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MORRIS
HOME HOLDINGS LIMITED

MORRIS HOME HOLDINGS LIMITED
慕容家居控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1575)

**LEGAL PROCEEDINGS AGAINST A SUBSIDIARY
AND
SUSPECTED UNAUTHORISED USE OF SEALS AND CHOPS**

On 11 June 2024, Zhejiang Muhua Home Furnishing Co., Ltd.* (浙江慕華家居有限公司) (“**Muhua**”), an indirect wholly-owned subsidiary of Morris Home Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”), received a summons of the People’s Court of Haining City (海寧市人民法院) (the “**Haining Court**”) in the People’s Republic of China (the “**PRC**”) returnable on 14 June 2024 for a pre-trial conference (the “**PTC**”), which has been adjourned to a later date to be fixed.

The PTC concerns a claim brought by Haining Morris International Fur Co., Ltd* (海寧慕容國際皮草有限公司) (“**Haining Fur**”) against Muhua for (1) RMB3,000,000 paid by Haining Fur to China Merchants Bank Co., Ltd., Hangzhou Branch (“**CM Bank**”) in its capacity as guarantor for two bank facilities (the “**Loans**”) in the principal amount of RMB30,000,000 each provided by CM Bank to Zhejiang Morris Fashion Home Co., Ltd. (浙江慕容時尚家居有限公司) (“**Fashion Home**”) and Zhejiang Apollo Leather Products Co., Ltd. (浙江阿波羅皮革製品有限公司) (“**Zhejiang Apollo**”), respectively; and (2) costs (the “**Claim**”).

Fashion Home and Zhejiang Apollo (the “**Relevant Subsidiaries**”) are companies established in the PRC with limited liability and indirect wholly-owned subsidiaries of the Company. Due to financial difficulties, the Relevant Subsidiaries initiated restructuring procedures, whereby a restructuring plan for the settlement of all the indebtedness of the Relevant Subsidiaries (the “**Restructuring Plan**”) was formulated and sanctioned by the Haining Court in 2022 (the “**Restructuring**”). Pursuant to the Restructuring Plan, 20% of total outstanding amount under the Loans has been paid to CM Bank discharging the Relevant Subsidiaries’ obligations.

CM Bank has sought a judgment from the People’s Court of Shangcheng District, Hangzhou City (杭州市上城區人民法院) against Morris Group Co., Ltd. (“**Morris PRC**”), Haining Fur, Zhejiang Morris Shijia Real Estate Co., Ltd.* (浙江慕容世家地產有限公司) (“**Shijia Real Estate**”), Zou Gebing and Wu Xiangfei (collectively, the “**Guarantors**”), as guarantors or security providers, for the remaining outstanding amount under the facility granted to Zhejiang Apollo.

To the knowledge, information and belief of the Company having made all reasonable enquiries, as at the date of this announcement, each of Morris PRC, Haining Fur and Shijia Real Estate is a company controlled by Mr. Zou Gebing, who is a substantial shareholder of the Company and was an executive director of the Company (“**Director**”) before his resignation on 8 January 2024. Ms. Wu Xiangfei is the spouse of Mr. Zou Gebing and a non-executive Director (subject to removal by a resolution to be passed by the shareholders of the Company at the forthcoming annual general meeting to be held by the Company on 21 June 2024).

As alleged in the statement of civil claim dated 10 May 2024 (the “**SOC**”) lodged by Haining Fur with the Haining Court (which statement is not agreed by the Company), in view that both Muhua and the Relevant Subsidiaries are subsidiaries of the Company, the de facto controller of the Company before the Restructuring (i.e. Mr. Zou Gebing) and the investor introduced (i.e. the new controlling shareholder of the Company) after the Restructuring have reached a “consensus” that (i) the Loans shall remain a payment obligation of the Group as they were indebtedness of the Group; and (ii) Muhua shall provide a repayment undertaking to Haining Fur and the other Guarantors to such effect.

A written document entitled “承諾書 (Undertaking)” (the “**Alleged Undertaking**”), onto which the official seal of Muhua and the “round chop” of the Company were affixed, was included in the case bundle supporting the Claim prepared by Haining Fur. As stated in the Alleged Undertaking, Muhua has voluntarily agreed to perform the repayment obligations under the Loans and has irrevocably undertaken to (i) following the fulfilment of any repayment obligations (including guarantee and security obligations) under the Loans by any of the Guarantors, Muhua shall repay to the Guarantors the entire sum paid by them and costs within five (5) working days; and (ii) after such repayment, Muhua shall have no claim against the Guarantors of the Loans. It is stated in the SOC that Haining Fur has paid RMB3,000,000 to CM Bank in its capacity as a guarantor of the Loans and seeks the repayment of such amount from Muhua.

The Group doubts the authenticity and validity of the Alleged Undertaking as neither any authorisation nor record was found for the use of the official seal of Muhua and/or the “round chop” of the Company on the Alleged Undertaking. The Group is also sceptical as to the legality and lawfulness of the Alleged Undertaking, as the official seal of Muhua and/or the “round chop” of the Company could and should only be legitimately used with proper authority in compliance with relevant company and securities laws, rules and regulations and the internal control policies and procedures of the Group. Moreover, the Alleged Undertaking, even assuming it were executed pursuant to internal procedures (which the Company does not find to be the case), need to be announced by the Company and should have been approved by independent shareholders of the Company. Mr. Zou Gebing, in breach of his duties, has never informed or called upon the Board to approve the Alleged Undertaking, make an announcement and/or convene the required independent shareholders’ meeting. In view of the aforementioned suspicious circumstance, the Company has made a report to the Hong Kong Police in respect of the Alleged Undertaking on 13 June 2024.

The Group is seeking legal advice regarding the Claim and intends to strenuously defend the Claim.

Further announcement(s) will be made by the Company as and when necessary and appropriate regarding the progress of the Claim and relevant matters.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

By order of the Board
Morris Home Holdings Limited
Tse Kam Pang
Chairman and Executive Director

Hong Kong, 19 June 2024

As at the date of this announcement, the executive Directors are Mr. Tse Kam Pang and Mr. Chong Tsz Ngai; the non-executive Directors are Mr. Tse Hok Kan and Ms. Wu Xiangfei; and the independent non-executive Directors are Professor Alfred Sit Wing Hang, Professor Lee Chack Fan, Professor Kwan Pun Fong Vincent and Ms. Chen Jianhua.

* *For identification purpose only*