

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

MAJOR TRANSACTION IN RELATION TO THE DISPOSAL OF LAND USE RIGHT AND CONSTRUCTION IN PROGRESS

The Board announces that on 19 June 2020 (after trading hours), the Vendor (a wholly-owned subsidiary of the Company) and the Purchaser entered into the Disposal Agreement, pursuant to which the Vendor agreed to sell, and the Purchaser agreed to acquire, the Disposal Assets for the aggregate consideration of RMB95.7 million (HK\$105.3 million).

As certain applicable percentage ratios as calculated under Rule 14.06 of the Listing Rules in respect of the Disposal are more than 25% but less than 75%, the Disposal constitutes a major transaction for the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, no Shareholder has any material interest in the Disposal and therefore no Shareholder is required to abstain from voting if the Company were to obtain the approval regarding the Disposal from Shareholders at general meeting. On 19 June 2020, the Company obtained a written shareholder's approval from Morris Capital, the controlling shareholder of the Company holding 750,000,000 Shares (representing 75% of the issued share capital of the Company as at the date of this announcement), for approving the Disposal in lieu of a resolution to be passed by shareholders at a general meeting of the Company pursuant to Rule 14.44 of the Listing Rules. Accordingly, no general meeting of the Company will be held for the purpose of approving the Disposal.

The Circular containing, among other things, details of the Disposal will be dispatched to the Shareholders on or before 14 July 2020.

INTRODUCTION

The Board announces that on 19 June 2020 (after trading hours), the Vendor (a wholly-owned subsidiary of the Company) and the Purchaser entered into the Disposal Agreement, pursuant to which the Vendor agreed to sell, and the Purchaser agreed to acquire, the Disposal Assets for the aggregate consideration of RMB95.7 million (HK\$105.3 million).

THE DISPOSAL AGREEMENT

The principal terms of the Disposal Agreement are set out below:

Date

19 June 2020 (after trading hours)

Parties

- (1) 浙江慕容時尚家居有限公司 (Zhejiang Morris Trendy Home Co., Ltd.), a wholly-owned subsidiary of the Company, as the Vendor; and
- (2) 浙江海寧經編產業園區開發有限公司 (Zhejiang Haining Warp Knitting Industrial Zone Development Co., Ltd.), as the Purchaser.

Based on the information provided by the Purchaser, the Purchaser is a limited liability company established in the PRC which is ultimately and beneficially owned by 海寧市國有資產監督管理局 (the State-owned Assets Supervision Administration Bureau of Haining City). The scope of business activities of the Purchaser includes project investment, development and operation, infrastructure construction, land development, leasing, marketing and business management, exhibition and wholesale of construction materials. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, each of the Purchaser and its ultimate beneficial owner is a third party 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.

Disposal Assets

The Disposal Assets disposed of by the Group under the Disposal Agreement comprise: (a) the land use right of the Land, being a plot of transferred land of industrial use with an area of 98,231 square meters situated at Haining Warp Knitting Industrial Zone (海寧經編產業園區), Haining City, Zhejiang Province, the PRC; and (b) the Construction in Progress already built on the Land.

The Land was acquired by the Group in February 2019 at the original acquisition price of RMB26.55 million (HK\$29.21 million). The carrying value of the Disposal Assets (comprising both the Land and the Construction in Progress) as at 25 May 2020 amounted to approximately RMB69.19 million (HK\$76.11 million).

Consideration

The aggregate consideration for the Disposal Assets of RMB95.7 million (HK\$105.3 million) shall be payable by the Purchaser to the Vendor: (a) as to RMB26.55 million (HK\$29.21 million), within ten days after Completion; and (b) as to the remaining balance, within fifteen days after Completion.

The consideration for the Disposal was determined after arm's length negotiations between the Vendor and the Purchaser with reference to the original acquisition price of the Land and the original costs of the Construction in Progress. The Company is not expected to record any significant gain or loss on disposal, as the consideration is equivalent to the carrying value of the Disposal Assets.

Completion

Completion is not subject to any condition precedent and has taken place on signing of the Disposal Agreement.

REASONS FOR AND BENEFITS OF THE DISPOSAL

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. The Vendor is a limited liability company established in the PRC and a wholly-owned subsidiary of the Company which is principally engaged in the design, manufacturing and sale of sofas and sofa covers in the PRC.

The Land was originally acquired by the Vendor in February 2019, with the view to constructing a production center to increase the Group's production capacity. After the outbreak of the novel Coronavirus epidemic (the "**Epidemic**") in the first half of 2020, the Group has carefully reviewed its uses of funding and projections of production capacity and sales volume. By way of prudent measures, the Company has decided to slow down its expansion plans and capital expenditures to preserve our internal resources to sustain for the period of uncertainty caused by prolonged and escalated US-China trade tension and the tightening of consumption pattern resulted from the Epidemic. The construction on the Land has therefore been suspended in May 2020.

Up to 25 May 2020, the construction of the Land is only completed as to approximately 26.2%. The construction on the Land will not be completed without further spending of significant capital expenditure and without being completed, the Disposal Assets will not be able to generate any income for the Group. As a part of the Company's resources-preservation strategy and to maintain flexibility, the Company is currently more inclined to use rented premises to expand its production capacity if such need ever arises. The Disposal provides a suitable opportunity for the Group to recoup its acquisition costs of the Land and the costs of the Construction in Progress, and to replenish its liquidity and financial position. Accordingly, the Board considers that the Disposal is on normal commercial terms, its terms (including the consideration for the Disposal) are fair and reasonable and in the interests of the Company and the Shareholders as a whole. No Director has any material interest in the Disposal, nor is any director required to abstain from voting on the Board's decision on the Disposal.

The Company intends to utilize the net proceeds from the Disposal to replenish the Group's working capital and to repay the debts and liabilities of the Group when they fall due.

LISTING RULES IMPLICATIONS

As certain applicable percentage ratios as calculated under Rule 14.06 of the Listing Rules in respect of the Disposal are more than 25% but less than 75%, the Disposal constitutes a major transaction for the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, no Shareholder has any material interest in the Disposal and therefore no Shareholder is required to abstain from voting if the Company were to obtain the approval regarding the Disposal from Shareholders at general meeting. On 19 June 2020, the Company obtained a written shareholder's approval from Morris Capital, the controlling shareholder of the Company holding 750,000,000 Shares (representing 75% of the issued share capital of the Company as at the date of this announcement), for approving the Disposal in lieu of a resolution to be passed by shareholders at a general meeting of the Company pursuant to Rule 14.44 of the Listing Rules. Accordingly, no general meeting of the Company will be held for the purpose of approving the Disposal.

The Circular containing, among other things, details of the Disposal will be dispatched to the Shareholders on or before 14 July 2020.

DEFINITIONS

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

“associate(s)”	having the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Circular”	the circular of the Company to be dispatched to the Shareholders containing, among other things, details of the Disposal
“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
“Completion”	the completion of the Disposal
“connected person(s)”	having the meaning ascribed thereto under the Listing Rules
“Construction in Progress”	the buildings being constructed on the Land by the Vendor prior to the Disposal
“controlling shareholder(s)”	having the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Disposal Assets by the Vendor to the Purchaser pursuant to the Disposal Agreement
“Disposal Agreement”	the project land transfer agreement dated 19 June 2020 entered into between the Vendor and the Purchaser in relation to the transfer of the Disposal Assets
“Disposal Assets”	collectively, the land use right of the Land and the Construction in Progress
“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
“Land”	a plot of transferred land of industrial use with an area of 98,231 square meters situated at Haining Warp Knitting Industrial Zone (海寧經編產業園區), Haining City, Zhejiang Province, the PRC, which was owned by the Vendor prior to the Disposal and forming part of the Disposal Assets
“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
“PRC”	the People’s Republic of China
“Purchaser”	浙江海寧經編產業園區開發有限公司 (Zhejiang Haining Warp Knitting Industrial Zone Development Co., Ltd.), a limited liability company established in the PRC and the purchaser of the Disposal Assets under the Disposal
“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	having the meaning ascribed thereto under the Listing Rules
“Vendor”	浙江慕容時尚家居有限公司 (Zhejiang Morris Trendy Home Co., Ltd.), a wholly-owned subsidiary of the Company and the vendor of the Disposal

In this announcement, amounts denominated in RMB have been converted into HK\$ at the exchange rate of HK\$1.00 = RMB0.909 for illustration purposes only.

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

Hong Kong, 19 June 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.