Listing Rules) for the Acquisition is 5% or more but less than 25%, the Acquisition constitutes a discloseable transaction under the Listing Rules.

As at the date of this announcement, the Seller is owned as to 85% by Mr. Zou and 15% by Ms. Wu. Mr. Zou, the chairman, the chief executive officer and an executive Director of the Company, and Ms. Wu, the spouse of Mr. Zou, are each a controlling Shareholder and are therefore each a connected person of the Company under Chapter 14A of the Listing Rules. As such, the Seller is an associate of the controlling Shareholders and therefore a connected person of the Company under the Listing Rules and the Acquisition also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As a result, the Sale and Purchase Agreement and the Acquisition are subject to the requirements of notification, announcement, circular and Independent Shareholders' approval under the Listing Rules.

In accordance with the Listing Rules, Mr. Zou, the director and a majority shareholder of the Seller, has abstained from voting at the Board meeting. Save as disclosed, none of the Directors has any material interest in the transaction.

In accordance with the Listing Rules, any Shareholder who has a material interest in the Sale and Purchase Agreement and the Acquisition shall abstain from voting on the resolution(s) to approve the Sale and Purchase Agreement and the Acquisition at the EGM. As at the date of this announcement, Morris Capital, being close associate of Mr. Zou and Ms. Wu, is interested in 750,000,000 Shares, representing 75% of the total issued Shares, will be required to abstain from voting on the relevant resolution(s) at the EGM accordingly. Save for Morris Capital, to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no other Shareholder has a material interest in the

Sale and Purchase Agreement and the Acquisition and will be required to abstain from voting on the relevant resolution(s) to approve the Sale and Purchase Agreement and the Acquisition at the EGM.

## **GENERAL**

The Independent Board Committee has been established by the Company to advise the Independent Shareholders as to whether the Sale and Purchase Agreement and the Acquisition are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. An independent financial adviser will be engaged to advise the Independent Board Committee and the Independent Shareholders in this regard.

The EGM will be convened and held for the Independent Shareholders to consider, and if thought fit, to approve, among others, the Sale and Purchase Agreement and the Acquisition.

A circular containing, among other things, (i) further details of the Sale and Purchase Agreement and the Acquisition; (ii) the letter of the Independent Board Committee to the Independent Shareholders in respect of the Sale and Purchase Agreement and the Acquisition; (iii) the letter from an independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the Acquisition; (iv) the Valuation Report; and (v) a notice of the EGM is expected to be despatched to the Shareholders on or before 25 July 2018 in accordance with the Listing Rules.

## **DEFINITIONS**

In this announcement, the following expression shall, unless the context requires otherwise, have the following meanings:

“Accounting Date”	31 December 2017
“Acquisition”	the proposed acquisition of the Sale Shares by the Company from the Seller pursuant to the Sale and Purchase Agreement
“Audited Accounts”	the audited consolidated financial statements of the Target Group for the accounting period which ending on each of 31 December 2019 and 31 December 2020 (each such financial statement comprising a balance sheet, profit and loss account) to be prepared by the Company’s accountants
“Average Profit”	the average of the audited consolidated net profit (or loss) after tax of the Target Group (excluding profits and losses arising not from the ordinary and usual course of business) as shown in the Audited Accounts for the years ending 31 December 2019 and 31 December 2020 which shall be calculated and determined by the Company’s accountants; in the event the Target Group shall record an audited consolidated net loss in any financial year, a negative figure shall be used in calculating the average

“Board”	the board of Directors
“Company”	Morris Holdings Limited (慕容控股有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1575)
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Sale and Purchase Agreement
“Completion Date”	the sixth business day after all the Condition have been satisfied or waived (or such later date as the Parties may agree in writing)
“Condition(s)”	the requisite conditions for the Completion pursuant to the Sale and Purchase Agreement
“connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration payable for the Sale Shares by the Company to the Seller in relation to the Acquisition
“controlling shareholder”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held and convened to consider and, if thought fit, approve the Sale and Purchase Agreement and the Acquisition
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee, comprising all independent non-executive Directors, which has been formed to advise the Independent Shareholders in respect of the Sale and Purchase Agreement and the Acquisition
“Independent Shareholders”	Shareholders other than those who are required by the Listing Rules to abstain from voting on the resolution(s) approving the Sale and Purchase Agreement and the Acquisition
“Independent Valuer”	Roma Appraisals Limited, an independent professional valuer commissioned by the Company for the purpose of issuing the Valuation Report
“Leased Properties”	the properties used by the Target Group with particulars as set out in the Sale and Purchase Agreement

“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 one of the controlling Shareholders and is owned as to 85% by Mr. Zou and 15% by Ms. Wu
“Mr. Zou” or “Warrantor”	Mr. Zou Gebing (鄒格兵), the chairman, chief executive officer, an executive Director and a controlling Shareholder of the Company
“Ms. Wu”	Ms. Wu Xiangfei (鄔向飛), the spouse of Mr. Zou and a controlling Shareholder
“Option Notice”	the written notice to be delivered from the Company to the Seller exercising the Put Option
“Parties” or “Party”	the parties or a party to the Sale and Purchase Agreement and their respective successors and assigns
“PRC” or “China”	the People’s Republic of China, which for the purpose of this announcement only, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Put Option”	the put option right granted to the Company under the Sale and Purchase Agreement as set out in the section headed “Sale and Purchase Agreement — Repurchase Undertaking” in this announcement
“Repurchase Completion”	in respect of the exercise of the Put Option, completion of the sale and purchase of the Repurchase Shares
“Repurchase Shares”	all of the then issued and outstanding common stock of the Target Company legally and beneficially held by the Company
“Sale and Purchase Agreement”	the sale and purchase agreement dated 4 July 2018 entered into among the Company, the Seller and the Warrantor in relation to the Acquisition
“Sale Shares”	901,000 shares of the Target Company, being all the issued and outstanding common stock of the Target Company

“Seller”	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 owned as to 85% by Mr. Zou and 15% by Ms. Wu
“Share(s)”	ordinary share(s) of the Company, having a par value of US\$0.001 each
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Jennifer Convertibles Inc., a company incorporated in the U.S. and a wholly owned subsidiary of the Seller
“Target Group”	the Target Company and its subsidiaries
“U.S.”	the United States of America
“US\$”	United States dollars, the lawful currency of the United States of America
“Valuation Report”	the valuation report to be issued on the fair value of the entire equity interest of the Target Company prepared by the Independent Valuer as at 31 March 2018
“%”	per cent

By Order of the Board  
**Morris Holdings Limited**  
**Wu Yueming**  
*Executive Director*

Hong Kong, 4 July 2018

*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. Shao Shaomin, Mr. Huang Wenli and Mr. Liu Haifeng.*

\* For identification purpose only