
THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Offers, this Composite Document and/or the accompanying Forms of Acceptance or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in Morris Home Holdings Limited, you should at once hand this Composite Document, together with the accompanying Forms of Acceptance to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Composite Document and the accompanying Forms of Acceptance, 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 Composite Document and the accompanying Forms of Acceptance.

This Composite Document should be read in conjunction with the accompanying Forms of Acceptance, the contents of which form part of the terms and conditions of the Offers.

CENTURY ICON HOLDINGS LIMITED
(Incorporated in the British Virgin Islands with limited liability)



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)

COMPOSITE OFFER AND RESPONSE DOCUMENT IN RELATION TO UNCONDITIONAL MANDATORY CASH OFFER BY ASTRUM FOR AND ON BEHALF OF CENTURY ICON HOLDINGS LIMITED TO ACQUIRE ALL THE ISSUED SHARES AND ALL THE OUTSTANDING CONVERTIBLE LOANS OF MORRIS HOME HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY THE OFFEROR AND PARTIES ACTING IN CONCERT WITH IT)

Financial Adviser to the Offeror

MESSIS 大有融資

Offer Agent to the Offeror



Independent Financial Adviser to the Independent Board Committee



**Lego Corporate
Finance Limited**
力高企業融資有限公司

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

The "Letter from Messis Capital" containing, among other things, the details of the terms and conditions of the Offers is set out on pages 13 to 26 of this Composite Document.

The "Letter from the Board" is set out on pages 27 to 41 of this Composite Document.

The "Letter from the Independent Board Committee" containing its recommendations in respect of the Offers to the Independent Shareholders and the Convertible Loan Creditor(s) is set out on pages 42 to 43 of this Composite Document.

The "Letter from the Independent Financial Adviser" containing its advice to the Independent Board Committee, the Independent Shareholders and the Convertible Loan Creditor(s) in respect of the Offers is set out on pages 44 to 63 of this Composite Document.

The procedures for acceptance and settlement of the Offers and other related information are set out in Appendix I to this Composite Document and in the accompanying Forms of Acceptance. Acceptances of the Offers must be received by the Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (in respect of the Share Offer) and the Company (in respect of the Convertible Loan Offer) by no later than 4:00 p.m. on Monday, 7 November 2022, or such later time and/or date as the Offeror may determine and announce with the consent of the Executive and in accordance with the Takeovers Code.

Any persons including, without limitation, custodians, nominees and trustees who would, or otherwise intend to, forward this Composite Document and/or the accompanying Forms of Acceptance to any jurisdiction outside Hong Kong should read the details in this regard which are contained in the section headed "Important Notices", Appendix I to this Composite Document and the sub-section headed "The Offers – Overseas Shareholders and Overseas Convertible Loan Creditor(s)" in the "Letter from Messis Capital" in this Composite Document before taking any action. It is the responsibility of each Overseas Shareholder and Overseas Convertible Loan Creditor wishing to accept the Offers to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements and the payment of any transfer or other taxes due in respect of such jurisdiction. Overseas Shareholders and Overseas Convertible Loan Creditor(s) are advised to seek professional advice on deciding whether to accept the Offers.

This Composite Document will remain on the websites of the Stock Exchange at <http://www.hkexnews.hk> and the Company at <http://www.morrishome.com.hk> as long as the Offers remain open.

17 October 2022

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EXPECTED TIMETABLE

The expected timetable set out below is indicative and may be subject to changes. Further announcement(s) will be made in the event of any changes to the timetable as and when appropriate. Unless otherwise specified, all time and dates refer to Hong Kong local time and dates.

Despatch date of this Composite Document and
the Forms of Acceptance and the commencement
date of the Offers (*Note 1*) Monday, 17 October 2022

Latest time and date for acceptance of the Offers
(*Notes 2, 3 and 5*) 4:00 p.m. on
Monday, 7 November 2022

Closing Date (*Notes 2 and 3*) Monday, 7 November 2022

Announcement of the results of the Offers (or its extension
or revision, if any) on the website of the Stock Exchange
(*Note 2*) by 7:00 p.m. on
Monday, 7 November 2022

Latest date for posting of remittances for the amount due in
respect of valid acceptances received under the Offers
(*Notes 4 and 5*) Wednesday, 16 November 2022

Notes:

1. The Offers, which are unconditional in all respects, are made on the date of posting of this Composite Document, and are capable of acceptance on and from that date until 4:00 p.m. on the Closing Date. Acceptances of the Offers shall be irrevocable and not capable of being withdrawn, except in the circumstances as set out in the section headed “4. Right of withdrawal” in Appendix I to this Composite Document.
2. In accordance with the Takeovers Code, the Offers must initially be open for acceptance for at least 21 days following the date on which this Composite Document is posted. The Offers will be closed for acceptances on the Closing Date. The latest time and date for acceptance of the Offers will be at 4:00 p.m. on Monday, 7 November 2022 unless the Offeror extends the Offers in accordance with the Takeovers Code. The Offeror and the Company will jointly issue an announcement through the website of the Stock Exchange by no later than 7:00 p.m. on Monday, 7 November 2022, stating the results of the Offers and whether the Offers have been extended, revised or have closed for acceptance. In the event that the Offeror decides to extend or revise the Offers and the announcement does not specify the next closing date, at least 14 days’ notice by way of an announcement will be given before the Offers are closed to those Independent Shareholders and Convertible Loan Creditor(s) who have not accepted the Offers.
3. Beneficial owners of the Offer Shares who hold their Offer Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements (set out in Appendix I to this Composite Document) for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures and any deadlines set by HKSCC Nominees Limited.

EXPECTED TIMETABLE

4. Remittances in respect of the consideration (after deducting the seller's ad valorem stamp duty) payable for the Offer Shares or the Convertible Loan tendered under the Offers will be posted to those Independent Shareholders or Convertible Loan Creditor(s) accepting the Offers by ordinary post at their own risk as soon as possible, but in any event within seven (7) Business Days following the date of receipt of the duly completed Form of Acceptance and all requisite documents to render the acceptance under the Offers complete and valid in accordance with the Takeovers Code.
5. If there is a tropical cyclone warning signal number 8 or above or a "black rainstorm warning":
 - (i) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Offers and the latest date for posting of remittances for the amounts due under the Offers in respect of valid acceptances, the latest time for acceptance of the Offers will remain at 4:00 p.m. on the same Business Day and the posting of remittances will remain on the same Business Day; or
 - (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offers or the latest date for posting of remittances for the amounts due under the Offers in respect of valid acceptances, as the case may be, the latest time for acceptance of the Offers will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m. or the latest date for posting of remittances for the amounts due under the Offers in respect of valid acceptances will be rescheduled to the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m., or such other day as the Executive may approve in accordance with the Takeovers Code.

Save as mentioned above, if the latest time for acceptance of the Offers do not take effect on the date and time as stated above, the other dates mentioned above may be affected. The Offeror and the Company will jointly notify the Shareholders and Convertible Loan Creditor(s) by way of announcement(s) on any change to the expected timetable as soon as practicable.

IMPORTANT NOTICE

NOTICE TO THE OVERSEAS SHAREHOLDERS AND OVERSEAS CONVERTIBLE LOAN CREDITOR(S)

The making of the Offers to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or affected by the laws and regulations of the relevant jurisdictions. Overseas Shareholders and Overseas Convertible Loan Creditor(s) (including beneficial owners of Shares and other securities of the Company) who are citizens, residents or nationals of a jurisdiction outside Hong Kong should obtain information about and observe any relevant applicable legal or regulatory requirements and, where necessary, seek legal advice in respect of the Offers.

It is the responsibility of the Overseas Shareholders and Overseas Convertible Loan Creditor(s) who wish to accept the Offers to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offers, including the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required or the compliance with other necessary formalities or legal and regulatory requirements and the payment of any transfer or other taxes or other required payments due in respect of such jurisdictions.

The Offeror and parties acting in concert with it, the Company, Messis Capital, Astrum, the Registrar or any of their respective ultimate beneficial owners, directors, officers, advisers and associates, agents or any other person involved in the Offers shall be entitled to be fully indemnified and held harmless by the Overseas Shareholders and Overseas Convertible Loan Creditor(s) for any taxes, duties and levy as such person may be required to pay. Please see the sub-section headed “The Offers – Overseas Shareholders and Overseas Convertible Loan Creditor(s)” in the “Letter from Messis Capital” and Appendix I to this Composite Document for details.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Composite Document contains forward-looking statements, which may be identified by words such as “believe”, “expect”, “anticipate”, “intend”, “plan”, “seek”, “estimate”, “will”, “would” or words of similar meaning, that involve risks and uncertainties, as well as assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. The Offeror and the Company assume no obligation and do not intend to update these forward-looking statements or opinions contained in this Composite Document, except as required pursuant to applicable laws or regulations, including but not limited to the Listing Rules and/or the Takeovers Code.

DEFINITIONS

In this Composite Document, unless the context otherwise requires, the following expressions have the following meanings:

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“associate(s)”	has the meaning ascribed to it under the Listing Rules or the Takeovers Code (as the case may be)
“Astrum”	Astrum Capital Management Limited, a licensed corporation under the SFO, licensed to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the offer agent of the Offeror
“ BLUE Form of Convertible Loan Offer Acceptance”	the BLUE form of acceptance and transfer of the Convertible Loan in respect of the Convertible Loan Offer
“Board”	the board of Directors
“Business Day(s)”	a day on which the Stock Exchange is open for the transaction of business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Closing Date”	Monday, 7 November 2022, being the closing date of the Offers, which is 21 days after the day of this Composite Document is posted, or if the Offers are extended, any subsequent closing date(s) of the Offers as may be determined and announced jointly by the Offeror and the Company, with the consent of the Executive in accordance with the Takeovers Code
“Company”	Morris Home Holdings Limited, a company incorporated in the Cayman Islands with limited liability and whose Shares are listed on the Main Board of the Stock Exchange (stock code: 1575)

DEFINITIONS

“Composite Document”	this composite offer and response document jointly issued by the Offeror and the Company in accordance with the Takeovers Code containing, among other things, details of the Offers, the recommendation from the Independent Board Committee to the Independent Shareholders and the Convertible Loan Creditor(s) and the advice from the Independent Financial Adviser to the Independent Board Committee, the Independent Shareholders and the Convertible Loan Creditor(s) in respect of the Offers
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the total consideration for the Share Subscription in the amount of HK\$81,900,000
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Convertible Loan”	the outstanding convertible loan owing to the Convertible Loan Creditor(s) in the aggregate principal amount of HK\$81,439,031 (with accrued interests and deferred amount of approximately HK\$2.6 million as at the Latest Practicable Date) convertible into 36,684,248 new conversion Shares at the conversion price of HK\$2.22 per Share, subject to adjustment. Under the Convertible Loan, the Convertible Loan Creditor(s) has the right to convert all or any part of the outstanding principal amount of the Convertible Loan into Shares at any time prior to maturity (i.e. 28 June 2025) or, in the event of a failure of payment, up to and including the date on which the Company has repaid the Convertible Loan in full
“Convertible Loan Creditor(s)”	the lender(s) of the Convertible Loan. As at the Latest Practicable Date, the International Finance Corporation (the “ IFC ”) (an international organisation established by articles of agreement among its member countries including the PRC and Cambodia) is the only lender of the Convertible Loan and it did not hold any Share
“Convertible Loan Offer”	the unconditional mandatory cash offer being made by Astrum for and on behalf of the Offeror to acquire the Convertible Loan in accordance with the terms described in this Composite Document
“Debt Restructuring”	the restructuring of repayment terms of the outstanding Convertible Loan which has fallen due

DEFINITIONS

“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company convened on 15 September 2022 at which the Shareholders have approved, among others, the Share Subscription, the Placing and the granting of the Specific Mandate
“Encumbrances”	includes any option, right to acquire, right of pre-emption, mortgage, charge, pledge, lien, hypothecation, title retention, right of set off, claim, counterclaim, trust arrangement or other security, any equity or restriction (including any restriction imposed under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) or other adverse rights and interests of all kinds and descriptions)
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Fashion Home”	Zhejiang Morris Fashion Home Co., Ltd. (浙江慕容時尚家居有限公司), a company established in the PRC with limited liabilities and a wholly-owned subsidiary of the Company
“Forms of Acceptance”	the WHITE Form of Share Offer Acceptance and the BLUE Form of Convertible Loan Offer Acceptance (as the context may require) in respect of the Offers which accompany(ies) this Composite Document
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, Ms. Wu Weixia, Mr. Tan Tianhong and Ms. Zhao Hongyan, established for the purpose of advising the Independent Shareholders and the Convertible Loan Creditor(s) in respect of the Offers and as to acceptance of the Offers

DEFINITIONS

“Independent Financial Adviser” or “Lego”	Lego Corporate Finance Limited, a licensed corporation under the SFO to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee, the Independent Shareholders and the Convertible Loan Creditor(s) in respect of the Offers and as to their acceptance
“Independent Shareholders”	the Shareholders other than the Offeror and parties acting in concert with it (including Morris Capital who has given the Irrevocable Undertaking)
“Irrevocable Undertaking”	the irrevocable undertaking given by Morris Capital in favour of the Offeror that it will not, amongst others, accept the Share Offer in respect of the 666,500,000 Shares held by it
“Joint Announcement”	the announcement jointly issued by the Company and the Offeror on 5 August 2022 in relation to, amongst others, the Share Subscription, the Placing and the Offers
“Last Trading Day”	26 May 2022, being the last trading day of the Shares before the halt of trading in the Shares pending release of the Joint Announcement
“Latest Practicable Date”	14 October 2022, being the latest practicable date prior to the printing of this Composite Document for the purpose of ascertaining certain information contained in this Composite Document
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Messis Capital”	Messis Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, the financial adviser to the Offeror in respect of the Offers
“Morris Capital”	Morris Capital Limited, a company incorporated in the British Virgin Islands with limited liability and the shares of which are held as to 85% by Mr. Zou Gebing and 15% by Ms. Wu Xiangfei

DEFINITIONS

“Morris ESOP”	Morris ESOP Development Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly-owned by The Core Trust Company Limited (being the trustee appointed for the purpose of the Share Award Scheme)
“MOU”	the memorandum of understanding entered into between the Company and Mr. Tse Kam Pang on 22 April 2022 in relation to the possible subscription of Shares
“Offer Period”	has the meaning ascribed to it under the Takeovers Code which commences on 22 April 2022 (i.e. the date of the first announcement of the Company made pursuant to Rule 3.7 of the Takeovers Code) and ends on the Closing Date
“Offer Share(s)”	the Shares (other than those already owned or to be acquired by the Offeror or parties acting in concert with it) that are subject to the Share Offer
“Offeror”	Century Icon Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, being the subscriber under the Share Subscription Agreement. The ultimate beneficial owner and sole director of the Offeror is Mr. Tse Kam Pang
“Offers”	the Share Offer and the Convertible Loan Offer (as the case may be)
“Overseas Convertible Loan Creditor(s)”	Convertible Loan Creditor(s) whose address(es) is/are outside Hong Kong
“Overseas Shareholders”	Shareholders whose addresses as shown on the register of members of the Company are outside Hong Kong

DEFINITIONS

“Placee(s)”	any individual, professional, institutional or other investor(s) whom the Placing Agent has procured to subscribe for and/or the Placing Agent itself and/or its nominee(s) in the event that the Placing Agent is required to underwrite any of the Placing Shares pursuant to its obligations under the Placing Agreement who (including its ultimate beneficial owners) are regarded as public (as defined under the Listing Rules) and are third parties independent of and not connected with the Company and its connected persons, and not acting in concert with the Offeror and/or Morris Capital (which is presumed to be acting in concert with the Offeror following the Share Subscription Completion) and their respective associates and/or parties acting in concert with any of them
“Placing”	the placing of the Placing Shares pursuant to the terms and conditions of the Placing Agreement
“Placing Agent”	Forwin Securities Group Limited, a corporation licensed to carry out type 1 (dealing in securities) regulated activity under the SFO
“Placing Agreement”	the conditional placing agreement dated 5 August 2022 entered into between the Company and the Placing Agent in relation to the Placing
“Placing Completion”	completion of the Placing in accordance with the terms and conditions of the Placing Agreement, which took place on 10 October 2022
“Placing Completion Date”	10 October 2022, being the second (2nd) Business Day after all the conditions precedent under the Placing Agreement have been fulfilled or waived (as the case may be), or such other date as may be agreed by the Placing Agent and the Company in writing
“Placing Price”	the placing price of HK\$0.11 per Placing Share
“Placing Share(s)”	an aggregate of 250,000,000 new Shares placed by the Placing Agent and issued and allotted by the Company to the Placee(s) pursuant to the terms and conditions of the Placing Agreement

DEFINITIONS

“PRC”	the People’s Republic of China excluding, for the purpose of this Composite Document, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Pre-restructuring”	the pre-restructuring of the repayment schedule of the debts of the Relevant Subsidiaries in the PRC as supervised by the People’s Court of Haining City in the PRC, details of which are set out in the paragraph headed “The Financial Condition of the Group and the Implications of the Share Subscription and the Placing – The Pre-restructuring in relation to the indebtedness of the Relevant Subsidiaries” in the “Letter from the Board” set out in this Composite Document
“Registrar”	Tricor Investor Services Limited, the Company’s branch share registrar and transfer office in Hong Kong, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
“Relevant Period”	the period from 22 October 2021, being the date that is six months before the date of the commencement of the Offer Period (i.e. 22 April 2022), up to and including the Latest Practicable Date
“Relevant Subsidiaries”	Zhejiang Apollo and Fashion Home
“RMB”	Renminbi, the lawful currency of the PRC
“Royale Home”	Royale Home Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1198)
“SFC”	the Securities and Futures Commission
“SFO”	Securities and Futures Ordinance (Cap 571 of the laws of Hong Kong)
“Share(s)”	ordinary shares with a par value of US\$0.001 each in the share capital of the Company
“Share Award Scheme”	the restricted share award scheme adopted on 29 August 2019 by the Company for the benefit of certain eligible participants, as amended from time to time in accordance with its rules

DEFINITIONS

“Share Offer”	the unconditional mandatory cash offer being made by Astrum for and on behalf of the Offeror for all the Offer Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) in accordance with the Takeovers Code
“Share Offer Price”	HK\$0.063 per Offer Share
“Share Subscription”	the subscription for the Subscription Shares by the Offeror pursuant to the terms and conditions of the Share Subscription Agreement
“Share Subscription Agreement”	the conditional subscription agreement dated 26 May 2022 and entered into between the Company and the Offeror in connection with the Share Subscription, as amended and supplemented by the Supplemental Share Subscription Agreement
“Share Subscription Completion”	completion of the Share Subscription in accordance with the terms and conditions of the Share Subscription Agreement, which took place on 10 October 2022
“Share Subscription Completion Date”	10 October 2022, being the second (2nd) Business Day after all the conditions precedent under the Share Subscription Agreement have been fulfilled or waived (as the case may be), or such other date as may be agreed by the Offeror and the Company in writing
“Share Subscription Price”	HK\$0.063 per Subscription Share
“Shareholder(s)”	the holder(s) of the Share(s)
“Specific Mandate”	the specific mandate approved and granted by the Shareholders at the EGM to authorize the Board to allot and issue and/or deal in the Subscription Shares and the Placing Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Shares”	a total of 1,300,000,000 new Shares issued and allotted by the Company and subscribed by the Offeror pursuant to the Share Subscription Agreement
“subsidiary(ies)”	has the meaning ascribed to it under the Companies Ordinance (Cap 622 of the laws of Hong Kong)

DEFINITIONS

“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Supplemental Share Subscription Agreement”	a supplemental agreement to the Share Subscription Agreement dated 5 August 2022 entered into between the Offeror and the Company
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“US\$”	United States dollar, the lawful currency of the United States of America
“ WHITE Form of Share Offer Acceptance”	the WHITE form of acceptance and transfer of Shares in respect of the Share Offer
“Zhejiang Apollo”	Zhejiang Apollo Leather Products Co., Ltd. (浙江阿波羅皮革製品有限公司), a company established in the PRC with limited liabilities and a wholly-owned subsidiary of the Company
“%”	per cent

In this Composite Document, the English transliteration of the Chinese names, where indicated, are included for identification purpose only, and should not be regarded as the official English names of such Chinese names. In the event of any inconsistency, the Chinese names shall prevail.

Certain amounts and percentage figures included in this Composite Document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain paragraphs and tables in this Composite Document may not be an arithmetic aggregation of the figures preceding them.

MESSIS 大有融資

17 October 2022

To the Independent Shareholders and the Convertible Loan Creditor(s)

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFER BY ASTRUM
FOR AND ON BEHALF OF CENTURY ICON HOLDINGS LIMITED
TO ACQUIRE ALL THE ISSUED SHARES AND ALL THE OUTSTANDING
CONVERTIBLE LOANS OF MORRIS HOME HOLDINGS LIMITED (OTHER
THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY
THE OFFEROR AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

Reference is made to the Joint Announcement, the circular of the Company dated 29 August 2022 and the completion announcement jointly issued by the Offeror and the Company dated 10 October 2022 in relation to, among other things, the Share Subscription, the Placing, the Specific Mandate and the Offers.

As disclosed in the Joint Announcement, on 26 May 2022, the Company entered into the Share Subscription Agreement (as amended and supplemented by the Supplemental Share Subscription Agreement) with the Offeror, pursuant to which the Company has conditionally agreed to allot and issue, and the Offeror has conditionally agreed to subscribe for 1,300,000,000 Subscription Shares at the Share Subscription Price of HK\$0.063 per Subscription Share for the total Consideration of HK\$81,900,000. On 10 October 2022, all the conditions to the Share Subscription Completion have been fulfilled and the Share Subscription Completion took place in accordance with the terms and conditions of the Share Subscription Agreement.

As disclosed in the Joint Announcement, on 5 August 2022, the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has conditionally agreed to place, on a fully underwritten basis, and the Company has conditionally agreed to issue and allot, 250,000,000 Placing Shares to the Placees for the total consideration of HK\$27,500,000 pursuant to the terms and conditions set out in the Placing Agreement. On 10 October 2022, all the conditions to the Placing Completion have been fulfilled and the Placing Completion took place in accordance with the terms and conditions of the Placing Agreement.

Upon the Share Subscription Completion and the Placing Completion, the Offeror and parties acting in concert with it (including Morris Capital which is presumed to be acting in concert with the Offeror under the Takeovers Code) were interested in 1,966,500,000 Shares (representing 71.51% of the issued Shares as at the Latest Practicable Date). Pursuant to

LETTER FROM MESSIS CAPITAL

Rule 26.1 of the Takeovers Code, the Offeror is required to make the unconditional mandatory cash offer for all the issued Shares and all the outstanding Convertible Loan (other than those already owned or to be acquired by the Offeror and parties acting in concert with it).

This letter forms part of this Composite Document and sets out, among other things, details of the terms of the Offers, information on the Offeror and the intention of the Offeror regarding the Group following the close of the Offers. Further details of the terms of the Offers and procedures of acceptance of the Offers are set out in Appendix I to this Composite Document, and the accompanying Forms of Acceptance.

The Independent Shareholders and the Convertible Loan Creditor(s) are strongly advised to consider carefully the information contained in the “Letter from the Board”, the “Letter from the Independent Board Committee” and the “Letter from the Independent Financial Adviser” and the appendices as set out in this Composite Document and to consult their professional advisers if in doubt before reaching a decision as to whether or not to accept the Offers.

THE OFFERS

As at the Latest Practicable Date, the Company had (i) a total of 2,750,000,000 Shares in issue; and (ii) outstanding Convertible Loans in the principal amount of HK\$81,439,031 convertible into 36,684,248 Shares (representing approximately 1.33% of the total number of Shares in issue) at the conversion price of HK\$2.22 per Share. Save for the above, the Company did not have any other Shares, outstanding warrants, options, derivatives or other securities carrying conversion or subscription rights into Shares.

As at the Latest Practicable Date, there were 2,750,000,000 Shares in issue and the Offeror was interested in 1,300,000,000 Shares (representing approximately 47.27% of the total number of Shares in issue).

Principal terms of the Offers

Astrum, on behalf of the Offeror in compliance with the Takeovers Code, hereby makes the Offers to acquire all the Offer Shares and all the Convertible Loan pursuant to Rule 13 of the Takeovers Code on the terms set out in this Composite Document on the following basis:

The Share Offer

For every Offer Share held HK\$0.063 in cash

The Share Offer is extended to all Independent Shareholders in accordance with the Takeovers Code.

LETTER FROM MESSIS CAPITAL

The Share Offer Price of HK\$0.063 per Offer Share is equal to the Share Subscription Price per Subscription Share under the Share Subscription Agreement. The Share Offer is unconditional in all respects and is not conditional upon acceptances being received in respect of a minimum number of Shares or other conditions.

The Offer Shares to be acquired under the Share Offer shall be fully paid and free from all Encumbrances and together with all rights attaching to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date on which the Share Offer is made, that is, the date of despatch of this Composite Document.

As at the Latest Practicable Date, no dividend had been paid or declared by the Company on the Shares and the Convertible Loan, and it is advised by the Board that no dividend is expected to be declared on the Shares and the Convertible Loan during the Offer Period.

The Convertible Loan Offer

For every HK\$1 principal amount of the Convertible Loan HK\$0.0284 in cash

The Convertible Loan Offer is extended to the Convertible Loan Creditor(s) in accordance with the Takeovers Code.

The Convertible Loan to be acquired under the Convertible Loan Offer shall be fully-paid and free from all Encumbrances of any nature and together with all rights now or hereafter attaching or accruing to them as at the date on which the Convertible Loan Offer is made, that is, the date of despatch of this Composite Document.

The Convertible Loan Offer applies to the outstanding principal amount of the Convertible Loan on the date on which the Convertible Loan Offer is made and will not apply to any outstanding principal amount of the Convertible Loan which is or has been converted into Shares prior to the close of the Convertible Loan Offer.

The offer price for the Convertible Loan is HK\$0.0284 for every HK\$1 principal amount of the Convertible Loan, determined in accordance with Rule 13 of the Takeovers Code and Practice Note 6 as the “see-through” consideration for the Convertible Loan, being the number of new Shares which the Convertible Loan could be convertible into (i.e. approximately 36,684,248 new conversion Shares) multiplied by the Share Offer Price of HK\$0.063 per Offer Share, valuing the total Convertible Loan Offer at approximately HK\$2,311,108.

LETTER FROM MESSIS CAPITAL

Comparisons of value

The Share Offer Price of HK\$0.063 per Offer Share represents:

- (i) a discount of approximately 7.35% to the closing price of HK\$0.068 per Share as quoted on the Stock Exchange on the last trading day before the date of the first announcement of the Company made pursuant to Rule 3.7 of the Takeovers Code (i.e. 20 April 2022);
- (ii) a discount of approximately 59.35% to the closing price of HK\$0.155 per Share as quoted on the Stock Exchange on 26 May 2022, being the Last Trading Day;
- (iii) a discount of approximately 50.00% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day of approximately HK\$0.126 per Share;
- (iv) a discount of approximately 41.67% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day of approximately HK\$0.108 per Share;
- (v) a discount of approximately 37.62% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day of HK\$0.101 per Share;
- (vi) a discount of approximately 40.57% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 90 consecutive trading days up to and including the Last Trading Day of HK\$0.106 per Share; and
- (vii) a discount of approximately 67.53% to the closing price of HK\$0.194 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

As disclosed in the annual report of the Company published on 13 May 2022, the Company had recorded audited consolidated net liabilities of approximately RMB51,171,000 as at 31 December 2021. Calculated based on 2,750,000,000 Shares in issue as at the Latest Practicable Date, the audited consolidated net liabilities value per Share is approximately RMB0.02 per Share (equivalent to approximately HK\$0.02 per Share) as at 31 December 2021.

As disclosed in the interim report of the Company published on 30 September 2022, the Company had recorded unaudited consolidated net liabilities of approximately RMB153,043,000 as at 30 June 2022. Calculated based on 2,750,000,000 Shares in issue as at the Latest Practicable Date, the unaudited consolidated net liabilities value per Share is approximately RMB0.05 per Share (equivalent to approximately HK\$0.06 per Share) as at 30 June 2022.

LETTER FROM MESSIS CAPITAL

Highest and lowest Share prices

During the Relevant Period, the highest closing price of the Shares was HK\$0.249 per Share as quoted on the Stock Exchange on 11 January 2022 and the lowest closing price of the Shares was HK\$0.050 per Share as quoted on the Stock Exchange on 19 April 2022.

Value and total consideration of the Offers

As at the Latest Practicable Date, there were 2,750,000,000 Shares in issue. On the basis of the Share Offer Price at HK\$0.063 per Share, the entire issued ordinary share capital of the Company would be valued at HK\$173,250,000 upon the Share Subscription Completion and the Placing Completion.

Assuming that there is no change in the total number of issued Shares, the Offeror was interested in 1,300,000,000 Shares.

Assuming there will be no change in the total number of issued Shares, taking into account the 666,500,000 Shares held by Morris Capital which are subject to the Irrevocable Undertaking, 783,500,000 Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it will be subject to the Share Offer and the consideration of the Share Offer is therefore valued at HK\$49,360,500 based on the Share Offer Price at HK\$0.063 per Share and the full acceptance of the Share Offer. Assuming the Convertible Loan Offer is accepted in full, the consideration of the Convertible Loan Offer is valued at approximately HK\$2,311,108.

Assuming there will be no change in the total number of issued Shares other than the full conversion of the Convertible Loan, taking into account the 666,500,000 Shares held by Morris Capital which are subject to the Irrevocable Undertaking, 820,184,248 Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it will be subject to the Share Offer and the consideration of the Share Offer is therefore valued at approximately HK\$51,671,608 based on the Share Offer Price at HK\$0.063 per Share and the full acceptance of the Share Offer. The Convertible Loan Offer will then be valued at HK\$Nil.

Based on the above, (i) assuming there will be no change in the total number of issued Shares, the Offers are valued at HK\$51,671,608; and (ii) assuming there will be no change in the total number of issued Shares other than the full conversion of the Convertible Loan, the Offers are valued at approximately HK\$51,671,608.

Confirmation of financial resources

The Offeror intends to finance the consideration for the Offers by its own internal resources. The Offeror has no intention and there is no arrangement contemplated that the payment of interest on, repayment of or security for any liability (contingent or otherwise) will depend to any significant extent on the business of the Company.

LETTER FROM MESSIS CAPITAL

Messis Capital, being the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy the amount of funds required for the full acceptance of the Share Offer (excluding the 666,500,000 Shares held by Morris Capital which are subject to the Irrevocable Undertaking) and the Convertible Loan Offer.

Effect of accepting the Offers

The Share Offer is made on the basis that valid acceptance of the Share Offer by any Independent Shareholder will be deemed to constitute a warranty by such person that the Offer Shares sold by such person under the Share Offer are free from all Encumbrances and together with all rights attaching thereto, including, without limitation, the right to receive in full all dividends and other distributions, if any, recommended, declared, made or paid on or after the date on which the Share Offer is made, being the date of this Composite Document.

Acceptance of the Convertible Loan Offer shall be made subject to the terms and conditions of the Convertible Loan, and will be deemed to constitute a warranty by such person that all Convertible Loan sold by such person under the Convertible Loan Offer are free from all Encumbrances whatsoever, together with all rights attaching thereto as at the date on which the Convertible Loan Offer is made, being the date of this Composite Document.

As at the Latest Practicable Date, no dividend has been paid or declared by the Company on the Shares and the Convertible Loan, and it is advised by the Board that no dividend is expected to be declared on the Shares and the Convertible Loan during the Offer Period.

Acceptance of the Offers will be irrevocable and not be capable of being withdrawn except in the circumstances set out in the paragraph headed “4. Right of Withdrawal” in Appendix I to this Composite Document.

Payment

Payment in cash in respect of acceptances of the Offers will be made as soon as possible but in any event within seven (7) Business Days following the later of the date on which the duly completed Forms of Acceptance and the relevant documents of title in respect of such acceptance are received by the Offeror to render such acceptance complete and valid.

No fractions of a cent will be payable and the amount of the consideration payable to an Independent Shareholder or a Convertible Loan Creditor who accepts the Offers will be rounded up to the nearest cent.

Hong Kong stamp duty

Seller's Hong Kong ad valorem stamp duty arising in connection with acceptances of the Share Offer will be payable by the Independent Shareholders at a rate of 0.13% of (i) the market value of the Offer Shares; or (ii) the consideration payable by the Offeror in respect of the relevant acceptances of the Share Offer, whichever is higher. The amount of such duty will be

LETTER FROM MESSIS CAPITAL

deducted from the cash amount payable by the Offeror to the Independent Shareholders accepting the Share Offer.

Seller's ad valorem stamp duty (if any) in connection with the acceptance of the Convertible Loan Offer and calculated at a rate of 0.13% of the higher of (i) the market value of the Convertible Loan Offer; or (ii) the consideration payable by the Offeror in respect of the relevant acceptance of the Convertible Loan Offer, shall be borne by the Convertible Loan Creditor(s). The amount of such duty will be deducted from the cash amount payable by the Offeror to the Convertible Loan Creditor(s) accepting the Convertible Loan Offer.

The Offeror will arrange for payment of the seller's Hong Kong ad valorem stamp duty on behalf of the Independent Shareholders and the Convertible Loan Creditor(s) accepting the Share Offer and the Convertible Loan Offer and pay the buyer's Hong Kong ad valorem stamp duty in connection with the acceptance of the Share Offer and the Convertible Loan Offer and transfer of the Offer Shares and Convertible Loans in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

Taxation advice

Independent Shareholders and the Convertible Loan Creditor(s) are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offers. It is emphasized that none of the Offeror, parties acting in concert with the Offeror, the Company, Messis Capital, Astrum, the Registrar or any of their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offers accept responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offers.

Overseas Shareholders and Overseas Convertible Loan Creditor(s)

The Offeror intends to make the Offers available to all Overseas Shareholders and Overseas Convertible Loan Creditor(s), including those who are resident outside Hong Kong.

The availability of the Offers to any Overseas Shareholders and Overseas Convertible Loan Creditor(s) may be affected by the applicable laws and regulations of their relevant jurisdictions of residence. The Overseas Shareholders and Overseas Convertible Loan Creditor(s) should observe any applicable legal or regulatory requirements and, where necessary, consult their own professional advisers. It is the responsibilities of the Overseas Shareholders and the Overseas Convertible Loan Creditor(s) who wish to accept the Offers to satisfy themselves as to the full observance of the laws and regulations of the relevant overseas jurisdictions in connection with the acceptance of the Offers (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Overseas Shareholders and Overseas Convertible Loan Creditor(s) in respect of such overseas jurisdictions).

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Acceptance of the Offers by any Overseas Shareholder and Overseas Convertible Loan Creditor(s) will be deemed to constitute a representation and warranty from such Overseas Shareholder and/or the Overseas Convertible Loan Creditor to the Offeror that all applicable local laws and requirements have been complied with and that the Offers can be accepted by such Overseas Shareholder and/or Overseas Convertible Loan Creditor lawfully under the laws of the relevant jurisdictions. The Overseas Shareholders and the overseas Convertible Loan Creditor(s) should consult their stockbroker, licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers if in doubt.

IRREVOCABLE UNDERTAKING IN RELATION TO THE SHARE OFFER

As at the Latest Practicable Date, Morris Capital held 666,500,000 Shares, representing approximately 24.24% of the total issued Shares.

Morris Capital has entered into the Irrevocable Undertaking, pursuant to which it has unconditionally and irrevocably undertaken to the Offeror that: (i) it will not accept the Share Offer in respect of the 666,500,000 Shares held by it or sell any of the 666,500,000 Shares held by it to the Offeror or the parties acting in concert with the Offeror under the Share Offer; (ii) it will not take any other action to make the 666,500,000 Shares held by it available for acceptance under the Share Offer; and (iii) it (a) will hold the 666,500,000 Shares held by it until, and (b) will not sell, transfer, dispose of or create or agree to create any Encumbrance of or otherwise create any interests on the 666,500,000 Shares held by it before, the close of the Offers.

Morris Capital has also undertaken to the Offeror that it shall not: (i) sell, transfer, charge, encumber, grant any option or lien over or otherwise dispose of any interest in any of the 666,500,000 Shares held by it; (ii) accept, in respect of the 666,500,000 Shares held by it, any share offer or other transaction made in competition with or which might otherwise frustrate, impede or delay the Offers; or (iii) solicit, directly or indirectly, any other offer in competition with the Offeror, whether conditionally or unconditionally (by whatever means the same is to be implemented) nor enter into any negotiation to such effect.

The Irrevocable Undertaking will cease upon the close of the Offers or the lapse of the Offers or the withdrawal of the Offers in accordance with the Takeovers Code or the Offeror announces that it does not intend to proceed with the Offers.

INFORMATION ON THE OFFEROR

The Offeror is a company incorporated under the laws of the British Virgin Islands with limited liability. It is principally engaged in investment holding. The Offeror is wholly-owned by Mr. Tse Kam Pang, who is also the sole director of the Offeror.

Mr. Tse Kam Pang is a founder, the chairman and an executive director of Royale Home, a company the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1198). He is also a controlling shareholder of Royale Home who is deemed to be interested in

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approximately 74.86% of the issued share capital of Royale Home. He held the position of Deputy Managing Director at Ultronics International Holdings Limited (currently known as DreamEast Group Limited), a company the shares of which are listed on the Stock Exchange (stock code: 0593), from 1993 to 1995. He has over 30 years of experience in the international trade and China trade business. Mr. Tse Kam Pang is a vice chairman of Hong Kong Furniture Association and has extensive experience in the manufacture and sale of furniture business. It is expected that the reputation, experience, insight and extended connections of Mr. Tse Kam Pang will create synergy in respect of the business of the Group.

FUTURE INTENTIONS OF THE OFFEROR REGARDING THE COMPANY AND THE GROUP

Upon the Share Subscription Completion and the Placing Completion, the Offeror has become a controlling shareholder of the Company. The Offeror considers and confirms that it is intended that the Group will continue with its existing principal business.

The Group is principally engaged in the manufacturing and sales of sofas, sofa covers and other furniture products. Despite the financial difficulties faced by the Group, the Offeror is confident that proceeds from the Share Subscription and the Placing would improve the liquidity and financial position of the Group. The Offeror is wholly-owned by Mr. Tse Kam Pang, who has extensive experience and connections in the furniture sales and manufacturing industry in the PRC. The Offeror and the Company believe that, following the close of the Offers, the strategic alliance between the Offeror and the Company would enable the Company to further benefit from the development and synergy in the fields of the furniture industry in terms of products, customers, market resources as well as technologies and R&D capabilities.

The Offeror will, following the close of the Offers, conduct a review on the existing principal businesses and the financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. In this regard, the Offeror may look into business opportunities and consider whether any asset disposals, asset acquisitions, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential and sustainability of the Group. Should such corporate actions materialise, further announcement(s) will be made in accordance with the Listing Rules as and when appropriate. As at the Latest Practicable Date, the Offeror had no intention or concrete plans for any acquisition of assets and/or business, nor any intention to dispose of any assets and/or existing business by the Group.

As at the Latest Practicable Date, the Offeror has not entered into any agreements, arrangements, understandings, intentions or negotiations in relation to any disposal/termination/scaling-down of the Group's existing business, or any disposal/restructuring/redeployment of the Group's assets.

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Save as disclosed above, as at the Latest Practicable Date, the Offeror had no intention to introduce any major changes to the existing business of the Group or redeploy the fixed assets of the Group other than in its ordinary course of business.

In addition to the proposed change as mentioned in the section headed “Proposed Change to Board Composition” in this “Letter from MESSIS Capital” in this Composite Document, the Offeror may further review the composition of the Board and senior management of the Company upon or after the close of the Offers. As at the Latest Practicable Date, the Offeror had no intention to discontinue the employment of any of the Group’s employees.

PROPOSED CHANGE TO BOARD COMPOSITION

As at the Latest Practicable Date, the Board comprised three (3) executive Directors, namely Mr. Zou Gebing, Mr. Shen Zhidong and Mr. Wu Yueming; and three (3) independent non-executive Directors, namely Ms. Wu Weixia, Mr. Tan Tianhong and Ms. Zhao Hongyan.

It is intended that up to seven (7) candidates will be nominated by the Offeror for appointment as new Directors, which shall constitute a majority of the Board. The composition of the Board (i.e. the number of executive Directors, non-executive Directors or independent non-executive Directors) will be provided and confirmed by the Offeror upon or after the close of the Offers.

Certain Directors are expected to resign from the Board after the close of the Offers or at the earliest time permitted under the Takeovers Code but no Director has indicated that he/she will resign as Director as at the Latest Practicable Date. Mr. Zou Gebing is expected to resign as the chairman of the Board and the chief executive officer of the Company with effect immediately after the posting of this Composite Document but will remain as a Director at least until the close of the Offers.

As at the Latest Practicable Date, the Offeror intended to nominate five (5) new Directors, i.e. Mr. Tse Kam Pang and Mr. Chong Tsz Ngai as new executive Directors, Mr. Tse Hok Kan as new non-executive Director and Dr. Kwan Pun Fong Vincent and Mr. Chen Jianhua as new independent non-executive Directors, who are expected to be appointed to the Board with effect immediately after the posting of this Composite Document or such other date as permitted under the Takeovers Code. Mr. Tse Kam Pang is expected to be appointed as chairman of the Board and Mr. Chong Tsz Ngai is expected to be appointed as the chief executive officer of the Company with effect immediately after the posting of this Composite Document. The biographical information of the new candidates intended to be nominated by the Offeror as Directors is set out below:

Mr. Tse Kam Pang, aged 67, is a founder, the chairman of the board of directors and an executive director of Royale Home, a company the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1198). He is also a controlling shareholder of Royale Home who is deemed to be interested in approximately 74.86% of the issued share capital of Royale Home. He held the position of Deputy Managing Director at Ultronics International Holdings

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Limited (currently known as DreamEast Group Limited), a company the shares of which are listed on the Stock Exchange (stock code: 0593), from 1993 to 1995. He has over 30 years of experience in the international trade and China trade business. Mr. Tse Kam Pang is a vice chairman of Hong Kong Furniture Association and has extensive experience in the manufacture and sale of furniture business. Mr. Tse Kam Pang is the father of Mr. Tse Hok Kan, a candidate intended to be nominated by the Offeror to act as a non-executive Director and the father-in-law of Mr. Chong Tsz Ngai, a candidate intended to be nominated by the Offeror to act as an executive Director.

Mr. Chong Tsz Ngai, aged 34, was a director of debt capital markets (DCM) at United Overseas Bank Limited, Hong Kong Branch from 2021 to 2022. He was a vice president of DCM of CNCB (Hong Kong) Capital from 2019 to 2021 and was previously a vice president of the fixed income, currency and commodities department of GF Global capital Limited from March to December 2019. Mr. Chong Tsz Ngai has over ten years of experience in the corporate finance industry. Mr. Chong Tsz Ngai holds a Master's Degree in Finance from Imperial College London and was awarded a Bachelor's Degree in accounting and finance with first-class honour by Lancaster University. Mr. Chong Tsz Ngai is a son-in-law of Mr. Tse Kam Pang, the sole director and sole shareholder of the Offeror.

Mr. Tse Hok Kan, aged 39, holds a Master of Science degree in Accounting from The Hong Kong Polytechnic University and a Bachelor of Business Administration degree – joint major in accounting and finance from Simon Fraser University. He had held the position of executive director of Royale Home from 2016 to 2019. He has extensive experience in production, development, marketing of furniture and Hong Kong and China trade businesses. Mr. Tse Hok Kan is a son of Mr. Tse Kam Pang, the sole director and sole shareholder of the Offeror.

Dr. Kwan Pun Fong Vincent, aged 71, served as the vice president of the Hong Kong Shipping Department (香港區航船部) of Citibank (花旗銀行), the vice president of the Asia-Pacific Elevator Department of United Technologies Company (聯合技術公司), the managing director of Hintful Capital Group (興科融資集團), a professor of Beijing Normal University – Hong Kong Baptist University (北京師範大學–香港浸會大學) United International College, executive dean of the HKU Zhejiang Institute of Research and Innovation (香港大學浙江科學技術研究院). He is currently a member of the Executive Committee of Hong Kong Economic Association (香港經濟學會), the chief advisor of the think tank of Qingshanhu Sci-tech City in Hangzhou, Zhejiang (浙江杭州青山湖科技城), the president of Zhuhai Chuangke Yinlian Business Consulting Co., Ltd (珠海創科引聯商務諮詢有限公司), the vice chairman of Shanghai Qiaoyue IoT Technology Co., Limited (橋悅(上海)物聯網科技有限公司), a Director of Hong Kong Economic Trading International Association (香港國際經貿合作協會) and the chairman of the Education and Training Committee (教育培訓委員會).

Dr. Kwan Pun Fong Vincent is an independent director of China Zheshang Bank Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 601916) and the Stock Exchange (stock code: 2016). He was the chief financial officer of Yew Chung Education Foundation in Hong Kong from 2001 to 2013. From 2010 to 2015, he served as an independent non-executive

LETTER FROM MESSIS CAPITAL

director of Link-Asia International MedTech Group Limited, a company listed on the Stock Exchange (stock code: 1143). Dr. Kwan Pun Fong Vincent was an independent director of Jiangling Motors Corporation Limited, a company listed on the Shenzhen Stock Exchange from 2008 to 2012 and a non-executive director of Finet Group Limited (stock code: 8317), a company listed on the GEM of the Stock Exchange from 2002 to 2008. Dr. Kwan Pun Fong Vincent obtained a Doctoral Degree in Business Administration from the University of Western Sydney in Australia in May 2004, a Master's Degree in Commerce from the University of Hitotsubashi in Japan in March 1981, and a Bachelor's Degree in Social Sciences from The University of Hong Kong in November 1973.

Ms. Chen Jianhua, aged 52, has vast experience in the furniture and household business. Ms. Chen Jianhua has held management positions in Nantong Eastern Yisidun Furniture Co., Ltd.* (南通東方伊斯頓傢俱有限公司) since 2000, during which she has accumulated experience and gained knowledge in operations and sales and marketing fields. Ms. Chen Jianhua specializes in franchising operations and has represented various furniture brands in the PRC. She has gained deep knowledge and understanding in retail distribution and business management and valuable insight in the furniture industry.

Apart from the candidates disclosed above, the Offeror may nominate up to two (2) other new Directors after the close of the Offers and any such appointment will be made in compliance with the Takeovers Code and the Listing Rules. As at the Latest Practicable Date, the Offeror had not identified any other candidates as new Directors.

The Offeror has, upon the Share Subscription Completion and the Placing Completion, become a controlling shareholder entitled to propose resolutions at general meeting(s) of the Company under the articles of association of the Company. The suitability of the candidates nominated by the Offeror upon or after the close of the Offers will be subject to the approval of the Board and the review of the nomination committee of the Company with reference to an array of factors in compliance with the Company's articles of association and the Listing Rules. For the purpose of optimizing corporate governance of the Company, the Offeror and the Company may subsequently agree to other Board compositions.

The Offeror may further review the composition of the Board and the senior management of the Company upon or after the close of the Offers. Details of the actual change of the Board composition and biographical information of new Directors to be appointed will be further announced by the Company as and when appropriate in accordance with the Takeovers Code and the Listing Rules.

Any change to the Board composition will be made in compliance with the Takeovers Code and the Listing Rules.

PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror intends the issued Shares to remain listed on the Stock Exchange upon the close of the Offers.

LETTER FROM MESSIS CAPITAL

The Stock Exchange has stated that if, at the close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that: (i) a false market exists or may exist in the trading of the Shares; or (ii) that there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealing in the Shares.

The sole director of the Offeror and the Directors will jointly and severally undertake to the Stock Exchange to take appropriate steps as soon as possible following the close of the Offers to ensure that sufficient public float (i.e. not less than 25% of the issued Shares) exists in the Shares after the close of the Offers.

COMPULSORY ACQUISITION

The Offeror does not intend to exercise any right which may be available to it to compulsorily acquire any outstanding Offer Shares not acquired under the Share Offer after the close of the Share Offer.

FURTHER TERMS OF THE OFFER

Further terms of the Offers (including the procedures for acceptance, the acceptance period and stamp duty payable by the Independent Shareholders and Convertible Loan Creditor(s) who accept the Offers) are set out in Appendix I to this Composite Document and the accompanying Forms of Acceptance.

GENERAL

This Composite Document has been prepared for the purposes of complying with the laws of Hong Kong, the Takeovers Code and the Listing Rules and the information disclosed may not be the same as which would have been disclosed if this Composite Document had been prepared in accordance with the laws of jurisdictions outside Hong Kong.

To ensure equality of treatment of all Shareholders, those Shareholders who hold Shares as nominee on behalf of more than one beneficial owner should, as far as practicable, treat the holding of such beneficial owner separately. It is essential for the beneficial owners of the Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Share Offer.

All documents and remittances to be sent to the Independent Shareholders and Convertible Loan Creditor(s) by ordinary post at their own risk. Such documents and remittances will be sent to the Independent Shareholders and Convertible Loan Creditor(s). None of the Offeror, parties acting in concert with the Offeror, the Company, Messis Capital, Astrum, the Registrar or any of their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offers will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof or in connection therewith.

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WARNING

Shareholders, Convertible Loan Creditor(s) and potential investors are advised to exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take are advised to consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Composite Document which form part of this Composite Document. You are reminded to carefully read the “Letter from the Board”, the “Letter from the Independent Board Committee”, the “Letter from the Independent Financial Adviser”, the accompanying Forms of Acceptance and other information about the Group, which are set out in this Composite Document, before deciding whether or not to accept the Offers.

Yours faithfully,
For and on behalf of
Messis Capital Limited
Thomas Lai
Chief Executive Officer

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Zou Gebing (*Chairman*)
Mr. Shen Zhidong
Mr. Wu Yueming

Independent non-executive Directors:

Ms. Wu Weixia
Mr. Tan Tianhong
Ms. Zhao Hongyan

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Headquarters in PRC:

No. 500 Youquan Road
Haining Economic Development Zone
Zhejiang Province, PRC

Principal place of business in Hong Kong:

Room 708–709, Laford Centre
838 Lai Chi Kok Road
Cheung Sha Wan
Hong Kong

17 October 2022

To the Independent Shareholders and Convertible Loan Creditor(s)

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFER BY ASTRUM
FOR AND ON BEHALF OF CENTURY ICON HOLDINGS LIMITED
TO ACQUIRE ALL THE ISSUED SHARES AND ALL THE OUTSTANDING
CONVERTIBLE LOANS OF MORRIS HOME HOLDINGS LIMITED (OTHER
THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY
THE OFFEROR AND PARTIES ACTING IN CONCERT WITH IT)**

LETTER FROM THE BOARD

INTRODUCTION

Reference is made to the Joint Announcement, the circular of the Company dated 29 August 2022 and the completion announcement jointly issued by the Offeror and the Company dated 10 October 2022 in relation to, among other things, the Share Subscription, the Placing, the Specific Mandate and the Offers.

As disclosed in the Joint Announcement, on 26 May 2022, the Company entered into the Share Subscription Agreement (as amended and supplemented by the Supplemental Share Subscription Agreement) with the Offeror, pursuant to which the Company has conditionally agreed to allot and issue, and the Offeror has conditionally agreed to subscribe for 1,300,000,000 Subscription Shares at the Share Subscription Price of HK\$0.063 per Subscription Share for the total Consideration of HK\$81,900,000. On 10 October 2022, all the conditions to the Share Subscription Completion have been fulfilled and the Share Subscription Completion took place in accordance with the terms and conditions of the Share Subscription Agreement.

As disclosed in the Joint Announcement, on 5 August 2022, the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has conditionally agreed to place, on a fully underwritten basis, and the Company has conditionally agreed to issue and allot, 250,000,000 Placing Shares to the Placees for the total consideration of HK\$27,500,000 pursuant to the terms and conditions set out in the Placing Agreement. On 10 October 2022, all the conditions to the Placing Completion have been fulfilled and the Placing Completion took place in accordance with the terms and conditions of the Placing Agreement.

As at the Latest Practicable Date, the Company had (i) 2,750,000,000 Shares in issue; and (ii) outstanding Convertible Loans in the principal amount of HK\$81,439,031 convertible into 36,684,248 Shares (representing approximately 1.33% of the total number of Shares in issue) at the conversion price of HK\$2.22 per Share. Save for the above, as at the Latest Practicable Date, the Company does not have any other Shares, outstanding warrants, options, derivatives or other securities which are convertible or exchangeable into Shares and had not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares.

Upon the Share Subscription Completion and the Placing Completion, the Offeror and parties acting in concert with it (including Morris Capital which is presumed to be acting in concert with the Offeror under the Takeovers Code) were interested in 1,966,500,000 Shares (representing 71.51% of the issued Shares as at the Latest Practicable Date). Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make the unconditional mandatory cash offer for all the issued Shares and all the outstanding Convertible Loan (other than those already owned or to be acquired by the Offeror and parties acting in concert with it).

This letter forms part of this Composite Document, the purpose of which is to provide you with, amongst other things, (i) the details of the Offers (including the expected timetable and the terms and conditions of the Offers); (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders and the Convertible Loan Creditor(s) in respect of

LETTER FROM THE BOARD

the Offers; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee, the Independent Shareholders and the Convertible Loan Creditor(s) in respect of the Offers; and (iv) information relating to the Group, together with the Forms of Acceptance.

The Independent Shareholders and the Convertible Loan Creditor(s) are strongly advised to consider carefully the information contained in the “Letter from the Board”, the “Letter from the Independent Board Committee” and the “Letter from the Independent Financial Adviser” and the appendices as set out in this Composite Document and to consult their professional advisers if in doubt before reaching a decision as to whether or not to accept the Offers.

INDEPENDENT BOARD COMMITTEE

Pursuant to Rule 2.1 of the Takeovers Code, the Independent Board Committee comprising all the independent non-executive Directors, namely, Ms. Wu Weixia, Mr. Tan Tianhong and Ms. Zhao Hongyan, has been established to advise the Independent Shareholders and the Convertible Loan Creditor(s) as to the terms of the Offers and as to their acceptance.

All the independent non-executive Directors comprising the Independent Board Committee have no direct or indirect interest or involvement in the Offers, and are considered appropriate for joining as members of the Independent Board Committee to advise the Independent Shareholders and the Convertible Loan Creditor(s) as to the terms and acceptance of the Offers.

INDEPENDENT FINANCIAL ADVISER

Lego has been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee, the Independent Shareholders and the Convertible Loan Creditor(s) in respect of the terms of the Offers and as to their acceptance.

THE OFFERS

As at the Latest Practicable Date, the Company had (i) a total of 2,750,000,000 Shares in issue; and (ii) outstanding Convertible Loans in the principal amount of HK\$81,439,031 convertible into 36,684,248 Shares (representing approximately 1.33% of the total number of Shares in issue) at the conversion price of HK\$2.22 per Share. Save for the above, the Company did not have any other Shares, outstanding warrants, options, derivatives or other securities carrying conversion or subscription rights into Shares.

As at the Latest Practicable Date, there were 2,750,000,000 Shares in issue and the Offeror was interested in 1,300,000,000 Shares (representing approximately 47.27% of the total number of Shares in issue).

LETTER FROM THE BOARD

Principal terms of the Offers

As set out in the “Letter from Messis Capital” contained in this Composite Document, Astrum, on behalf of the Offeror in compliance with the Takeovers Code, makes the Offers to acquire all the Offer Shares and all the Convertible Loan pursuant to Rule 13 of the Takeovers Code on the terms set out in this Composite Document on the following basis:

The Share Offer

For every Offer Share held HK\$0.063 in cash

The Share Offer is extended to all Independent Shareholders in accordance with the Takeovers Code.

The Share Offer Price of HK\$0.063 per Offer Share is equal to the Share Subscription Price per Subscription Share under the Share Subscription Agreement.

The Offer Shares to be acquired under the Share Offer shall be fully paid and free from all Encumbrances and together with all rights attaching to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date on which the Share Offer is made, that is, the date of despatch of this Composite Document.

As at the Latest Practicable Date, no dividend had been paid or declared by the Company on the Shares and the Convertible Loan, and it is advised by the Board that no dividend is expected to be declared on the Shares and the Convertible Loan during the Offer Period.

The Convertible Loan Offer

For every HK\$1 principal amount of the Convertible Loan HK\$0.0284 in cash

The Convertible Loan Offer is extended to the Convertible Loan Creditor(s) in accordance with the Takeovers Code.

The Convertible Loan to be acquired under the Convertible Loan Offer shall be fully-paid and free from all Encumbrances of any nature and together with all rights now or hereafter attaching or accruing to them as at the date on which the Convertible Loan Offer is made, that is, the date of despatch of this Composite Document.

The Convertible Loan Offer applies to the outstanding principal amount of the Convertible Loan on the date on which the Convertible Loan Offer is made and will not apply to any outstanding principal amount of the Convertible Loan which is or has been converted into Shares prior to the close of the Convertible Loan Offer.

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The proposed offer price for the Convertible Loan is HK\$0.0284 for every HK\$1 principal amount of the Convertible Loan, determined in accordance with Rule 13 of the Takeovers Code and Practice Note 6 as the “see-through” consideration for the Convertible Loan, being the number of new Shares which the Convertible Loan could be convertible into (i.e. approximately 36,684,248 new conversion Shares) multiplied by the Share Offer Price of HK\$0.063 per Offer Share, valuing the total Convertible Loan Offer at approximately HK\$2,311,108.

Comparisons of value

The Share Offer Price of HK\$0.063 per Offer Share represents:

- (i) a discount of approximately 7.35% to the closing price of HK\$0.068 per Share as quoted on the Stock Exchange on the last trading day before the date of the first announcement of the Company made pursuant to Rule 3.7 of the Takeovers Code (i.e. 20 April 2022);
- (ii) a discount of approximately 59.35% to the closing price of HK\$0.155 per Share as quoted on the Stock Exchange on 26 May 2022, being the Last Trading Day;
- (iii) a discount of approximately 50.00% to the average of the closing price of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day of approximately HK\$0.126 per Share;
- (iv) a discount of approximately 41.67% to the average of the closing price of the Shares as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day of approximately HK\$0.108 per Share;
- (v) a discount of approximately 37.62% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day of HK\$0.101 per Share;
- (vi) a discount of approximately 40.57% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 90 consecutive trading days up to and including the Last Trading Day of HK\$0.106 per Share; and
- (vii) a discount of approximately 67.53% to the closing price of HK\$0.194 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

As disclosed in the annual report of the Company published on 13 May 2022, the Company had recorded audited consolidated net liabilities of approximately RMB51,171,000 as at 31 December 2021. Calculated based on 2,750,000,000 Shares in issue as at the Latest Practicable Date, the audited consolidated net liabilities value per Share is approximately RMB0.02 per Share (equivalent to approximately HK\$0.02 per Share) as at 31 December 2021.

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As disclosed in the interim report of the Company published on 30 September 2022, the Company had recorded unaudited consolidated net liabilities of approximately RMB153,043,000 as at 30 June 2022. Calculated based on 2,750,000,000 Shares in issue as at the Latest Practicable Date, the unaudited consolidated net liabilities value per Share is approximately RMB0.05 per Share (equivalent to approximately HK\$0.06 per Share) as at 30 June 2022.

Further information on the Offers

Please refer to the “Letter from Messis Capital” contained in this Composite Document, Appendix I to this Composite Document and the accompanying Forms of Acceptance for further information in relation to the Offers, the making of the Offers to the Overseas Shareholders and the Overseas Convertible Loan Creditor(s), taxation and acceptance and settlement procedures of the Offers.

IRREVOCABLE UNDERTAKING IN RELATION TO THE SHARE OFFER

As at the Latest Practicable Date, Morris Capital held 666,500,000 Shares, representing approximately 24.24% of the total issued Shares.

Morris Capital has entered into the Irrevocable Undertaking, pursuant to which it has unconditionally and irrevocably undertaken to the Offeror that: (i) it will not accept the Share Offer in respect of the 666,500,000 Shares held by it or sell any of the 666,500,000 Shares held by it to the Offeror or the parties acting in concert with the Offeror under the Share Offer; (ii) it will not take any other action to make the 666,500,000 Shares held by it available for acceptance under the Share Offer; and (iii) it (a) will hold the 666,500,000 Shares held by it until, and (b) will not sell, transfer, dispose of or create or agree to create any Encumbrance of or otherwise create any interests on the 666,500,000 Shares held by it before, the close of the Offers.

Morris Capital has also undertaken to the Offeror that it shall not: (i) sell, transfer, charge, encumber, grant any option or lien over or otherwise dispose of any interest in any of the 666,500,000 Shares held by it; (ii) accept, in respect of the 666,500,000 Shares held by it, any share offer or other transaction made in competition with or which might otherwise frustrate, impede or delay the Offers; or (iii) solicit, directly or indirectly, any other offer in competition with the Offeror, whether conditionally or unconditionally (by whatever means the same is to be implemented) nor enter into any negotiation to such effect.

The Irrevocable Undertaking will cease upon the close of the Offers or the lapse of the Offers or the withdrawal of the Offers in accordance with the Takeovers Code or the Offeror announces that it does not intend to proceed with the Offers.

LETTER FROM THE BOARD

INFORMATION ON THE COMPANY AND THE GROUP

The Company is a company incorporated in the Cayman Islands with limited liability and the principal activity of the Company is investment holding. The Group is principally engaged in the manufacturing and sales of sofas, sofa covers and other furniture products.

Set out below is a summary of the unaudited consolidated financial results of the Group for the six months ended 30 June 2021 and 2022 and the audited consolidated financial results of the Group for the three years ended 31 December 2021, prepared in accordance with the Hong Kong Financial Reporting Standards:

	For the six months		For the year ended 31 December		
	ended 30 June		2021	2020	2019
	2022	2021	2021	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
Revenue	53,949	274,881	502,932	606,363	980,298
Net (loss) before tax	(125,895)	(42,199)	(120,286)	(87,840)	(178,943)
Net (loss) after tax	(125,895)	(42,835)	(123,402)	(90,730)	(140,690)

The audited net assets of the Group as at 31 December 2020 was RMB76,743,000 and the audited net liabilities of the Group as at 31 December 2021 was RMB51,171,000. The unaudited net liabilities of the Company as at 30 June 2022 and 2021 were RMB153,043,000 and RMB51,171,000, respectively.

Your attention is drawn to Appendices II and IV to this Composite Document which contain further financial and general information of the Group.

THE FINANCIAL CONDITION OF THE GROUP AND THE IMPLICATIONS OF THE SHARE SUBSCRIPTION AND THE PLACING

The general operational and financial conditions of the Group

The Company has been facing a very challenging situation since 2019 as the Group experienced immense pressure from the Sino-U.S. Trade War and the outbreak of the COVID-19 pandemic, both being unprecedented events which had brought profound disruption to businesses and supply chains at a global level. The U.S. and Europe are major export destinations of the Group's sofas, sofa covers and other furniture products, accounting for a majority of the Group's revenue. For the three years ended 31 December 2021, revenue from the U.S. and Europe accounted for approximately 86.1%, 95.1% and 82.1% of the revenue of the Group, respectively. Despite the efforts made by the Group to mitigate the impact of the Sino-U.S. Trade War, including but not limited to negotiations with its U.S. customers for sharing of the tariffs and diversification of the Group's exporting business to other destinations, the revenue of the Group was adversely affected. The revenue of the Group decreased significantly by 48.7% from

LETTER FROM THE BOARD

approximately RMB980.3 million for the financial year ended 31 December 2019 to approximately RMB502.9 million for the financial year ended 31 December 2021.

Due to the decrease in sales volume of sofa, sofa covers and other furniture products as a result of the supply-chain disruption caused by the outbreak of COVID-19 epidemic and the Sino-U.S. Trade War, the Group's key financial indicators showed a sharp decrease from 2019 to 2021. The revenue dropped from approximately RMB980.3 million in 2019 to approximately RMB502.9 million in 2021, representing a decrease of approximately 48.7%. As disclosed in the Company's annual report for the year ended 31 December 2021, the Group recorded net loss of RMB123,402,000 for the year ended 31 December 2021. The Group had been loss-making for three consecutive financial years from 2019, losses of approximately RMB140 million, RMB90 million and RMB123 million were recorded for the years ended 31 December 2019, 2020 and 2021, respectively. The Group had also recorded net liabilities of RMB51,171,000 as at 31 December 2021, as compared to net assets of RMB76,743,000 as at 31 December 2020.

As at 31 December 2021, the Group had trade and bills payables and other payables and accruals of RMB179,145,000 and RMB43,320,000, respectively. The Group's aggregate interest-bearing bank and other borrowings, lease liabilities and convertible loan liability amounted to approximately RMB64,616,000, RMB25,002,000 and RMB69,977,000, respectively, whilst its cash and cash equivalents amounted to approximately RMB13,485,000.

The auditor's reports issued by HLB Hodgson Impey Cheng Limited ("**HLB**"), the auditor of the Company, in respect of the Group's audited consolidated financial statements for the financial year ended 31 December 2021 contained a disclaimer of opinion on the basis of multiple uncertainties relating to going concern basis, an extract of which from the annual report for the year ended 31 December 2021 is set out in the paragraph headed "1. Financial Summary" in Appendix II to this Composite Document.

In deciding whether or not to accept the Offer, the Independent Shareholders Takeovers Code, the Board would like to draw the attention of the Independent Shareholders and the Convertible Loan Creditor(s) should consider the disclaimer of opinion issued by HLB on the Group's audited consolidated financial statements for the financial year ended 31 December 2021. Pursuant to Note 3 to Rule 2 of the Takeovers Code, the Board would like to draw the attention of the Independent Shareholders and the Convertible Loan Creditor(s) to the disclaimer of opinion. The Independent Shareholders and the Convertible Loan Creditor(s) are advised to consider carefully the terms of the Offers taking into account the multiple uncertainties relating to going concern basis identified by HLB as the basis of form a disclaimer of opinion. If the Independent Shareholders and/or the Convertible Loan Creditor(s) decide not to accept the Offers, they should be aware of the potential risks and uncertainty associated with the disclaimer of opinion and the financial condition of the Group.

LETTER FROM THE BOARD

The Debt Restructuring in relation to the Convertible Loan

The Convertible Loan with outstanding principal amount of approximately RMB69,977,000 as at the Latest Practicable Date had also matured and fallen due for repayment during the year ended 31 December 2021. The outstanding principal amount of the Convertible Loan together with outstanding interest and deferred amount, amounting to approximately HK\$84 million in aggregate, have not been repaid as at the Latest Practicable Date, as the Company did not have sufficient financial resources. The Company is currently in negotiation with the Convertible Loan Creditor (i.e. the IFC, as at the Latest Practicable Date) in relation to the Debt Restructuring (i.e. the restructuring of the repayment terms under the Convertible Loan). As at the Latest Practicable date, no binding agreement has been reached between the Company and the Convertible Loan Creditor (i.e. the IFC).

The Pre-restructuring in relation to the indebtedness of the Relevant Subsidiaries

The extreme environment, including the outbreak of the COVID-19 pandemic and the Sino-U.S. Trade War, has adversely and seriously affected the operations and financial conditions of the Relevant Subsidiaries (i.e. Zhejiang Apollo and Fashion Home), being the previous principal manufacturing subsidiaries of the Company in the PRC. The operation and financial position of the Relevant Subsidiaries were under pressure, and the Relevant Subsidiaries have run into loss-making position in recent years, followed by a suspension of operations in 2022. Based on the audited accounts of the Relevant Subsidiaries for the year ended 31 December 2021, Zhejiang Apollo and Fashion Home recorded loss for the year of approximately RMB21,270,000 and RMB59,023,000, respectively, and net liabilities and net assets of approximately RMB20,093,000 and RMB155,798,000, respectively. In spite of Fashion Home's net asset position, its assets mainly comprise investment in subsidiaries, whose assets are substantially amount due from other group companies and are considered to have no substantive business value.

In view of the afore-mentioned macro environment and the financial condition, the Relevant Subsidiaries initiated the Pre-restructuring procedures, under which a restructuring plan for the settlement of all the indebtedness of the Relevant Subsidiaries was formulated. The Pre-restructuring procedures aims at preserving the value of intangible assets (e.g. goodwill) and maximizing the interest of the stakeholders of the Relevant Subsidiaries.

As at the Latest Practicable Date, the Pre-restructuring proposal was passed by the requisite majority of creditors and sanctioned by the People's Court of Haining City. Based on the Company's communication with major customers, the Company understands that certain customers are willing to continue their business with the Company if the financial difficulties of the Company can be resolved and the production facilities can be restored by way of the Pre-restructuring (of which the Share Subscription forms a key part).

LETTER FROM THE BOARD

Outlook of the business and operations of the Group following the Share Subscription Completion and the Placing Completion

Before 2019, the Company had recorded revenue of RMB941,617,000, RMB1,416,395,000 and RMB1,610,043,000 and net profit of RMB80,676,000, RMB145,695,000 and RMB86,405,000 for the years ended 31 December 2016, 2017 and 2018, respectively. The Company considers that the short-term liquidity insufficiency represents the key obstacle standing in the way of the re-vitalization of the business of the Company, which can be addressed by the injection of funds by way of the Share Subscription and the Placing.

The Board considers that the Group is in need of external financings with a view to improving the Group's financial position, reducing its debt level (including trading and financial debts) and replenishing working capital for the Company's operations. It is the Board's view that the Share Subscription and the Placing, under which the Offeror and the Placees are to be introduced as investors, represent a crucial and precious opportunity to improve the liquidity and financial position of the Group and enable it to continue as a going concern. The introduction of investors would also present a positive signal to the market and the customers, supplier and business partners of the Group, which is conducive to the continuing operations and stability of the Company. There is expected to be a turnaround from net liabilities to net assets immediately after the Share Subscription Completion, the Placing Completion and the completion of the Pre-restructuring and the Debt Restructuring. The gearing ratio is also expected to be improved immediately after the Share Subscription Completion, the Placing Completion and the completion of the Pre-restructuring and the Debt Restructuring.

The net proceeds of the Share Subscription and the Placing will be used to repay indebtedness of the Group under the Convertible Loan and make settlements for the Relevant Subsidiaries' indebtedness under the Pre-restructuring.

The Offeror is wholly-owned by Mr. Tse Kam Pang, who has extensive experience and connections in the furniture sales and manufacturing industry in the PRC. The Group may be able to leverage the support of its new controlling shareholder to resolve its financial difficulties and optimize and further develop its existing business in the PRC.

SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the Company had (i) a total of 2,750,000,000 Shares in issue; and (ii) outstanding Convertible Loans in the principal amount of HK\$81,439,031 convertible into 36,684,248 Shares (representing approximately 1.33% of the total number of Shares in issue). Save for the above, the Company does not have any other Shares, outstanding warrants, options, derivatives or other securities carrying conversion or subscription rights into Shares.

LETTER FROM THE BOARD

Set out below is the shareholding structure of the Company (i) immediately prior to the Share Subscription Completion and the Placing Completion; and (ii) immediately upon the Share Subscription Completion and the Placing Completion and as at the Latest Practicable Date (assuming no conversion of the Convertible Loan):

Name of the Shareholder	Immediately prior to the Share Subscription Completion and the Placing Completion		Immediately upon the Share Subscription Completion and the Placing Completion and as at the Latest Practicable Date	
	<i>Number of</i>		<i>Number of</i>	
	<i>Shares</i>	<i>Approximate %</i>	<i>Shares</i>	<i>Approximate %</i>
The Offeror and parties acting in concert with it (including Morris Capital which is presumed to be acting in concert with the Offeror following the Share Subscription Completion):				
The Offeror (<i>Notes 1 & 4</i>)	–	–	1,300,000,000	47.27
Morris Capital (<i>Notes 1 & 2</i>)	666,500,000	55.54	666,500,000	24.24
Sub-total	<u>666,500,000</u>	<u>55.54</u>	<u>1,966,500,000</u>	<u>71.51</u>
Morris ESOP (<i>Note 3</i>)	75,812,000	6.32	75,812,000	2.76
The Placees:				
Gain Lucky Investment Limited (<i>Note 5</i>)	–	–	136,364,000	4.96
Law Tsin Bo Branden (<i>Note 6</i>)	–	–	113,636,000	4.13
Sub-total	<u>–</u>	<u>–</u>	<u>250,000,000</u>	<u>9.09</u>
Other Public Shareholders	457,688,000	38.14	457,688,000	16.64
Total	<u>1,200,000,000</u>	<u>100.00</u>	<u>2,750,000,000</u>	<u>100.00</u>

Notes:

- Mr. Tse Kam Pang was the sole shareholder and sole director of the Offeror as at the Latest Practicable Date. Under Part XV of the SFO, Mr. Tse Kam Pang is therefore deemed, or taken to be, interested in the Shares held by the Offeror.

LETTER FROM THE BOARD

2. Morris Capital is owned as to 85% of its shares by Mr. Zou Gebing (who is the chairman and chief executive officer of the Company and an executive Director) and as to 15% of its shares by Mr. Zou Gebing's spouse, Ms. Wu Xiangfei. Under Part XV of the SFO, Mr. Zou Gebing is therefore deemed, or taken to be, interested in the Shares held by Morris Capital.
3. Morris ESOP is wholly-owned by The Core Trust Company Limited, being the trustee appointed for the purpose of the Share Award Scheme (the "Trustee"). As at the Latest Practicable Date, the Trustee and its ultimate beneficial owner(s) were independent of and not connected with the Offeror or parties acting in concert with it. As at the Latest Practicable Date, there was no outstanding award granted by the Company under the Share Award Scheme.
4. Upon the Share Subscription Completion and the Placing Completion and as at the Latest Practicable Date, each of the Offeror and Morris Capital held 20% or more of the issued share capital of the Company. Therefore, they are presumed to be acting in concert under class (1) of the definition of acting in concert under the Takeovers Code.
5. Gain Lucky Investment Limited is one of the Placees which has been allotted 136,364,000 Shares, representing 4.96% of the issued share capital of the Company, upon the Placing Completion. Gain Lucky Investment Limited is a company incorporated in Hong Kong with limited liability on 24 September 2009, the shares of which are owned by the Honourable Lau Ip Keung Kenneth as to 40%, Ms. Lau Lai Wah Pauline as to 30% and Ms. Lau Lai Fan Beatrix as to 30%, respectively. Therefore, Honourable Lau Ip Keung Kenneth is deemed to be interested in the 136,364,000 Shares held by Gain Lucky Investment Limited under Part XV of the SFO.
6. Mr. Law Tsin Bo Branden is one of the Placees who has been allotted 113,636,000 Shares, representing 4.13% of the issued share capital of the Company, upon the Placing Completion.

INFORMATION ON THE OFFEROR

Your attention is drawn to the section headed "Information on the Offeror" in the "Letter from Messis Capital" contained in this Composite Document.

FUTURE INTENTIONS OF THE OFFEROR REGARDING THE COMPANY AND THE GROUP

Your attention is drawn to the section headed "Future intentions of the Offeror regarding the Company and the Group" in the "Letter from Messis Capital" as set out in this Composite Document.

The Board is aware of the intentions of the Offeror in respect of the Group, and is willing to render reasonable cooperation with the Offeror which is in the interests of the Company and the Shareholders as a whole. The Board is pleased to learn that the Offeror intends that the Group will continue with its existing principal business and will, following the close of the Offers, conduct a review on the existing principal businesses and the financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group, including looking into business opportunities and considering whether any asset disposals, asset acquisitions, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential and sustainability of the Group.

LETTER FROM THE BOARD

The Board is aware that as at the Latest Practicable Date, the Offeror had no intention or concrete plans (i) for any acquisition of assets and/or business, nor any intention to dispose of any assets and/or existing business by the Group; or (ii) to introduce any major changes to the existing business of the Group or redeploy the fixed assets of the Group other than in its ordinary course of business. The Board is pleased to learn that as at the Latest Practicable Date, the Offeror had no intention to discontinue the employment of any of the Group's employees.

PROPOSED CHANGE TO BOARD COMPOSITION

Your attention is drawn to the section headed "Proposed Change to Board Composition" in the "Letter from MESSIS Capital" as set out in this Composite Document.

As at the Latest Practicable Date, the Board comprised three (3) executive Directors, namely Mr. Zou Gebing, Mr. Shen Zhidong and Mr. Wu Yueming; and three (3) independent non-executive Directors, namely Ms. Wu Weixia, Mr. Tan Tianhong and Ms. Zhao Hongyan.

It is intended that up to seven (7) candidates will be nominated by the Offeror for appointment as new Directors, which shall constitute a majority of the Board. The composition of the Board (i.e. the number of executive Directors, non-executive Directors or independent non-executive Directors) will be provided and confirmed by the Offeror upon or after the close of the Offers.

Certain Directors are expected to resign from the Board after the close of the Offers or at the earliest time permitted under the Takeovers Code but no Director has indicated that he/she will resign as a Director as at the Latest Practicable Date. Mr. Zou Gebing is expected to resign as the chairman of the Board and the chief executive officer of the Company with effect immediately after the posting of this Composite Document but will remain as a Director at least until the close of the Offers.

As at the Latest Practicable Date, the Offeror intended to nominate five (5) new Directors, i.e. Mr. Tse Kam Pang and Mr. Chong Tsz Ngai as new executive Directors, Mr. Tse Hok Kan as new non-executive Director and Dr. Kwan Pun Fong Vincent and Ms. Chen Jianhua as new independent non-executive Directors, who are expected to be appointed to the Board with effect immediately after the posting of this Composite Document or such other date as permitted under the Takeovers Code. Mr. Tse Kam Pang is expected to be appointed as chairman of the Board and Mr. Chong Tsz Ngai is expected to be appointed as the chief executive officer of the Company with effect immediately after the posting of this Composite Document or such other date as permitted under the Takeovers Code. The biographical information of the new Director candidates intended to be nominated by the Offeror is set out in the section headed "Proposed Change to Board Composition" in the "Letter from MESSIS Capital" as set out in this Composite Document.

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The Offeror has, upon the Share Subscription Completion and the Placing Completion, become a controlling shareholder entitled to propose resolutions at general meeting(s) of the Company under the articles of association of the Company. The suitability of the candidates nominated by the Offeror upon or after the close of the Offers will be subject to the approval of the Board and the review of the nomination committee of the Company with reference to an array of factors in compliance with the Company's articles of association and the Listing Rules. For the purpose of optimizing corporate governance of the Company, the Offeror and the Company may subsequently agree to other Board compositions.

The Board is aware that the Offeror may further review the composition of the Board and the senior management of the Company upon or after the close of the Offers. Details of the actual change of the Board composition and biographical information of new Directors to be appointed will be further announced by the Company as and when appropriate in accordance with the Takeovers Code and the Listing Rules.

Any change to the Board composition will be made in compliance with the Takeovers Code and the Listing Rules.

PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY

As set out in the "Letter from Messis Capital", the Offeror intends the issued Shares to remain listed on the Stock Exchange upon the close of the Offers.

The Stock Exchange has stated that if, at the close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that: (i) a false market exists or may exist in the trading of the Shares; or (ii) that there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealings in the Shares.

The sole director of the Offeror and the new Directors to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps as soon as possible following the close of the Offers to ensure that sufficient public float (i.e. not less than 25% of the issued Shares) exists in the Shares after the close of the Offers.

RECOMMENDATION

Your attention is drawn to (i) the "Letter from the Independent Board Committee" on pages 42 to 43 of this Composite Document, which contains its recommendation to the Independent Shareholders and Convertibles Loan Creditor(s) in relation to the Offers; and (ii) the "Letter from the Independent Financial Adviser" on pages 44 to 63 of this Composite Document, which sets out its advice to the Independent Board Committee, the Independent Shareholders and the Convertible Loan Creditor(s) in relation to the Offers and as to the acceptance of the Offers.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

You are also advised to read the “Letter from Messis Capital”, on pages 13 to 26 to this Composite Document, the additional information contained in the appendices to this Composite Document and the Forms of Acceptance in respect of the terms and acceptance and settlement procedures of the Offers.

WARNING

Shareholders, Convertible Loan Creditor(s) and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company, and if they are in any doubt about their position, they should consult their professional advisers.

Yours faithfully,
For and on behalf of the Board
Morris Home Holdings Limited
Zou Gebing
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

17 October 2022

To the Independent Shareholders and Convertible Loan Creditor(s)

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFER BY ASTRUM
FOR AND ON BEHALF OF CENTURY ICON HOLDINGS LIMITED
TO ACQUIRE ALL THE ISSUED SHARES AND ALL THE OUTSTANDING
CONVERTIBLE LOANS OF MORRIS HOME HOLDINGS LIMITED (OTHER
THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY
THE OFFEROR AND PARTIES ACTING IN CONCERT WITH IT)**

We refer to the composite document dated 17 October 2022 jointly issued by the Offeror and the Company (the “**Composite Document**”), of which this letter forms part. Terms used in this letter shall have the meanings as defined in the Composite Document, unless the context requires otherwise.

We have been appointed by the Board to form the Independent Board Committee to consider and to advise the Independent Shareholders and the Convertible Loan Creditor(s) as to whether or not the terms of the Offers are fair and reasonable and to make a recommendation as to acceptance of the Offers. Lego has been appointed by the Company and approved by us as the Independent Financial Adviser to advise us in this regard.

Details of advice from the Independent Financial Adviser and the principal factors it has taken into consideration in arriving at its recommendations are set out in “Letter from the Independent Financial Adviser” in this Composite Document. Details of the Offers are set out in the “Letter from Messis Capital”, Appendix I to this Composite Document and the accompanying Forms of Acceptance.

Having considered the terms of the Offers, taking into account the information contained in this Composite Document and the advice of the Independent Financial Adviser and, in particular, the factors and reasons considered by, and recommendations of, Lego as set out in its letter of

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

advice, we are of the opinion that (i) the terms of the Share Offer (including the Share Offer Price) are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the terms of the Convertible Loan Offer (including the offer price of the Convertible Loan) are not fair and reasonable so far as the Convertible Loan Creditor(s) are concerned. Accordingly, we recommend (i) the Independent Shareholders to accept the Share Offer; and (ii) the Convertible Loan Creditor(s) not to accept the Convertible Loan Offer.

Nonetheless, the Share price has been trading above the Share Offer Price since the date of the Joint Announcement and up to the Latest Practicable Date. For those Independent Shareholders who wish to dispose of all or part of their shareholding, they may do so in the market instead of accepting the Share Offer, should there be sufficient liquidity of the Shares.

The Independent Shareholders and the Convertible Loan Creditor(s) are recommended to read the full text of the letter from the Independent Financial Adviser on pages 44 to 63 of this Composite Document. Notwithstanding our recommendation, the Independent Shareholders and the Convertible Loan Creditor(s) are strongly advised that the decision to realise or to hold their investment in the Shares and/or the Convertible Loan (as the case may be) is subject to individual circumstances and investment objectives and they should consider carefully the terms of the Offers and consult their own professional advisers if in doubt before deciding whether or not to accept the Offers.

Furthermore, the Independent Shareholders and Convertible Loan Creditor(s) who wish to accept the Offers are recommended to read carefully the procedures for accepting the Offers as set out in Appendix I to this Composite Document and the accompanying Forms of Acceptance.

Yours faithfully,
For and on behalf of the
Independent Board Committee
Morris Home Holdings Limited

Ms. Wu Weixia
*Independent Non-executive
Director*

Mr. Tan Tianhong
*Independent Non-executive
Director*

Ms. Zhao Hongyan
*Independent Non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from the Independent Financial Adviser to the Independent Board Committee, the Independent Shareholders and the Convertible Loan Creditor(s) in respect of the Offers, which has been prepared for the purpose of incorporation in this Composite Document.



17 October 2022

*To: The Independent Board Committee and the Independent Shareholders of
Morris Home Holdings Limited*

Dear Sirs or Madams,

**UNCONDITIONAL MANDATORY CASH OFFER BY ASTRUM
FOR AND ON BEHALF OF CENTURY ICON HOLDINGS LIMITED
TO ACQUIRE ALL THE ISSUED SHARES AND ALL THE OUTSTANDING
CONVERTIBLE LOANS OF MORRIS HOME HOLDINGS LIMITED (OTHER
THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY
THE OFFEROR AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser, as approved by the Independent Board Committee, to advise the Independent Board Committee, the Independent Shareholders and the Convertible Loan Creditor(s) in respect of the Offers, details of which are set out in the letter from the Board (“**Letter from the Board**”) contained in the Composite Document dated 17 October 2022, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context otherwise requires.

As disclosed in the Joint Announcement, on 26 May 2022, the Company entered into the Share Subscription Agreement (as amended and supplemented by the Supplemental Share Subscription Agreement) with the Offeror, pursuant to which the Company has conditionally agreed to allot and issue, and the Offeror has conditionally agreed to subscribe for 1,300,000,000 Subscription Shares at the Share Subscription Price of HK\$0.063 per Subscription Share for the total Consideration of HK\$81,900,000. On 10 October 2022, all the conditions to the Share Subscription Completion have been fulfilled and the Share Subscription Completion took place in accordance with the terms and conditions of the Share Subscription Agreement.

On 5 August 2022, the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has conditionally agreed to place, on a fully underwritten basis, and the Company has conditionally agreed to issue and allot, 250,000,000 Placing Shares

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

to the Placées for the total consideration of HK\$27,500,000 pursuant to the terms and conditions set out in the Placing Agreement. On 10 October 2022, all the conditions to the Placing Completion have been fulfilled and the Placing Completion took place in accordance with the terms and conditions of the Placing Agreement.

Upon the Share Subscription Completion and the Placing Completion, the Offeror and parties acting in concert with it (including Morris Capital which is presumed to be acting in concert with the Offeror under the Takeovers Code) were interested in 1,966,500,000 Shares (representing 71.51% of the issued Shares as at the Latest Practicable Date). Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make the unconditional mandatory cash offer for all the issued Shares and all the outstanding Convertible Loan (other than those already owned or to be acquired by the Offeror and parties acting in concert with it).

Pursuant to Rule 2.1 of the Takeovers Code, the Independent Board Committee comprising all the independent non-executive Directors, namely, Ms. Wu Weixia, Mr. Tan Tianhong and Ms. Zhao Hongyan, has been established to advise the Independent Shareholders and the Convertible Loan Creditor(s) as to the terms of the Offers and as to their acceptance. All the independent non-executive Directors comprising the Independent Board Committee have no direct or indirect interest or involvement in the Offers, and are considered appropriate for joining as members of the Independent Board Committee to advise the Independent Shareholders and the Convertible Loan Creditor(s) as to the terms and acceptance of the Offers.

As at the Latest Practicable Date, Lego Corporate Finance Limited did not have any relationships or interests in the Company and the Offeror that could reasonably be regarded as relevant to the independence of Lego Corporate Finance Limited. In the last two years, we have not entered into any engagement with the Company, the Offeror or any of their respective subsidiaries or associates. Apart from normal professional fees paid or payable to us in connection with this appointment, no arrangements exist whereby we have or will receive any fees or benefits from the Group, the Offeror, any of their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them. Accordingly, we are qualified to give independent advice in respect of the Offers.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Composite Document; (ii) the information and facts supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Composite Document were true, accurate and complete in all material respects at the time they were made and up to the Latest Practicable Date and may be relied upon. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We have relied on such information and consider that the information we have received is sufficient for us to reach our opinion and give the advice and recommendation set out in this

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

letter. We have no reason to believe that any material information has been omitted or withheld, or doubt the truth or accuracy of the information provided. We have also assumed that all representations contained or referred to in the Composite Document were true at the time they were made and as at the Latest Practicable Date and will continue to be true up to the close of the Offers, and that the Independent Shareholders will be informed as soon as reasonably practicable in accordance with the Takeovers Code if we become aware of any material change to such information provided and representations made, or if there is any change to our opinion.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Composite Document so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Company, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of any member of the Company or the Offeror or any of their respective subsidiaries or associates.

TERMS OF THE OFFERS

As at the Latest Practicable Date, the Company had (i) a total of 2,750,000,000 Shares in issue; and (ii) outstanding Convertible Loans in the principal amount of HK\$81,439,031 convertible into 36,684,248 Shares (representing approximately 1.33% of the total number of Shares in issue) at the conversion price of HK\$2.22 per Share. Save for the above, the Company did not have any other Shares, outstanding warrants, options, derivatives or other securities carrying conversion or subscription rights into Shares. As at the Latest Practicable Date, there were 2,750,000,000 Shares in issue and the Offeror was interested in 1,300,000,000 Shares (representing approximately 47.27% of the total number of Shares in issue).

As set out in the Letter from the Board, the Offers are made by Astrum, on behalf of the Offeror, in compliance with the Takeovers Code on the following basis:

The Share Offer

For every Offer Share held HK\$0.063 in cash

The Share Offer is extended to all Independent Shareholders in accordance with the Takeovers Code. The Share Offer Price of HK\$0.063 per Offer Share is equal to the Share Subscription Price per Subscription Share under the Share Subscription Agreement.

The Offer Shares to be acquired under the Share Offer shall be fully paid and free from all Encumbrances and together with all rights attaching to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date on which the Share Offer is made, that is, the date of despatch of the Composite Document.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Convertible Loan Offer

For every HK\$1 principal amount of the Convertible Loan HK\$0.0284 in cash

The Convertible Loan Offer is extended to the Convertible Loan Creditor(s) in accordance with the Takeovers Code. The Convertible Loan to be acquired under the Convertible Loan Offer shall be fully-paid and free from all Encumbrances of any nature and together with all rights now or hereafter attaching or accruing to them as at the date on which the Convertible Loan Offer is made, that is, the date of despatch of the Composite Document.

The Convertible Loan Offer applies to the outstanding principal amount of the Convertible Loan on the date on which the Convertible Loan Offer is made and will not apply to any outstanding principal amount of the Convertible Loan which is or has been converted into Shares prior to the close of the Convertible Loan Offer.

The proposed offer price for the Convertible Loan is HK\$0.0284 for every HK\$1 principal amount of the Convertible Loan, determined in accordance with Rule 13 of the Takeovers Code and Practice Note 6 as the “see-through” consideration for the Convertible Loan, being the number of new Shares which the Convertible Loan could be convertible into (i.e. approximately 36,684,248 new conversion Shares) multiplied by the Share Offer Price of HK\$0.063 per Offer Share, valuing the total Convertible Loan Offer at approximately HK\$2,311,108.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation, we have taken into account the following principal factors and reasons:

1. Financial information of the Group

The Group is principally engaged in manufacturing and sale of sofas, sofa covers and other furniture products.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following table is a summary of the financial information of the Group for the three years ended 31 December 2019, 2020 and 2021 as extracted from the annual report of the Group for the year ended 31 December 2020 (the “**Annual Report 2020**”), the annual report of the Group for the year ended 31 December 2021 (the “**Annual Report 2021**”) and the interim report of the Company for the six months ended 30 June 2022 (the “**Interim Report 2022**”), respectively.

	For the six months ended 30 June		For the year ended 31 December		
	2022	2021	2021	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
Revenue					
– Manufacture and sales of sofas, sofa cover and other furniture products	53,741	274,547	502,225	605,901	980,298
– Commission income	208	334	707	462	–
Total	<u>53,949</u>	<u>274,881</u>	<u>502,932</u>	<u>606,363</u>	<u>980,298</u>
Loss for the period/year					
Attributable to:	(125,895)	(42,835)	(123,402)	(90,730)	(140,690)
– Equity holders of the Company	(123,990)	(41,780)	(121,508)	(91,192)	(140,436)
– Non-controlling interests	(1,905)	(1,055)	(1,894)	462	(254)
As at					
	30 June	As at 31 December			
	2022	2021	2020	2019	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
	(unaudited)	(audited)	(audited)	(audited)	
Non-current assets	10,112	8,709	59,907	542,897	
Current assets	361,285	366,173	616,945	802,067	
Current liabilities	517,675	414,049	578,352	958,798	
Net current (liabilities)/assets	(156,390)	(47,876)	38,593	(156,731)	
Non-current liabilities	6,765	12,004	21,757	189,199	
Net (liabilities)/assets	(153,043)	(51,171)	76,743	196,967	

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the year ended 31 December 2020

The Group recorded revenue of approximately RMB606.36 million for the year ended 31 December 2020, representing a year-on-year decrease of approximately 38.15% as compared to that of approximately RMB980.30 million for the year ended 31 December 2019. According the Annual Report 2020, such decrease in revenue was primarily due to reduced sales volume of products and decreased revenue from sales of sofa, sofa covers and other furniture products because of the impact of COVID-19 epidemic globally including the temporary closing of the Group's factory and retail shops, slower logistics and distribution arrangement and the public awareness of social distancing. For the year ended 31 December 2020, the loss for the year decreased to approximately RMB90.73 million from approximately RMB140.69 million for the year ended 31 December 2019, representing a decrease of approximately 35.51% as compared to the previous year, which was primarily due to the (i) the decrease in selling and distribution expenses after disposal of subsidiaries; and (ii) increases in other income and gains from gain on modification of convertible loan, gain in disposal of subsidiaries and compensation on factory relocation.

As at 31 December 2020, the Group recorded net current assets and net assets of approximately RMB38.59 million and RMB76.74 million, respectively. With reference to the Annual Report 2020, the turnaround from net current liabilities to net current assets was primarily resulted from the decrease in short-term bank borrowings and reduction in trade and bills payables due to less purchases during 2020 which outweighed the decrease in current assets. The decrease in net assets as at 31 December 2020 was majorly due to the decrease in non-current assets as contingent consideration receivables arising from non-achievement of guaranteed profits of subsidiaries were absent following the disposal of such subsidiaries in 2020.

For the year ended 31 December 2021

The Group recorded revenue of approximately RMB502.93 million for the year ended 31 December 2021, representing a year-on-year decrease of approximately 17.06% as compared to the revenue of approximately RMB606.36 million for the previous year. With reference to the Annual Report 2021, it is noted that such decrease in revenue was primarily due to reduced sales volume of products and decreased revenue from sales of sofa, sofa covers and other furniture products because of the prolonged impact of COVID-19 on worldwide basis. For the year ended 31 December 2021, the loss for the year increased to approximately RMB123.40 million from approximately RMB90.73 million for the year ended 31 December 2020, representing an increase of approximately 36.01% as compared to the previous year, which was primarily attributable to (i) the increase in rental expenses, director remuneration and the employee benefit expenses in China; and (ii) decrease in other income and gains from gain on modification of convertible loan, gain on disposal of subsidiaries and compensation on factory relocation.

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As at 31 December 2021, the Group recorded net current liabilities and net liabilities of approximately RMB47.88 million and RMB51.17 million, respectively. With reference to the Annual Report 2021, the net current liabilities position as at 31 December 2021 as opposed to net current assets position as at 31 December 2020 was mainly resulted from the decrease in current assets primarily due to decrease in trade receivables, prepayment, deposits and other receivables given less purchases were made during 2021, which outweighed the decrease in current liabilities.

For the six months ended 30 June 2022

The Group recorded revenue of approximately RMB53.95 million for the six months ended 30 June 2022, representing a period-on-period decrease of approximately 80.37% as compared to the revenue of approximately RMB274.88 million for the previous corresponding period. Based on the Interim Report 2022, such decrease was mainly attributed to the decrease in revenue generated from sale of sofas, sofa covers and other furniture products resulted from the decrease in export business, affected by the suspension of the factories in PRC in early 2022. For the six months ended 30 June 2022, the loss for the period increased to approximately RMB125.90 million from approximately RMB42.84 million for the six months ended 30 June 2021, representing an increase of approximately 193.88% as compared to the previous corresponding period. With reference to the Interim Report 2022, the increase in net loss was mainly attributable to the decrease in sales volume in export business after the suspension of the factories in the PRC.

As at 30 June 2022, the Group recorded net current liabilities and net liabilities of approximately RMB156.39 million and RMB153.04 million, respectively.

Matters relating to the auditor's opinion

According to the annual report of the Company for the year ended 31 December 2019, HLB Hodgson Impey Cheng Limited (“**HLB**”), the auditor of the Company, pointed out that the Group incurred a loss of approximately RMB140,690,000 for the year ended 31 December 2019 and had net current liabilities of approximately RMB156,731,000 as at 31 December 2019, and was of the view that such events or conditions indicated that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Their opinion was not modified in respect thereof. According to the Annual Report 2021, HLB described that (i) the Group incurred a net loss of approximately RMB123,402,000 during the year ended 31 December 2021; (ii) the Group's current liabilities exceeded its current assets and total liabilities exceeded its total assets by approximately RMB47,876,000 and RMB51,171,000 respectively, as at 31 December 2021; (iii) the Group's aggregate interest-bearing bank and other borrowings, lease liabilities and convertible loan liability amounted to approximately RMB64,616,000, RMB25,002,000 and RMB69,977,000, respectively, whilst its cash and cash equivalents amounted to approximately RMB13,485,000, as at 31 December 2021; (iv) the Group's convertible

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

loan with outstanding principal amount of approximately RMB69,977,000 as at 31 December 2021 had matured and fell due for repayment during the year ended 31 December 2021, whilst these outstanding principal amount and related overdue interests which amounted to approximately RMB72,875,000 in aggregate, were not repaid as at 31 December 2021. On this basis, HLB was of the view that the above matters indicated the existence of material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

Further, the Company stated in the Annual Report 2021 that whether the Group will be able to continue as a going concern depends upon the Group's ability to (i) implement its cost control measures to attain positive cash flows from operations; (ii) successfully formulate pre-restructuring plans to resolve the debt positions; (iii) successfully negotiate with the convertible loan holder and bank to restructure and/or refinance these borrowings and secure necessary credit facilities to meet the Group's working capital and financial requirements in the near future; (iv) successfully formulate alternatives to strengthen the capital base of the Company including the seeking of new investment and business opportunities; (v) obtain financial support from the ultimate holding company of the Company to enable the Group to continue as a going concern and to settle the Group's liabilities as and when they fall due; (vi) successfully re-negotiate the repayment schedules with certain of its debtors and endeavour to request them to repay the trade receivables, other receivables and amounts due from related companies in accordance with the repayment schedules agreed with them; and (vii) successfully proceed and complete the subscription of shares by the potential subscriber in accordance with the MOU.

Despite the above measures and plans of the Company including the Share Subscription Completion and the Placing Completion in addressing the going concern uncertainties, taking into account that the Group continued to record a loss for the six months ended 30 June 2022 as well as net current liabilities and net liabilities as at 30 June 2022, we are of the view that it remains uncertain whether the Group can achieve turnaround of results and improve its financial position. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the carrying values of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively in the Group's consolidated financial statements.

In deciding whether or not to accept the Offers, the Independent Shareholders and the Convertible Loan Creditors(s) are advised to consider carefully the terms of the Offers taking into account the multiple uncertainties relating to going concern basis identified by HLB as the basis of forming a disclaimer of opinion on the Group's audited consolidated financial statements for the financial year ended 31 December 2021. If the Independent Shareholders and/or the Convertible Loan Creditors(s) decide not to accept the Offers, they should be aware of the potential risks and uncertainty associated with the disclaimer of opinion and the financial condition of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Prospects and outlook of the Group

The Group is principally engaged in the manufacturing and sale of sofas, sofa covers and other furniture products and derived its revenue from the manufacturing and retail segments. With reference to the Annual Report 2021, it is notable that majority of the Group's revenue was derived from the United States where furniture products manufactured from the Group's factories located in Mainland China are exported to, which accounted for more than 85% of the Group's revenue from the manufacturing segment for the year ended 31 December 2021. On the other hand, the Group is also operating retail business in China and Hong Kong. According to the Interim Report 2022, as of August 2022, the Group had a total of 1 flagship showroom, 1 self-operated retail store, 30 franchise stores and 2 online stores across different provinces in Mainland China, and a total of 4 self-operated retail stores and 7 points of consignment sales in Hong Kong. Two more self-operated retail stores are planned to be opened in the second half of 2022. We note that the overall retail points in China had reduced as compared to that as of 31 December 2021 while the number of retail stores in Hong Kong is planned to increase. As further enquired with management of the Company, we understand that the Group intends to continue to increase its retail presence and expand its scale of business in Hong Kong. On this basis, we have primarily made reference to the relevant export performance of China as well as development of the retail market in Hong Kong. Set out below are certain economic indicators which we consider relevant in assessing the business environment in which the Group is operating in.

	2017	2018	2019	2020	2021
	<i>(billions of US\$)</i>				
U.S. annual import of furniture and bedding accessories from China	26.84	29.34	22.34	19.26	24.36

	2017	2018	2019	2020	2021
	<i>(billions of HK\$)</i>				
Value of retail sales in Hong Kong	446.14	485.17	431.16	326.45	352.95
Value of furniture and fixtures retailing in Hong Kong	7.21	7.54	7.32	7.34	7.73

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Source: the website of the U.S. Census Bureau (<http://www.census.gov/>) and the website of the Census and Statistics Department of Hong Kong (<https://www.censtatd.gov.hk/>)

As illustrated in the table above, the U.S. annual import of furniture and bedding accessories from China has been fluctuating which showed an overall decrease from approximately US\$26.84 billion in 2017 to approximately US\$24.36 billion in 2021, representing a compound annual growth rate (“CAGR”) of approximately -2.39%. In particular, it is notable that the annual import of furniture and bedding accessories from China has slips sharply from 2018 to 2020 with a CAGR of -18.97%, which may be due to the negative impact brought by the US trade war and the COVID-19 during the period.

The value of retail sales in Hong Kong decreased from approximately HK\$446.14 billion to approximately HK\$352.95 billion, representing a CAGR of approximately -5.69%, while the value of furniture and fixtures retailing in Hong Kong increased slightly from approximately HK\$7.21 billion to approximately HK\$7.73 billion, representing a CAGR of approximately 1.75%. Amid the declining trend of the overall retail market in Hong Kong, the retail market on furniture and fixtures in Hong Kong may also be influenced by the generally lower consumer sentiment and therefore showed a relatively low growth momentum.

In view of the prevailing industry outlook as demonstrated above, and that the Group has been facing challenges caused by the prolonged effect of COVID-19 epidemic on global basis which has a negative impact on consumption sentiment, as well as the trade uncertainty brought by the ongoing trade war between China and the U.S., leading to the year-on-year decline in the Group’s revenue, we are of the view that the market condition where the Group is operating in is uncertain.

2. Background information of the Offeror

The Offeror is a company incorporated under the laws of the British Virgin Islands with limited liability. It is principally engaged in investment holding. The Offeror is wholly-owned by Mr. Tse Kam Pang, who is also the sole director of the Offeror.

Mr. Tse Kam Pang is a founder, the chairman and an executive director of Royale Home, a company the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1198). He is also a controlling shareholder of Royale Home who is deemed to be interested in approximately 74.86% of the issued share capital of Royale Home. He held the position of Deputy Managing Director at Ultronics International Holdings Limited (currently known as DreamEast Group Limited), a company the shares of which are listed on the Stock Exchange (stock code: 0593), from 1993 to 1995. He has over 30 years of experience in the international trade and China trade business. Mr. Tse Kam Pang is a vice chairman of Hong Kong Furniture Association and has extensive experience in the manufacture and sale of furniture business. It is expected that the reputation, experience,

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

insight and extended connections of Mr. Tse Kam Pang will create synergy in respect of the existing business of the Group.

In light of the extensive experience and connections in the furniture manufacturing industry in the PRC, it is expected that the Group may be able to leverage the support of its new controlling shareholder to resolve its financial difficulties and optimise and further develop its existing business in the PRC in the fields of furniture industry in terms of products, customers, market resources as well as technologies and R&D capabilities. Having considered the background of the Offeror and depending on the business plans and strategies of the Group to be introduced by the Offeror (if any), there may be potential synergy effects to the Company's existing principal business and future prospect.

3. Intention of the Offeror in relation to the Group

As set out in the "Letter from Messis Capital" contained in the Composite Document, the Offeror considers and confirms that it is intended that the Group will continue with its existing principal business.

The Offeror will, following the close of the Offers, conduct a review on the existing principal businesses and the financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. In this regard, the Offeror may look into business opportunities and consider whether any asset disposals, asset acquisitions, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential and sustainability of the Group. Should such corporate actions materialise, further announcement(s) will be made in accordance with the Listing Rules as and when appropriate. As at the Latest Practicable Date, the Offeror had no intention or concrete plans for any acquisition of assets and/or business, nor any intention to dispose of any assets and/or existing business by the Group.

Save as disclosed above, as at the Latest Practicable Date, the Offeror had no intention to introduce any major changes to the existing business of the Group or redeploy the fixed assets of the Group other than in its ordinary course of business.

In respect of the Board composition of the Company, it is intended that up to seven (7) candidates will be nominated by the Offeror for appointment as new Directors, which shall constitute a majority of the Board. Certain Directors are expected to resign from the Board after the close of the Offers or at the earliest time permitted under the Takeovers Code but no Director has indicated that he/she will resign as Director as at the Latest Practicable Date. Mr. Zou Gebing is expected to resign as the chairman of the Board and the chief executive officer of the Company with effect immediately after the posting of the Composite Document but will remain as a Director at least until the close of the Offers.

As at the Latest Practicable Date, the Offeror intended to nominate five (5) new Directors, i.e. Mr. Tse Kam Pang and Mr. Chong Tsz Ngai as new executive Directors, Mr.

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Tse Hok Kan as new non-executive Director and Dr. Kwan Pun Fong Vincent and Ms. Chen Jianhua as new independent non-executive Directors, who are expected to be appointed to the Board with effect immediately after the posting of the Composite Document or such other date as permitted under the Takeovers Code. Mr. Tse Kam Pang is expected to be appointed as chairman of the Board and Mr. Chong Tsz Ngai is expected to be appointed as the chief executive officer of the Company with effect immediately after the posting of the Composite Document. Apart from the candidates above, the Offeror may nominate up to two (2) other new Directors after the close of the Offers and any such appointment will be made in compliance with the Takeovers Code and the Listing Rules. As at the Latest Practicable Date, the Offeror had not identified any other candidates as new Directors. Details of the biographical information of the new candidates intended to be nominated by the Offeror as Directors are set out in the “Letter from Messis Capital”.

The composition of the Board (i.e. the number of executive Directors, non-executive Directors or independent non-executive Directors) will be provided and confirmed by the Offeror upon or after the close of the Offers. The Offeror may further review the composition of the Board and senior management of the Company upon or after the close of the Offers. As at the Latest Practicable Date, the Offeror had no intention to discontinue the employment of any of the Group’s employees.

4. Analysis of the Share Offer Price

The Share Offer Price of HK\$0.063 per Offer Share represents:

- (i) a discount of approximately 7.35% to the closing price of HK\$0.068 per Share as quoted on the Stock Exchange on the last trading day before the date of the first announcement of the Company made pursuant to Rule 3.7 of the Takeovers Code (i.e. 20 April 2022);
- (ii) a discount of approximately 59.35% to the closing price of HK\$0.155 per Share as quoted on the Stock Exchange on 26 May 2022, being the Last Trading Day;
- (iii) a discount of approximately 50.00% to the average of the closing price of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day of approximately HK\$0.126 per Share;
- (iv) a discount of approximately 41.67% to the average of the closing price of the Shares as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day of approximately HK\$0.108 per Share;
- (v) a discount of approximately 37.62% to the average closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day of HK\$0.101 per Share;

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- (vi) a discount of approximately 40.57% to the average closing prices of the Shares as quoted on the Stock Exchange for the 90 consecutive trading days up to and including the Last Trading Day of HK\$0.106 per Share; and
- (vii) a discount of approximately 67.53% to the closing price of HK\$0.194 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Since the Group recorded net liabilities of approximately RMB51.17 million as at 31 December 2021 and RMB153.04 million as at 30 June 2022, percentage comparison of the Share Offer Price with net liabilities of the Group per Share was not presented above. In terms of dollar value, the Share Offer Price represents premiums of approximately (i) HK\$0.083 over the audited consolidated net liabilities of the Group per Share of approximately RMB0.02 per Share (equivalent to approximately HK\$0.02 per Share) as at 31 December 2021; and (ii) HK\$0.123 over the unaudited consolidated net liabilities of the Group per Share of approximately RMB0.05 per Share (equivalent to approximately HK\$0.06 per Share) as at 30 June 2022 (calculated based on 2,750,000,000 Shares in issue as at the Latest Practicable Date).

In assessing the fairness and reasonableness of the Share Offer Price, we have primarily taken into consideration the following factors:

4.1 Historical closing price of the Shares

The following chart depicts the daily closing price of the Shares as quoted on the Stock Exchange for the period from 26 May 2021, being the date falling one year prior to the date of the Last Trading Day, up to and including the Latest Practicable Date (the “**Review Period**”), being a period covering one year prior to the date of the Joint Announcement which we consider a reasonable and sufficient period to illustrate the historical performance of the closing price of the Shares:



Source: the website of the Stock Exchange (<http://www.hkexnews.hk>)

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Note: Trading of the Shares was suspended from 21 April 2022 to 22 April 2022 and from 27 May 2022 to 5 August 2022.

As illustrated in the chart above, the closing Share price ranged from the lowest of HK\$0.050 per Share on 19 April 2022 to the highest of HK\$0.250 per Share on 21 June 2021, with an average closing price of approximately HK\$0.154 per Share during the Review Period.

We noted that following the publication of the announcement of the Company pursuant to Rule 3.7 of the Takeovers Code, Rule 13.09 of the Listing Rules and inside information provisions on 16 June 2021 relating to entering into a memorandum of understanding in respect of a possible subscription, the closing price of the Shares surged from approximately HK\$0.134 per Share on 15 June 2021 and reached the peak at approximately HK\$0.250 per Share on 21 June 2021, before restoring to HK\$0.150 per Share on 9 July 2021. Subsequently, the closing price of the Shares remained fluctuating until 30 August 2021, when the closing share price declined further and bottomed at approximately HK\$0.131 per Share on 10 September 2021 following the publication of the interim results announcement for the six months ended 30 June 2021. The closing share price then rebounded to approximately HK\$0.247 per Share on 29 October 2021 and then commenced to exhibit a downtrend until 10 January 2022. Following the publication of the inside information announcement on 11 January 2022 regarding disposal of Shares by Morris Capital Limited, being the controlling Shareholder, the closing price of shares surged from approximately HK\$0.121 per Share on 10 January 2022 to approximately HK\$0.249 per Share on 11 January 2022. Immediately following the publication of the announcement regarding the pre-restructuring of two PRC subsidiaries on 19 January 2022, the closing price of shares continued to decline, reaching approximately HK\$0.07 per Share on 16 March 2022. The closing price started to increase sharply following publication of the announcement regarding unaudited annual results of the Company for the year ended 31 December 2021 on 31 March 2022, reaching approximately HK\$0.203 per Share on 7 April 2022 and then dropped fiercely and bottomed at approximately HK\$0.05 per Share on 19 April 2022. Following release of the Joint Announcement and resumption of trading of the Shares on 8 August 2022, the Share price oscillated within the range of HK\$0.162 and HK\$0.210 and up to the Latest Practicable Date.

Save for the publication of announcements of the Company as described above, the Directors were not aware of any specific reasons which may have an impact of the fluctuations of Share prices during the Review Period.

The Share Offer Price of HK\$0.063 per Offer Share lies within the range of the closing Share price during the Review Period, which represents a premium of approximately 26.0% over the lowest closing Share price of HK\$0.050 per Share, a discount of approximately 74.80% to the highest closing Share price of HK\$0.250 per Share and a discount of approximately 59.10% to the average closing Share price of HK\$0.154 during the Review Period.

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4.2 Review of the trading liquidity of the Shares

The table below sets out the average daily trading volume of the Shares and the percentage of the average daily trading volume to the total number of issued Shares for each month during the Review Period:

Period/month	Total volume of the Shares traded (Shares)	Number of trading days (days)	Average daily volume (Shares) (Note 1)	Total number of issued Shares (Shares)	Percentage of average daily trading volume over total number of issued Shares % (Note 2)	Percentage of average daily trading volume over the total number of Shares held by public Shareholders % (Note 3)
2021						
May (Starting from 26 May 2021)	30,000	4	7,500	1,000,000,000	0.001%	0.001%
June	64,778,000	20	3,238,900	1,000,000,000	0.324%	0.458%
July	19,012,000	21	905,333	1,000,000,000	0.091%	0.128%
August	3,790,000	22	172,273	1,000,000,000	0.017%	0.024%
September	15,120,000	21	720,000	1,000,000,000	0.072%	0.102%
October	109,048,000	18	6,058,222	1,000,000,000	0.606%	0.856%
November	28,032,000	22	1,274,182	1,000,000,000	0.127%	0.180%
December	5,356,000	22	243,455	1,000,000,000	0.024%	0.034%
2022						
January	419,858,000	21	19,993,238	1,000,000,000	1.999%	2.825%
February	74,014,800	17	4,353,812	1,000,000,000	0.435%	0.615%
March	124,040,000	23	5,393,043	1,200,000,000	0.449%	0.762%
April	1,122,616,200	16	70,163,513	1,200,000,000	5.847%	9.914%
May	171,889,000	17	10,111,118	1,200,000,000	0.843%	1.429%
June (Note 4)	-	-	-	1,200,000,000	-	-
July (Note 4)	-	-	-	1,200,000,000	-	-
August (Starting from 8 August 2022)	174,012,000	18	9,667,333	1,200,000,000	0.806%	1.366%
September	36,700,000	21	1,747,619	1,200,000,000	0.146%	0.247%
October (Up to and including the Latest Practicable Date)	5,844,000	9	649,333	2,750,000,000	0.024%	0.092%

Source: the website of the Stock Exchange (<http://www.hkexnews.hk>)

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days in the respective month/period.

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2. Based on total number of Shares in issue at the end of each month/period or as at the Latest Practicable Date.
3. The total number of Shares held by the public is based on the number of Shares held by public Shareholders of 707,688,000 Shares as at the Latest Practicable Date.
4. Trading of the Shares was suspended from 21 April 2022 to 22 April 2022 and from 27 May 2022 to 5 August 2022.

As illustrated in the above table, the average daily trading volume was low during the Review Period, with a range from approximately 7,500 Shares to approximately 70.2 million Shares, representing approximately 0.001% to 5.847% over the total number of Shares in issue as at the end of the respective month/period, and approximately 0.001% to 9.914% of the total number of Shares held by public Shareholders as at the end of the respective month/period. Excluding the relatively higher average daily trading volume for the months of January and April 2022 due to the significantly higher number of shares traded in these months which is consistent with the abnormal price fluctuations during such period as described in the above sub-section headed “4.1 Historical closing price of the Shares” and therefore both months resulted in relatively higher trading volumes as compared to other months, the average daily trading volume of the Shares only represented approximately 0.001% to 0.843% during the Review Period. It is therefore observed that the trading volume of the Shares was thin during the Review Period.

Given the thin historical average daily trading volume of the Shares, it is uncertain that the overall liquidity of the Shares could be maintained and that there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a significant number of Shares in the open market without exerting a downward pressure on the Share price. As such, the Share Offer provides the Independent Shareholders with an assured exit if they wish to realise their investments in the Shares.

4.3 Comparable analysis

In assessing the Share Offer Price, we have initially attempted to evaluate the valuation of the Group based on the Share Offer Price through comparable analysis of peer companies. However, given the Group was loss-making for the year ended 31 December 2021 and recorded net liabilities position as at 31 December 2021 and 30 June 2022, generally acceptable valuation multiples such as price-to-earnings ratio and price-to-book ratio are not applicable. Alternatively, we have performed comparable analysis by using the price-to-sale ratio (the “**P/S ratio**”), which is also one of the commonly used benchmarks in assessing the valuation of a company.

We have identified an exhaustive list of six companies (the “**Comparable Companies**”) listed on the Stock Exchange and are not subject to prolonged trading suspension, which are principally engaged in the manufacture and/or sale of home furniture products, the revenue of which represented over 95% of the total revenue

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according to their respective latest published audited annual reports. Given the Comparable Companies are engaged in similar line of business as the Group and the shares of which are actively traded in the open market, we are of the view that the Comparable Companies represent fair and representative samples for our analysis purpose. Set out below is a summary of the Comparable Companies:

Company name (stock code)	Principal business	Market capitalisation as at the Latest Practicable Date (HK\$) (Note 1)	Revenue for the latest financial year (HK\$)	P/S ratio (times) (Note 2)
Hing Lee (HK) Holdings Limited (396)	Manufacture and sales of home furniture	110,709,155	175,010,000	0.63
Samson Holding Ltd. (531)	Manufacture and sales of household furniture products, provision of trading of furniture and procurement services	1,063,480,871	3,807,250,200	0.28
Celestial Asia Securities Holdings Limited (1049)	Sale of furniture and household goods as well as electrical appliances, provision of asset management services	132,381,097	1,368,066,000	0.10
Ulferts International Limited (1711)	Retail and wholesale of imported furniture, provision of services ranging from planning and designing through procuring custom-made furniture to final installation for corporate customers, as well as liaison services with furniture manufacturers	132,800,000	225,457,000	0.59
Huisen Household International Group Limited (2127)	Manufacture and sales of panel furniture, hardware furniture and furniture ornaments	997,454,250	5,653,072,700	0.18
E Lighting Group Holdings Limited (8222)	Sales of lighting products and household furniture, retail and wholesale of tableware and giftware products	23,453,857	83,891,000	0.28
			Maximum	0.63
			Minimum	0.10
			Average	0.34
			Median	0.28
The Company (1575)	Manufacturing and sale of sofas, sofa covers and other furniture products	173,250,000	553,225,200	0.31 (Note 3)

Source: the website of the Stock Exchange (<http://www.hkexnews.hk>)

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Notes:

1. As computed by multiplying the total number of issued shares and the closing share price quoted on the Stock Exchange on the Latest Practicable Date.
2. As computed by dividing the respective market capitalisation by the respective revenue recorded by the company as extracted from the latest published audited annual reports.
3. The P/S ratio as implied by the Share Offer Price is computed by dividing the implied market capitalisation of the Company, being the Share Offer Price multiplied by the total number of issued Shares as at the Latest Practicable Date, by the revenue recorded by the Company as extracted from the Annual Report 2021.
4. For illustrative purpose only, approximate currency translation rates of RMB1 to HK\$1.1 and US\$1 to HK\$7.8 were adopted in our analysis.

As shown in the above table, the P/S ratios of the Comparable Companies ranged from approximately 0.1 times to 0.63 times, with an average of approximately 0.34 times and a median of approximately 0.28 times. The P/S ratio implied by the Share Offer Price falls within the range of the P/S ratios, slightly lower than the average P/S ratio but higher than the median P/S ratio presented by the Comparable Companies. As such, we are of the view that the Share Offer Price is within normal range of market prices of companies engaging in similar industry as the Group.

5. Analysis of the offer price for the Convertible Loan

As at the Latest Practicable Date, the Company had outstanding Convertible Loan in the principal amount of HK\$81,439,031 convertible into 36,684,248 Shares (representing approximately 1.33% of the total number of Shares in issue) at the conversion price of HK\$2.22 per Share. The Convertible Loan will mature at 28 June 2025. The outstanding principal amount together with related interests and deferred amount under the Convertible Loan was approximately HK\$84 million as at the Latest Practicable Date.

As set out in the “Letter from Messis Capital”, the proposed offer price for the Convertible Loan is HK\$0.0284 for every HK\$1 principal amount of the Convertible Loan, determined in accordance with Rule 13 of the Takeovers Code and Practice Note 6 as the “see-through” consideration for the Convertible Loan, being the number of new Shares which the Convertible Loan could be convertible into (i.e. approximately 36,684,248 new conversion Shares) multiplied by the Share Offer Price of HK\$0.063 per Offer Share, valuing the total Convertible Loan Offer at approximately HK\$2,311,108. On the other hand, in the event that the Convertible Loan Creditor(s) has not exercised the conversion rights before its maturity date, the Convertible Loan Creditor(s) should be entitled to receive 100% principal of the unexercised Convertible Loan together with any unpaid interest thereon.

Notwithstanding that the determination of the proposed offer price for the Convertible Loan is in accordance with the Takeovers Code, having considered that the Convertible Loan Creditor(s) shall be entitled to receive the outstanding principal amount of HK\$81,439,031 together with any unpaid interest thereon upon maturity which significantly

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exceeds the amount to be received of HK\$2,311,108 upon acceptance of the Convertible Loan Offer, we consider that the Convertible Loan Creditor(s) may choose to hold the Convertible Loan till maturity. Based on the aforesaid, we are of the view that the offer price under the Convertible Loan Offer to be not fair and reasonable to the Convertible Loan Creditor(s).

RECOMMENDATIONS

The Share Offer

Having considered the above principal factors and reasons set out above, in particular:

- (i) In view of (a) the declining revenue and consecutive loss-making performance of the Group for the past three financial years; and (b) the net liabilities positions recorded by the Group as at 31 December 2021 and 30 June 2022, it is uncertain as to whether the Group can make a turnaround in operating results and financial position and to address the material uncertainties relating to going concern in the near future;
- (ii) the Share Offer Price falls within the price range of the highest closing price of the Shares of HK\$0.25 and lowest closing price of the Shares of HK\$0.05 during the Review Period;
- (iii) despite that the Share Offer Price represents a discount to the closing price for most of the trading days during the Review Period, considering that (a) the price of the Shares exhibited an overall downtrend prior to the release of the Joint Announcement; and (b) there is no assurance that the trading price will sustain at a level higher than the Share Offer Price during and after the Offer Period;
- (iv) the trading volume during the Review Period was thin such that disposal of large block of Shares may trigger price slump of the Shares, while the Share Offer provides the Independent Shareholders with an assured exit at a fixed price if they wish to realise their investments in the Shares;
- (v) the P/S ratio implied by the Share Offer Price falls within the range of the P/S ratios, slightly lower than the average P/S ratio but higher than the median P/S ratio presented by the Comparable Companies;
- (vi) notwithstanding the deep discount of the Share Offer Price to the closing price of the Shares on the Last Trading Day and the Latest Practicable Date, in view of the net liabilities of the Group of approximately RMB153.04 million as at 30 June 2022, the Independent Shareholders would not be able to recover any of their investments should the Company eventually be liquidated; and

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(vii) considering the background of the Offeror (in particular, the experience and connections of Mr. Tse Kam Pang in the furniture manufacturing industry in the PRC) and depending on the business plans and strategies of the Group to be introduced by the Offeror (if any), there may be potential synergy effects to the Group's existing business,

we consider that the terms of the Share Offer are fair and reasonable so far as the Independent Shareholders are concerned. On such basis, we recommend the Independent Shareholders and the Independent Board Committee to advise the Independent Shareholders to accept the Share Offer. Nonetheless, we note that the Share price has been trading above the Share Offer Price since the date of the Joint Announcement and up to the Latest Practicable Date. As such, for those Independent Shareholders who wish to dispose of all or part of their shareholding, they may do so in the market instead of accepting the Share Offer, should there be sufficient liquidity of the Shares.

The Convertible Loan Offer

Given that the Convertible Loan Creditor(s) shall be entitled to receive the outstanding principal amount of HK\$81,439,031 together with any unpaid interest thereon upon maturity which significantly exceeds the amount to be received of HK\$2,311,108 upon acceptance of the Convertible Loan Offer, we are of the opinion that the offer price under the Convertible Loan Offer is not fair and reasonable to the Convertible Loan Creditor(s). Accordingly, we recommend the Independent Board Committee to advise the Convertible Loan Creditor(s) not to accept the Convertible Loan Offer.

Independent Shareholders and Convertible Loan Creditor(s) are also reminded to read carefully the procedures for accepting the Offers, details of which are set out in Appendix I to the Composite Document and the accompanying Forms of Acceptance, if they wish to accept the Offers.

Yours faithfully,
For and on behalf of
Lego Corporate Finance Limited
Billy Tang
Managing Director

Mr. Billy Tang is a licensed person registered with the SFC and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 20 years of experience in the accounting and investment banking profession.

1. PROCEDURES FOR ACCEPTANCE OF THE OFFERS

The Share Offer

- (i) To accept the Share Offer, you should complete and sign the accompanying **WHITE** Form of Share Offer Acceptance in accordance with the instructions printed thereon, which form part of the terms of the Share Offer.
- (ii) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required by the Company in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Share Offer, you must send the duly completed and signed **WHITE** Form of Share Offer Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required by the Company in respect thereof) for not less than the number of Shares in respect of which you intend to accept the Share Offer, by post or by hand, to the Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, marked “Morris Home Holdings Limited – Share Offer” on the envelope, as soon as possible and in any event no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.
- (iii) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required by the Company in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Share Offer in respect of your holding of Shares (whether in full or in part), you must:
 - (i) lodge your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required by the Company in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Share Offer on your behalf and requesting it to deliver the duly completed **WHITE** Form of Share Offer Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities and any other document(s) required by the Company in respect thereof) to the Registrar; or
 - (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver the duly completed and signed **WHITE** Form of Share Offer Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required by the Company in respect thereof) to the Registrar; or

- (iii) if your Shares have been lodged with a licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct the licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Share Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with the licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to the licensed securities dealer/registered institution in securities/custodian bank as required by them; or
- (iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set out by HKSCC Nominees Limited.
- (iv) If the Share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required by the Company in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Share Offer in respect of your Shares, the **WHITE** Form of Share Offer Acceptance should nevertheless be completed and delivered in an envelope marked "Morris Home Holdings Limited – Share Offer" to the Registrar together with a letter stating that you have lost one or more of your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required by the Company in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title, you should also write to the Registrar requesting a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.
- (v) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your Share certificate(s), and you wish to accept the Share Offer in respect of your Shares, you should nevertheless complete and sign the **WHITE** Form of Share Offer Acceptance and deliver it to the Registrar in an envelope marked "Morris Home Holdings Limited – Share Offer" together with the transfer receipt(s) duly signed by yourself and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required by the Company in respect thereof). Such action will be deemed to be an irrevocable authority to the Offeror and/or Astrum or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant Share certificate(s) when issued and to deliver such Share certificate(s) to the Registrar on your behalf and to authorise and instruct the Registrar to hold such Share certificate(s), subject to the terms and conditions of the Share Offer, as if it was/they were delivered to the Registrar with the **WHITE** Form of Share Offer Acceptance.

APPENDIX I FURTHER TERMS AND PROCEDURES FOR ACCEPTANCE OF THE OFFERS

- (vi) Acceptance of the Share Offer will be treated as valid only if the completed and signed **WHITE** Form of Share Offer Acceptance is received by the Registrar at or before 4:00 p.m. on the Closing Date (or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code) and the Registrar has recorded the acceptance and any relevant documents required by the Takeovers Code have been so received, and is:
- (i) accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required by the Company in respect thereof) and, if that/those Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required by the Company in respect thereof) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Share(s) in blank or in favour of the acceptor executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or
 - (ii) from a registered Shareholder or his personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another sub-paragraph of this paragraph (f)); or
 - (iii) certified by the Registrar or the Stock Exchange.
- (vii) If the **WHITE** Form of Share Offer Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority (e.g. grant of probate or certified copy of a power of attorney) to the satisfaction of the Registrar and the Company (together with any satisfactory indemnity or indemnities and any other document(s) required by the Company in respect thereof) must be produced.
- (viii) No acknowledgement of receipt of any **WHITE** Form of Share Offer Acceptance, Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required by the Company in respect thereof) will be given.

The Convertible Loan Offer

- (a) If you accept the Convertible Loan Offer and the certificate(s) of the Convertible Loan and/ or any other document(s) of title (and/or any satisfactory indemnity or indemnities and any other document(s) required by the Company in respect thereof) is/are in your name, you should complete the **BLUE** Form of Convertible Loan Offer Acceptance in accordance with the instructions printed thereon in respect of the outstanding principal amount of the Convertible Loan held by you that you wish to tender to the Convertible Loan Offer, which instructions form part of the terms and conditions of the Convertible Loan Offer.
- (b) The completed **BLUE** Form of Convertible Loan Offer Acceptance should be forwarded, together with the relevant certificate(s) of the Convertible Loan and/or other document(s) of title (and/or any satisfactory indemnity or indemnities and any other document(s) required by the Company in respect thereof) which you intend to accept the Convertible Loan Offer, by post or by hand, to the Company at Room 708–709, Laford Centre, 838 Lai Chi Kok Road, Cheung Sha Wan, Hong Kong marked “Morris Home Holdings Limited – Convertible Loan Offer” on the envelope, as soon as possible but in any event no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.
- (c) No acknowledgement of receipt of any **BLUE** Form of Convertible Loan Offer Acceptance and/or certificate(s) of the Convertible Loan and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities and any other document(s) required by the Company in respect thereof) will be given.

2. ACCEPTANCE PERIOD AND REVISIONS

The Offers are made on 17 October 2022, being the date of despatch of this Composite Document, and is open for acceptance on and from this date.

In order to be valid for the Offers, the **WHITE** Form of Share Offer Acceptance and the **BLUE** Form of Convertible Loan Offer Acceptance must be received by the Registrar (in respect of the Share Offer) or the Company (in respect of the Convertible Loan Offer) in accordance with the instructions printed thereon by 4:00 p.m. on the Closing Date, unless the Offers are extended or revised with the consent of the Executive in accordance with the Takeovers Code.

The Offeror reserves the right to revise the terms of the Offers after the despatch of this Composite Document until such day as it may determine and announce in accordance with the Takeovers Code. If the Offeror revises the terms of the Offers, all the Independent Shareholders and the Convertible Loan Creditor(s), whether or not they have already accepted the Offers, will be entitled to accept the revised Offers under the revised terms.

APPENDIX I FURTHER TERMS AND PROCEDURES FOR ACCEPTANCE OF THE OFFERS

If the Offers are extended or revised, the announcement of such extension or revision will state the next Closing Date or the Offers will remain open until further notice. In the latter case, at least 14 days' notice in writing must be given to the Independent Shareholders and Convertible Loan Creditor(s) before the Offers are closed and an announcement must be published.

If the Closing Date is extended, any reference in this Composite Document and in the Forms of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the Closing Date of the Offers as so extended.

Any acceptance of the relevant revised Offers shall be irrevocable unless and until the Independent Shareholders and Convertible Loan Creditor(s) who accept the Offers become entitled to withdraw their acceptance under the paragraph headed "4. Right of withdrawal" of this Appendix below and duly do so.

3. ANNOUNCEMENTS

By 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may agree), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension or expiry of the Offers. The Offeror must post an announcement on the Stock Exchange's website no later than 7:00 p.m. on the Closing Date stating, amongst other information required under the Takeovers Code, the results of the Offers and whether the Offers have been revised or extended, or have expired.

The announcement will state the following:

- (a) the total number of Shares and rights over Shares for which acceptances of the Share Offer and Convertible Loan for which acceptance of the Convertible Loan Offer have been received;
- (b) the total number of Shares, rights over Shares and Convertible Loan held, controlled or directed by the Offeror or parties acting in concert with it before the Offer Period; and
- (c) the total number of Shares, rights over Shares and Convertible Loan acquired or agreed to be acquired during the Offer Period by the Offeror or parties acting in concert with it.

The announcement must include details of any relevant securities (as defined in the Takeovers Code) in the Company which the Offeror or any parties acting in concert with it have borrowed or lent, save for any borrowed Shares which have been either on-lent or sold.

The announcement will also specify the percentages of the issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers.

APPENDIX I FURTHER TERMS AND PROCEDURES FOR ACCEPTANCE OF THE OFFERS

In computing the total number of Shares and principal amount of Convertible Loan represented by acceptances, only valid acceptances that are complete, in good order and fulfil the acceptance conditions set out in paragraph 1 of this appendix, and which have been received by the Registrar (as regards the Share Offer) or the Company (as regards the Convertible Loan Offer) respectively no later than 4:00 p.m. on the Closing Date, unless the Offers are extended or revised with the consent of the Executive, shall be included.

As required under the Takeovers Code, all announcements in relation to the Offers which the Executive and the Stock Exchange have confirmed that they have no further comments thereon must be made in accordance with the requirements of the Takeovers Code and the Listing Rules, where appropriate.

4. RIGHT OF WITHDRAWAL

Acceptance of the Offers tendered by the Independent Shareholders and the Convertible Loan Creditor(s) shall be irrevocable and cannot be withdrawn, except in the circumstances set out in sub-paragraph (a) below:

- (a) in the circumstances set out in Rule 19.2 of the Takeovers Code (which is to the effect that if the Offeror is unable to comply with any of the requirements of making announcements relating to the Offers as described under the paragraph headed “3. Announcements” above), the Executive may require that acceptors be granted a right of withdrawal, on terms acceptable to the Executive, until such requirements can be met.

In such case, when the Independent Shareholders and/or Convertible Loan Creditor(s) withdraw their acceptance(s), the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the Share certificate(s), certificate(s) of the Convertible Loan, and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required by the Company in respect thereof) lodged with the Forms of Acceptance to the relevant Independent Shareholder(s) and the Convertible Loan Creditor(s) at their own risks.

5. SETTLEMENT OF THE OFFERS

The Share Offer

Provided that a valid **WHITE** Form of Share Offer Acceptance and the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title and/or transfer receipt(s) (and/or any satisfactory indemnity or indemnities required by the Company in respect thereof) are complete and in good order in all respects and have been received by the Registrar before the close of the Share Offer, a cheque for the amount due to each accepting Independent Shareholder less seller’s ad valorem stamp duty in respect of the Offer Shares tendered by it/him/her under the Share Offer will be despatched to such Independent Shareholder by ordinary post at its/his/her own risk as soon as possible but in

any event within seven Business Days following the date of receipt by the Registrar of the duly completed and signed **WHITE** Form of Share Offer Acceptance and all the relevant documents to render the acceptance under the Share Offer complete valid and in compliance with Note 1 to Rule 30.2 of the Takeovers Code.

Settlement of the consideration to which any accepting Independent Shareholder is entitled under the Share Offer will be implemented in full in accordance with the terms of the Share Offer (save with respect to the payment of seller's ad valorem stamp duty), without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Independent Shareholder. Notwithstanding the above, the Company reserves the right to charge additional costs to any Independent Shareholder who purports to accept the Share Offer under circumstances calling for special treatment of the Registrar or the Company (such as on any purported loss of title certificates) requiring additional efforts and measures (and thereby additional costs and expenses such as legal costs, insurance premium or surety provided by reputable institutions acceptable to the Company) to cover any extra risks borne by the Registrar and the Company in handling such special requests of the accepting Independent Shareholders.

No fractions of a cent will be payable and the amount of consideration payable to an Independent Shareholder who accepts the Share Offer will be rounded up to the nearest cent.

The Convertible Loan Offer

Provided that a valid **BLUE** Form of Convertible Loan Offer Acceptance and the relevant certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required by the Company in respect thereof) are complete and in good order in all respects and have been received by the Company before the close of the Convertible Loan Offer, a cheque for the amount due to each of the Convertible Loan Creditor(s) who accepts the Convertible Loan Offer in respect of the Convertible Loan tendered by it/him/her under the Convertible Loan Offer will be dispatched to such Convertible Loan Creditor by ordinary post at its/his/her own risk as soon as possible but in any event within seven Business Days following the date of receipt by the Company of the duly completed and signed **BLUE** Form of Convertible Loan Offer Acceptance, and all the relevant documents to render the acceptance under the Convertible Loan Offer complete, valid and in compliance with Note 1 to Rule 30.2 of the Takeovers Code.

No fractions of a cent will be payable and the amount of cash consideration payable to a Convertible Loan Creditor who accepts the Convertible Loan Offer will be rounded up to the nearest cent.

6. OVERSEAS SHAREHOLDERS AND OVERSEAS CONVERTIBLE LOAN CREDITOR(S)

The Offeror intends to make the Offers available to all the Independent Shareholders and Convertible Loan Creditor(s), including the Overseas Shareholders and the Overseas Convertible Loan Creditor(s) who are resident outside Hong Kong.

The availability of the Offers to any Overseas Shareholders and Overseas Convertible Loan Creditor(s) may be affected by the applicable laws and regulations of their relevant jurisdictions of residence. Overseas Shareholders and Overseas Convertible Loan Creditor(s) should observe any applicable legal and regulatory requirements and, where necessary, consult their own professional advisers. It is the responsibilities of the Overseas Shareholders and Overseas Convertible Loan Creditor(s) who wish to accept the Share Offer and/or the Convertible Loan Offer (as the case may be) to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offers (including but not limited to the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required or the compliance with other necessary formalities, regulatory and/or legal requirements and the payment of any transfer or other taxes and duties due by such Overseas Shareholders and Overseas Convertible Loan Creditor(s) in respect of the acceptance of the Offers in such jurisdictions).

Any acceptance by any Overseas Shareholder and Overseas Convertible Loan Creditor will be deemed to constitute a representation and warranty from such Overseas Shareholder and Overseas Convertible Loan Creditor to the Offeror that such Overseas Shareholder and Overseas Convertible Loan Creditor has observed and are permitted under all applicable laws and regulations to receive and accept the Offers and any revision thereof, and that such Overseas Shareholder and Overseas Convertible Loan Creditor has obtained all requisite governmental, exchange control or other consents and have made all requisite regulations and filing in compliance with all necessary formalities and regulatory or legal requirements and have paid all transfer or other taxes and duties or other required payments due from such Overseas Shareholder and Overseas Convertible Loan Creditor in connection with such acceptance in such jurisdiction, and the such acceptance shall be valid and binding in accordance with all applicable laws and regulations. The Overseas Shareholders and Overseas Convertible Loan Creditor(s) should consult their professional advisers if in doubt.

7. TAX IMPLICATIONS

Independent Shareholders and Convertible Loan Creditor(s) are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offers. None of the Offeror, parties acting in concert with it, the Company, Messis Capital, Astrum or Lego and their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offers accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offers.

8. STAMP DUTY

Seller's ad valorem stamp duty payable by Independent Shareholders who accept the Share Offer calculated at a rate of 0.13% of the consideration payable by the Offeror in respect of the relevant acceptances of the Share Offer, or if higher, the market value of the Offer Shares subject to such acceptance as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong), will be deducted from the amount payable to those Independent Shareholders who accept the Share Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the Independent Shareholders who accept the Share Offer and pay the buyer's Hong Kong ad valorem stamp duty in connection with the acceptances of the Share Offer and the transfers of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

Seller's ad valorem stamp duty payable by the Convertible Loan Creditor(s) who accept the Convertible Loan Offer calculated at a rate of 0.13% of the consideration payable by the Offeror in respect of the relevant acceptances of the Convertible Loan Offer, or if higher, the market value of the Convertible Loan subject to such acceptance as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong), will be deducted from the amount payable to those Convertible Loan Creditor(s) who accept the Convertible Loan Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the Convertible Loan Creditor(s) who accept the Convertible Loan Offer and pay the buyer's Hong Kong ad valorem stamp duty in connection with the acceptances of the Convertible Loan Offer and the transfers of the Convertible Loan in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

9. NOMINEE REGISTRATION

To ensure equality of treatment of all Independent Shareholders and Convertible Loan Creditor(s), those Independent Shareholders and/or Convertible Loan Creditor(s) who hold Shares and/or Convertible Loan as nominees on behalf of more than one beneficial owner should, as far as practicable, treat the holding of such beneficial owner separately. In order for beneficial owners of Offer Shares and/or Convertible Loan whose investments are registered in the names of nominees to accept the Offers, it is essential that they provide instructions of their intentions with regard to the Offers to their nominees.

10. GENERAL

- (a) All communications, notices, Forms of Acceptance, Share certificate(s), certificate(s) of the Convertible Loan, transfer receipt(s), other document(s) of title (and/or any satisfactory indemnity or indemnities required by the Company in respect thereof) and remittances to settle the consideration payable under the Offers to be delivered by or sent to or from the Independent Shareholders and Convertible Loan Creditor(s) will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of the Offeror, parties acting in concert with it, the Company, the Offeror, Messis Capital, Astrum or Lego and any of their respective directors nor

APPENDIX I FURTHER TERMS AND PROCEDURES FOR ACCEPTANCE OF THE OFFERS

the Registrar or other parties involved in the Offers or any of their respective agents accept any liability for any loss in postage or any other liabilities that may arise as a result thereof.

- (b) The provisions set out in the Forms of Acceptance Forms part of the terms and conditions of the Offers.
- (c) The accidental omission to despatch this Composite Document and/or Forms of Acceptance or any of them to any person to whom the Offers are made will not invalidate the Offers in any way.
- (d) The Offers are, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.
- (e) Due execution of the Forms of Acceptance will constitute an authority to the Offeror, Messis Capital, Astrum or such person or persons as and the Offeror may direct to complete, amend and execute any document on behalf of the person or persons accepting the Offers and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as it may direct, the Offer Shares and the Convertible Loan in respect of which such person or persons has/have accepted the Offers.
- (f) By accepting the Offers, the Independent Shareholders and Convertible Loan Creditor(s) will sell their Offer Shares or Convertible Bonds (as the case may be) to the Offeror free from all Encumbrances whatsoever and together with all rights accruing or attaching thereto, including without limitation, the right to receive all dividends and distributions declared, paid or made, if any, on or after the date on which the Share Offer is made, being the date of the despatch of this Composite Document. The making of the Offers to a person with a registered address in a jurisdiction outside Hong Kong or who is a citizen, resident or national of a jurisdiction outside Hong Kong may be affected by the applicable laws of the relevant jurisdiction. Overseas Shareholders and Overseas Convertible Loan Creditor(s) with registered addresses in jurisdictions outside Hong Kong or who are citizens, residents or nationals of a jurisdiction outside Hong Kong should inform themselves about and observe any applicable legal requirements in their own jurisdictions.
- (g) Acceptance of the Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares or principal amount of Convertible Loan in respect of which as indicated in the Forms of Acceptance is the aggregate number of Shares or principal amount of Convertible Loan held by such nominee for such beneficial owner who is accepting the Offers.

APPENDIX I FURTHER TERMS AND PROCEDURES FOR ACCEPTANCE OF THE OFFERS

- (h) Any Independent Shareholder or Convertible Loan Creditor accepting the Share Offer and/or the Convertible Loan Offer, respectively, will be responsible for payment of any other transfer or cancellation or other taxes or duties payable in respect of the relevant jurisdiction due by such persons.
- (i) Reference to the Offers in this Composite Document and in the Forms of Acceptance shall include any extension or revision thereof.
- (j) All acceptances, instructions, authorities and undertakings given by the Independent Shareholders and/or Convertible Loan Creditor(s) in the Forms of Acceptance shall be irrevocable except as permitted under the Takeovers Code.
- (k) The English text of this Composite Document and the Forms of Acceptance shall prevail over their respective Chinese text for the purpose of interpretation.
- (l) The Offers are made in accordance with the Takeovers Code.

1. FINANCIAL SUMMARY

The following is a summary of certain audited consolidated financial information of the Group for the financial years ended 31 December 2019, 31 December 2020 and 31 December 2021, and certain unaudited consolidated financial information of the Group for the six months ended 30 June 2021 and 30 June 2022 as extracted from the annual reports of the Company for the years ended 31 December 2019, 31 December 2020 and 31 December 2021, and the interim report of the Company for the six months ended 30 June 2022, respectively:

	Year ended 31 December			Six months ended	
	2019	2020	2021	30 June	
	RMB'000 (audited)	RMB'000 (audited)	RMB'000 (audited)	RMB'000 (unaudited)	RMB'000 (unaudited)
Revenue	980,298	606,363	502,932	274,881	53,949
Gross profit/(loss)	103,087	23,894	58,766	82,645	(4,326)
Loss before income tax	(178,943)	(87,840)	(120,286)	(42,199)	(125,895)
Taxation credit/ (expenses)	38,253	(2,890)	(3,116)	(636)	–
Profit/(loss) for the year attributable to:					
– Shareholders	(140,436)	(91,192)	(121,508)	(41,780)	(123,990)
– Non-controlling interest	(254)	462	(1,894)	(1,055)	(1,905)
Consolidated net asset value/(liabilities) attributable to Shareholders	197,229	76,567	(49,541)	27,432	(149,656)
Total comprehensive profit/(loss) for the period attributable to:					
– Owners of the Company	(146,397)	(113,939)	(126,108)	(49,135)	(119,476)
– Non-controlling interest	(262)	438	(1,806)	(1,014)	(1,757)
Loss per share					
– Basic	(14.07)	(9.56)	(13.15)	(4.52)	(12.00)
– Diluted	(14.07)	(10.01)	(13.15)	(4.52)	(12.00)
Dividends					
– Dividends distributable to owners	–	–	–	–	–
– Dividends per share (HK cents)	–	–	–	–	–

Save as disclosed above, there were no items of income or expense which are material in respect of the financial statements of the Group for each of the financial years ended 31 December 2019, 31 December 2020 and 31 December 2021, and the unaudited consolidated financial statements of the Group for the six months ended 30 June 2022.

The consolidated financial statements of the Group for the three years ended 31 December 2019, 31 December 2020 and 31 December 2021 were audited by HLB Hodgson Impey Cheng Limited (“**HLB**”), the auditor of the Company. The opinions of HLB for each of the three years ended 31 December 2019, 31 December 2020 and 31 December 2021 are set out and extracted as follows:

(i) For the financial year ended 31 December 2019

The auditor’s reports issued by HLB in respect of the Group’s audited consolidated financial statements for the financial year ended 31 December 2019 did not contain any modified opinion or emphasis of matter. Without modifying its opinion, HLB indicated that there was material uncertainty related to going concern, the details of which are extracted from the annual report for the year ended 31 December 2019 as follows:

“MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2.1 in the consolidated financial statements, which indicates that the Group incurred a loss of approximately RMB140,690,000 for the year ended 31 December 2019 and, as of that date the Group had net current liabilities of approximately RMB156,731,000. As stated in Note 2.1, these events or conditions, along with other matters as set forth in Note 2.1, indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.”

(ii) For the financial year ended 31 December 2020

The auditor’s reports issued by HLB in respect of the Group’s audited consolidated financial statements for the financial year ended 31 December 2020 did not contain any modified opinion, emphasis of matter or material uncertainty related to going concern.

(iii) For the financial year ended 31 December 2021

The auditor's reports issued by HLB in respect of the Group's audited consolidated financial statements for the financial year ended 31 December 2021 contained a disclaimer of opinion on the basis of multiple uncertainties relating to going concern basis, the details of which are extracted from the annual report for the year ended 31 December 2021 as follows:

“DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Morris Home Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 73 to 211, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION**Multiple uncertainties relating to going concern basis**

We draw attention to Note 2.1 in the consolidated financial statements, which describe that the Group incurred a net loss of approximately RMB123,402,000 during the year ended 31 December 2021 and, as of that date, the Group's current liabilities exceeded its current assets and total liabilities exceeded its total assets by approximately RMB47,876,000 and RMB51,171,000 respectively. As at the same date, the Group's aggregate interest-bearing bank and other borrowings, lease liabilities and convertible loan liability amounted to approximately RMB64,616,000, RMB25,002,000 and RMB69,977,000, respectively, whilst its cash and cash equivalents amounted to approximately RMB13,485,000. The Group's convertible loan with outstanding principal amount of approximately RMB69,977,000 as at 31 December 2021, matured and fell due for repayment during the year ended 31 December 2021. These outstanding principal amount and related overdue interests on these convertible loan, amounting to approximately RMB72,875,000 in aggregate, were not repaid as at 31 December 2021 and at the date of this report.

The factors referred to above, along with other matters as described in Note 2.1 to the consolidated financial statements, indicate the existence of material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

The directors have implemented certain plans and measures to improve the Group's liquidity and financial position, which are set out in Note 2.1 to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on the outcomes of these measures, which are subject to multiple uncertainties, including (i) whether the Group is able to implement its cost control measures to attain positive cash flows from operations; (ii) whether the Group is successful in formulating pre-restructuring plans to resolve the debt positions; (iii) whether the Group is able to successfully negotiate with the convertible loan holder and bank to restructure and/or refinance these borrowings and secure necessary credit facilities to meet the Group's working capital and financial requirements in the near future; (iv) whether the Directors are successful in formulating alternatives to strengthen the capital base of the Company including the seeking of new investment and business opportunities; (v) whether the ultimate holding company of the Company will provide financial support to the Group to enable the Group to continue as a going concern and to settle the Group's liabilities as and when they fall due; (vi) whether the Group is successful in re-negotiating the repayment schedules with certain of its debtors and endeavouring to request them to repay the trade receivables, other receivables and amounts due from related companies in accordance with the repayment schedules agreed with them; and (vii) whether the Group is successful in proceeding and completing the subscription of shares by the Potential Subscriber in accordance with the memorandum of understanding dated 22 April 2022 as disclosed in the Company's announcement dated 22 April 2022 (the "**Possible Share Subscription**").

We have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves about the appropriateness of the use of the going concern basis of accounting in the preparation of the consolidated financial statements because of the lack of detailed analyses provided by management in relation to its plans and measures for future actions in its going concern assessment which take into account the uncertainty of outcome of these plans and measures and how variability in outcome would affect the future cash flows of the Group.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the carrying values of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in these consolidated financial statements and we were unable to determine whether such adjustments might have been found necessary."

2. CONSOLIDATED FINANCIAL STATEMENTS

The published consolidated financial statements of the Group for the financial years ended 31 December 2019, 31 December 2020 and 31 December 2021, together with significant accounting policies together with any points from the notes to the relevant published accounts which are of major relevance to an appreciation of the above financial information, and certain unaudited consolidated financial information of the Group for the six months ended 30 June 2021 and 30 June 2022 as extracted from the annual reports of the Company for the years ended 31 December 2019, 31 December 2020 and 31 December 2021, and the interim report of the Company for the six months ended 30 June 2022, respectively, can be accessed on both the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<http://www.morrishome.com.hk/>):

- (i) annual report of the Company for the year ended 31 December 2019 published on 15 May 2020, which can be accessed via the link at:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0515/2020051501169.pdf>

- (ii) annual report of the Company for the year ended 31 December 2020 published on 29 April 2021, which can be accessed via the link at:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0429/2021042901485.pdf>

- (iii) annual report of the Company for the year ended 31 December 2021 published on 13 May 2022, which can be accessed via the link at:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0513/2022051300536.pdf>

- (iv) interim report of the Company for the six months ended 30 June 2022 published on 30 September 2022, which can be accessed via the link at:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0930/2022093001037.pdf>

3. INDEBTEDNESS STATEMENT

As at the close of business on 31 July 2022, being the latest practicable date for the purpose of preparing this indebtedness statement, the Group had the following indebtedness:

	<i>RMB'000</i>
Carrying amounts:	
Interest-bearing bank borrowings	68,516
Lease liabilities	16,637
Amounts due to related companies	40,532
Convertible loan	69,955
	<hr/>
	195,640
	<hr/> <hr/>

Interest-bearing bank borrowings*RMB'000*

Bank loans – Secured and repayable within one year or on demand	<u><u>68,516</u></u>
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The Group's borrowing of approximately RMB68.5 million were secured by pledges of certain parcels of land and buildings which were provided by Morris PRC, personal guarantees provided by Controlling Shareholders, corporate guarantees provided by Morris PRC, corporate guarantees provided by Morris Real Estate, a company controlled by the Controlling Shareholders, corporate guarantees provided by independent third parties and pledges of certain properties which were provided by Morris Real Estate.

Lease liabilities

As at 31 July 2022, the Group had lease liabilities (comprising both current and non-current liabilities) of approximately RMB16,637,000.

Amounts due to related companies

The amount due to related companies are unsecured, interest-free and repayable on demand.

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of the business, the Group did not have any debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance leases, hire-purchase commitments, guarantees or other material contingent liabilities at the close of business on 31 July 2022.

4. MATERIAL CHANGE

Save as disclosed below which have been disclosed in the interim report of the Company for the six months ended 30 June 2022 (the “**Interim Report 2022**”), the Directors confirm that there had been no material change in the financial or trading position or outlook of the Group since 31 December 2021, being the date to which the latest published audited consolidated accounts of the Group were made up, and up to and including the Latest Practicable Date:

- (i) as disclosed in the Interim Report 2022, the Group recorded an unaudited net loss of approximately RMB125.9 million for the six months ended 30 June 2022 (the “**Current Period**”) as compared with that of approximately RMB42.8 million for the

six months ended 30 June 2021 (the “**Previous Period**”), which was mainly attributable to, among others, the following factors:

- (a) a decrease of revenue of the Group by approximately 80.4% from approximately RMB274.9 million for the Previous Period to approximately RMB53.9 million for the Current Period, which was mainly attributed to the decrease in revenue generated from sale of sofas, sofa covers and other furniture products resulted from the decrease in export business affected by the suspension of factories in the PRC in early 2022;
 - (b) a change from gross profit of the Group of approximately RMB82.6 million for the Previous Period to gross loss of the Group of approximately RMB4.3 million for the Current Period, which was primarily due to the clearance sales of finished goods during the Current Period;
 - (c) an increase in administrative expenses of the Group of approximately 72.6% from approximately RMB64.9 million for the Previous Period to approximately RMB112.0 million for the Current Period, which was primarily attributed to the reclassification of manufacturing related rental expenses from cost of sales to administrative expenses and the redundancy pay due to the suspension of factories in the PRC;
- (ii) as disclosed in the Interim Report 2022, the Group recorded an increase of consolidated net liabilities of approximately 198.8% from approximately RMB51.2 million as at 31 December 2021 to approximately RMB153.0 million as at 30 June 2022, which was mainly due to the increase in total current liabilities as resulted from the increase in other payables and accruals of the Group;
- (iii) the entering into of a placing agreement between Silverbricks Securities Company Limited as placing agent and the Company on 25 February 2022 (as supplemented on 28 February 2022) which had been completed on 23 March 2022, raising net proceeds of approximately HK\$23.7 million;
- (iv) the entering into of the Share Subscription Agreement on 26 May 2022 and the Placing Agreement on 5 August 2022 which had been completed on 10 October 2022, raising net proceeds of approximately HK\$105.4 million; and
- (v) the sanction by the People’s Court of Haining City in the PRC for the Relevant Subsidiaries in respect of the Pre-restructuring.

1. RESPONSIBILITY STATEMENT

Mr. Tse Kam Pang, the sole director of the Offeror accepts full responsibility for the accuracy of the information contained in this Composite Document (other than that relating to the Group) and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this Composite Document (other than those expressed by the Directors) have been arrived at after due and careful consideration, and there are no other facts not contained in this Composite Document the omission of which would make any statement in this Composite Document misleading.

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, details of interests in the Shares, underlying Shares, debentures or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company held or controlled by the Offeror and parties acting in concert with it (including Morris Capital which is presumed to be acting in concert with the Offeror under the Takeovers Code) were as follows:

Shareholders	Nature of interest	Number of Shares/ underlying Shares held <i>(Note 1)</i>	Percentage of Shares in issue
The Offeror <i>(Notes 2 & 3)</i>	Beneficial owner	1,300,000,000 (L)	47.27%
Morris Capital <i>(Notes 3 & 4)</i>	Beneficial owner	666,500,000 (L)	24.24%

Notes:

- The letter "L" denotes the person's long position in such Shares.
- Mr. Tse Kam Pang is the sole shareholder and sole director of the Offeror.
- Following the Share Subscription Completion and the Placing Completion and as at the Latest Practicable Date, each of the Offeror and Morris Capital held 20% or more of the issued share capital of the Company. Therefore, they are presumed to be acting in concert under class (1) of the definition of persons acting in concert under the Takeovers Code.
- Morris Capital is owned as to 85% of its shares by Mr. Zou Gebing (who is the chairman and chief executive officer of the Company and an executive Director) and as to 15% of its shares by Mr. Zou Gebing's spouse, Ms. Wu Xiangfei. Under Part XV of the SFO, Mr. Zou Gebing is therefore deemed, or taken to be, interested in the Shares held by Morris Capital.

Save as disclosed above, as at the Latest Practicable Date, none of the Offeror, Mr. Tse Kam Pang (the sole director of the Offeror) and parties acting in concert with them (including Morris Capital which is presumed to be acting in concert with the Offeror under the Takeovers Code) did not own, hold, control or have direction over any voting rights or rights over the

shares or convertible securities, options, warrants, derivatives or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company.

3. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS IN SECURITIES OF THE COMPANY

The Offeror confirms that, as at the Latest Practicable Date:

- (i) save for the entering into of the Share Subscription Agreement and the disposals of (i) 50,000,000 Shares on 11 January 2022 on market at the consideration between HK\$0.17 and HK\$0.18 per Share, and (ii) 33,500,000 Shares on 12 January 2022 on market at the consideration between HK\$0.21 and HK\$0.26 per Share by Morris Capital (which is presumed to be acting in concert with the Offeror following the Share Subscription Completion), none of the Offeror, Mr. Tse Kam Pang (the sole director of the Offeror) or parties acting in concert with them (including Morris Capital which is presumed to be acting in concert with the Offeror under the Takeovers Code and which has given the Irrevocable Undertaking) has dealt in any Shares, warrants, options, derivatives or other securities convertible into Shares during the Relevant Period;
- (ii) save as disclosed in the sub-section headed “Disclosure of Interest” in this Appendix III to this Composite Document (i.e. the 1,300,000,000 Shares held by the Offeror and the 666,500,000 Shares held by Morris Capital), none of the Offeror, Mr. Tse Kam Pang (the sole director of the Offeror) and/or parties acting in concert with them (including Morris Capital which is presumed to be acting in concert with the Offeror under the Takeovers Code and which has given the Irrevocable Undertaking) held, owned or had control or direction over any voting rights or rights over Shares or convertible securities, warrants, options or derivatives of the Company;
- (iii) save for the Irrevocable Undertaking given by Morris Capital, none of the Offeror and parties acting in concert with it had received any irrevocable commitment(s) to accept or reject the Offers;
- (iv) there was no outstanding derivative in respect of the securities of the Company entered into by the Offeror and/or parties acting in concert with it;
- (v) no arrangement of any kind referred to in Note 8 to Rule 22 of the Takeovers Code exists between a person on the one hand and the Offeror or any party acting in concert with it or any other associate of it on the other hand;
- (vi) there was no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the Shares which might be material to the Offers;

- (vii) save for change to Board composition arrangements under the Share Subscription Agreement as disclosed in the section headed “Proposed Change to Board Composition” contained in the “Letter from Messis Capital” in this Composite Document, there was no agreement, arrangement or understanding (including any compensation arrangement) that existed between the Offeror and any person acting in concert with it and any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Offers;
- (viii) there was no agreement or arrangement to which the Offeror and/or any party acting in concert with it is a party which relates to circumstances in which the Offeror may or may not invoke or seek to invoke a pre-condition or condition to the Offers;
- (ix) none of the Offeror and/or parties acting in concert with it had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, and none of them has dealt in any Shares, warrants, options, derivatives or other securities convertible into Shares during the Relevant Period;
- (x) there was no agreement, arrangement or understanding that any securities acquired by the Offeror in pursuance of the Offers would be transferred, charged or pledged to any other persons;
- (xi) no material contracts had been entered into by the Offeror in which any Director has a material personal interest;
- (xii) no benefit (other than statutory compensation) was or will be given to any Director as compensation for loss of office or otherwise in connection with the Offers;
- (xiii) save for the considerations paid by the Offeror to the Company under the Share Subscription Agreement, there was no other consideration, compensation or benefits in whatever form paid or to be provided by the Offeror and/or parties acting in concert with it to the Company or the Shareholders;
- (xiv) no Shares, convertible securities, warrants, options or derivatives of the Company was managed on a discretionary basis by any fund managers connected with the Offeror or any party acting in concert with any of them, and no such person had dealt in any Shares or convertible securities, warrants, options or derivatives of the Company during the Relevant Period;
- (xv) there is no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between the Offeror and/or any parties acting in concert with it on the one hand, and the Company, any Shareholders and any parties acting in concert with any of them on the other hand; and

- (xvi) there is no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (1) any Shareholder; and (2)(a) the Offeror and any party acting in concert with it, or (b) the Company, its subsidiaries or associated companies.

4. EXPERT'S QUALIFICATIONS AND CONSENT

The following are the qualifications of each of the experts who have been named in this Composite Document or who have given their opinion or advice, which is contained in this Composite Document:

Name	Qualifications
Messis Capital	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Messis Capital has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion herein of its letter reports or opinions, and references to its name in the form and context in which it appears.

5. MISCELLANEOUS

As at the Latest Practicable Date:

- (a) the principal members of the Offeror's concert group are the Offeror and Mr. Tse Kam Pang. The Offeror is wholly-owned by Mr. Tse Kam Pang, who is also the sole director of the Offeror. Following the Share Subscription and the Placing Completion and as at the Latest Practicable Date, Morris Capital and the Offeror are presumed to be parties acting in concert under the Takeovers Code;
- (b) the Offeror is Century Icon Holdings Limited, a company incorporated in the British Virgin Islands with limited liability. The registered office of the Offeror is situated at OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands. The correspondence address of the Offeror in Hong Kong is situated at No.1, DD 207, Lot 478, Tai Tung Wo Liu Village, Sai Kung, N.T., Hong Kong. As at the Latest Practicable Date, the sole director of the Offeror was Mr. Tse Kam Pang. The correspondence address of Morris Capital in Hong Kong is situated at Room 708-709, Laford Centre, 838 Lai Chi Kok Road, Cheung Sha Wan, Hong Kong;
- (c) The correspondence address of Mr. Tse Kam Pang is situated at No. 1, DD 207, Lot 478, Tai Tung Wo Liu Village, Sai Kung, N.T., Hong Kong;
- (d) the registered office of MESSIS CAPITAL is located at Room 1001, 10/F, OfficePlus @Wan Chai, No. 303 Hennessy Road, Wan Chai, Hong Kong;

- (e) the registered office of Astrum is located at Room 2704, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong; and
- (f) the English text of this Composite Document and the Acceptance Forms shall prevail over the Chinese text, in case of any inconsistency.

6. DOCUMENTS ON DISPLAY

Copies of the following documents will be available for inspection (i) at the principal place of business of the Company in Hong Kong at Room 708–709, Laford Centre, 838 Lai Chi Kok Road, Cheung Sha Wan, Hong Kong during normal business hours (9:30 a.m. to 5:00 p.m.) from Monday to Friday (except Saturdays, Sundays and public holidays); (ii) on the website of the Company (<http://www.morrishome.com.hk/>); and (iii) on the website of the SFC (<http://www.sfc.hk>), from the date of this Composite Document up to and including the Closing Date:

- (i) the memorandum and articles of association of the Offeror;
- (ii) the “Letter from Messis Capital”, the text of which is set out on pages 13 to 26 of this Composite Document; and
- (iii) the written consent referred to in the paragraph headed “4. Expert’s Qualifications and Consent” in this Appendix III.

1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than that relating to the Offeror and parties acting in concert with it) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than that expressed by the sole director of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document the omission of which would make any statement in this Composite Document misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date (assuming there is no other change in the total number of Shares) is as follows:

<i>Authorised</i>		<i>US\$</i>
<u>10,000,000,000</u>	Ordinary shares of US\$0.001 each	<u>10,000,000</u>
<i>Issued and fully paid</i>		
<u>2,750,000,000</u>	Ordinary shares of US\$0.001 each	<u>2,750,000</u>

All the existing Shares in issue are listed on the Stock Exchange and rank *pari passu* in all respect with each other including rights to dividends, voting and return of capital. Holders of the fully paid Shares are entitled to receive all dividends and distributions which are declared, made or paid. None of the securities of the Company are listed or dealt in on any other stock exchange and no such listing or permission to deal is being or is proposed to be sought.

Since 31 December 2021 (the date to which the latest published audited financial statements of the Company were made up) and up to the Latest Practicable Date, save as disclosed below, the Company had not issued nor agreed to issue any new Shares:

- (i) the allotment and issue of 1,300,000,000 Subscription Shares to the Offeror at the Share Subscription Price of HK\$0.063 per Subscription Share for the total Consideration of HK\$81,900,000 under the Share Subscription Agreement, which was completed on 10 October 2022;
- (ii) the placing of 250,000,000 Placing Shares to the Placees at the Placing Price of HK\$0.11 per Placing Share for the total consideration of HK\$27,500,000 under the Placing Agreement, which was completed on 10 October 2022;
- (iii) the placing of 200,000,000 new Shares at a price of HK\$0.12 per placing Share under general mandate, which was completed on 23 March 2022; and

- (iv) the placing of 200,000,000 new shares at a price of HK\$0.175 per placing Share under general mandate, which was terminated on 11 February 2022.

As at the Latest Practicable Date, the outstanding Convertible Loan owing to the Convertible Loan Creditor(s) was in the aggregate principal amount of HK\$81,439,031 convertible into 36,684,248 new conversion Shares at the conversion price of HK\$2.22 per Share, subject to adjustment. The Convertible Loan will mature on 28 June 2025. The outstanding principal amount together with related overdue interests and deferred amount under the Convertible Loan was approximately HK\$84 million as at the Latest Practicable Date.

As at the Latest Practicable Date, save as disclosed above, the Company did not have any derivatives, options, warrants and conversion rights or similar rights which are convertible or exchangeable into or affecting the Shares. Save as set out above, no share or loan capital of the Group had been put under option or agreed conditionally or unconditionally to be put under option as at the Latest Practicable Date.

3. MARKET PRICE

The table below shows the closing price per Share as quoted by the Stock Exchange on (i) the last trading day of each of the calendar months during the Relevant Period; (ii) the Last Trading Day and the last trading day before the date of the first announcement of the Company made pursuant to Rule 3.7 of the Takeovers Code; and (iii) on the Latest Practicable Date:

Date	Closing price per Share (HK\$)
29 October 2021	0.247
30 November 2021	0.168
31 December 2021	0.140
31 January 2022	0.097
28 February 2022	0.088
31 March 2022	0.137
20 April 2022 (the last trading day before the date of the first announcement of the Company made pursuant to Rule 3.7 of the Takeovers Code)	0.068
29 April 2022	0.089
26 May 2022 (the Last Trading Day)	0.155
31 May 2022	Trading Suspended
30 June 2022	Trading Suspended
29 July 2022	Trading Suspended
31 August 2022	0.170
30 September 2022	0.206
14 October 2022 (the Latest Practicable Date)	0.194

As at the Latest Practicable Date, the Convertible Loan had not been assigned or transferred.

The highest and lowest closing prices of the Shares recorded on the Stock Exchange during the Relevant Period were HK\$0.249 per Share on 11 January 2022 and HK\$0.050 per Share on 19 April 2022, respectively.

4. DISCLOSURE OF INTERESTS

(a) Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares or Debentures of the Company and its Associated Corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and short positions which were taken or deemed to have been taken under such provisions of the SFO); (ii) recorded in the register maintained by the Company pursuant to Section 352 of the SFO; (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as adopted by the Company; or (iv) disclosed in this Composite Document pursuant to the requirements of the Takeovers Code, were as follows:

(i) Long positions in the Shares and/or underlying shares of the Company

Name of Directors	Nature of Interest	Number of securities	Approximate percentage of the total issued Shares (Note 1)
Mr. Zou Gebing (Note 2)	Beneficial owner	666,500,000	24.24%

Notes:

- The approximate percentage was calculated on the basis of 2,750,000,000 Shares in issue as at the Latest Practicable Date.
- Morris Capital is owned as to 85% of its shares by Mr. Zou Gebing (who is the chairman and chief executive officer of the Company and an executive Director) and as to 15% of its shares by Mr. Zou Gebing's spouse, Ms. Wu Xiangfei. Under Part XV of the SFO, Mr. Zou Gebing is therefore deemed, or taken to be, interested in the Shares held by Morris Capital.

(ii) *Long positions in the shares and/or underlying shares of the Company's associated corporation*

Name of Associated Corporation	Name of Director	Capacity in which interests are held	Number of securities	Approximate percentage of shares <i>(Note 1)</i>
Morris Capital <i>(Note 2)</i>	Mr. Zou Gebing	Beneficial owner	85	85%

Notes:

1. The approximate percentage was calculated on the basis of 100 shares of Morris Capital in issue as at the Latest Practicable Date.
2. Morris Capital is owned as to 85% of its shares by Mr. Zou Gebing (who is the chairman and chief executive officer of the Company and an executive Director) and as to 15% of its shares by Mr. Zou Gebing's spouse, Ms. Wu Xiangfei. Under Part XV of the SFO, Mr. Zou Gebing is therefore deemed, or taken to be, interested in the Shares held by Morris Capital.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executives of the Company had any interest or short position in the Shares, underlying shares or debentures of the Company and any of its associated corporations which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have been taken under such provisions of the SFO); (ii) notified to the Company and the Stock Exchange pursuant to the Model Code adopted by the Company; (iii) entered in the register required to be kept under Section 352 of the SFO; or (iv) disclosed in this Composite Document pursuant to the requirements of the Takeovers Code.

(b) Substantial Shareholders' and Other Persons' Interests in Shares and Underlying Shares of the Company

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company based on the register maintained by the Company pursuant to Part XV of the SFO, other than the interests of the Directors and chief executives of the Company as disclosed above, Shareholders who had interests or short positions in the Shares or underlying shares of the Company of 5% or more which need to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register to be kept by the Company under Section 336 of the SFO, were as follows:

Long position in the Shares and/or underlying shares of the Company

Name of Shareholders	Capacity in which Shares are held	Number of Shares	Approximate percentage of total issued Shares (Note 1)
Morris Capital (Notes 2 & 4)	Beneficial owner	666,500,000	24.24%
Ms. Wu Xiangfei (Note 2)	Interest of spouse	666,500,000	24.24%
The Offeror (Notes 3 & 4)	Beneficial owner	1,300,000,000	47.27%
Mr. Tse Kam Pang (Note 3)	Interest of controlled corporation	1,300,000,000	47.27%

Notes:

- The approximate percentage was calculated on the basis of 2,750,000,000 Shares in issue as at the Latest Practicable Date.
- Morris Capital is owned as to 85% of its shares by Mr. Zou Gebing (who is the chairman and chief executive officer of the Company and an executive Director) and as to 15% of its shares by Mr. Zou Gebing's spouse, Ms. Wu Xiangfei. Under Part XV of the SFO, Mr. Zou Gebing is therefore deemed, or taken to be, interested in the Shares held by Morris Capital.
- Mr. Tse Kam Pang was the sole shareholder and sole director of the Offeror as at the Latest Practicable Date. Under Part XV of the SFO, Mr. Tse Kam Pang is therefore deemed, or taken to be, interested in the Shares held by the Offeror.
- Following the Share Subscription Completion and the Placing Completion and as at the Latest Practicable Date, each of the Offeror and Morris Capital held 20% or more of the issued share capital of the Company. Therefore, they are presumed to be acting in concert under class (1) of the definition of acting in concert in the Takeovers Code.

Save as disclosed above, as at the Latest Practicable Date, based on the register maintained by the Company pursuant to Part XV of the SFO, other than the interests of the Directors and chief executives of the Company as disclosed above, there were no Shareholders who had interests or short positions in the Shares or underlying shares of the Company of 5% or more which need to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register to be kept by the Company under Section 336 of the SFO.

5. DEALINGS IN SECURITIES OF THE COMPANY

As at the Latest Practicable Date:

- (i) save for the disposals of (a) 50,000,000 Shares on 11 January 2022 on market at the consideration between HK\$0.17 and HK\$0.18 per Share, and (b) 33,500,000 Shares on 12 January 2022 on market at the consideration between HK\$0.21 and HK\$0.26 per Share by Morris Capital, none of the Directors or companies owned or controlled by them have dealt for value in any Shares, options, derivatives, warrants or other securities convertible into the Shares or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period;
- (ii) none of the Company nor any of the Directors or companies owned or controlled by them had dealt for value in any shares, convertible securities, warrants, options or derivatives of the Offeror and parties acting or presumed to be acting in concert with it during the Relevant Period;
- (iii) the Company and the Directors did not hold, control, have direction over or have any interest in any shares and any convertible securities, options, warrants, derivatives or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Offeror;
- (iv) save for the section headed “4. Disclosure of Interests” in this Appendix IV, none of the Directors held, controlled, had direction over, or had any interest in any Shares or convertible securities, options, warrants, derivatives or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;

6. OTHER DISCLOSURE OF INTERESTS

As at the Latest Practicable Date:

- (i) none of the subsidiaries of the Company or any pension funds of the Group or a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” or an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (but excluding exempt principal traders and exempt fund managers) owned or controlled any Shares

or any convertible securities, warrants, options or derivatives in respect of any Shares, and they had not dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeover Code) of the Company during the Relevant Period;

- (ii) no persons who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” or who is an associate of the Company by virtue of classes (2), (3) or (4) of the definition of “associate” under the Takeovers Code or any other associate of the Company owned, controlled or dealt for value in any Shares or any convertible securities, warrants, options or derivative of the Company, and no such person had dealt for value in the relevant securities (as defined in Note 4 to Rule 22 of the Takeover Code) of the Company during the Relevant Period;
- (iii) no Shares or any convertible securities, warrants, options or derivatives issued by the Company was managed on a discretionary basis by fund managers (other than exempted fund managers) (if any) connected with the Company, and no such person had dealt in the relevant securities (as defined in Note 4 to Rule 22 of the Takeover Code) of the Company during the Relevant Period;
- (iv) no agreement, arrangement or understanding (including any compensation arrangement) existed between (A) the Offeror or any parties acting in concert with them, and (B) any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or which was conditional or dependent on the outcome of the Offers;
- (v) save for the Company procuring certain of its existing Directors to resign as Directors (to be further determined or identified upon or after the close of the Offers) as agreed between the Company and the Offeror pursuant to the Share Subscription Agreement and as set out in the section headed “Proposed Change to Board Composition” in the “Letter from Messis Capital” as set out in this Composite Document, there was no agreement or arrangement between any Directors and any other person which is conditional on or dependent upon the outcome of the Offers or is otherwise connected with the Offers;
- (vi) save for the Irrevocable Undertaking, no material contract had been entered into by the Offeror in which any Director has a material personal interest;
- (vii) no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company had been borrowed or lent by any of the Directors or the Company, save for those which have been either on-lent or sold; and
- (viii) save for Mr. Zou Gebing (whose wholly-owned company Morris Capital has given the Irrevocable Undertaking, the details of which are set out in the section headed “Irrevocable Undertaking in relation to the Share Offer” in the “Letter from Messis

Capital” as set out in this Composite Document), none of the Directors owns or controls any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company which would otherwise entitle them to accept or reject the Offer.

7. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into service contract with the Company, or any of its subsidiaries or associated companies which:

- (i) (including both continuous and fixed term contracts) had been entered into or amended within 6 months before the commencement of the Offer Period;
- (ii) was a continuous contract with a notice period of 12 months or more; or
- (iii) was a fixed term contract with more than 12 months to run irrespective of the notice period.

No benefit (save for any statutory compensation required under appropriate laws) will be or had been given to any Director as compensation for loss of office or otherwise in connection with the Offers.

8. LITIGATION

As at the Latest Practicable Date, so far as the Directors were aware, no member of the Group was engaged in any litigation or arbitration or claim of material importance and so far as the Directors were aware, there was no litigation or claim of material importance pending or threatened by or against any member of the Group.

9. MATERIAL CONTRACTS

The following contracts (not being contracts entered in the ordinary course of business of the Group) have been entered into by the members of the Group within two years immediately preceding the date of commencement of the Offer Period and up to and including the Latest Practicable Date and which are, or may be, material:

- (a) the project land transfer agreement dated 19 June 2020 entered into between Fashion Home as vendor and 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 purchaser in relation to the transfer of the land use right of a plot of 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 the buildings being constructed thereon for the aggregate consideration of RMB95.7 million (HK\$105.3 million);

- (b) the lease agreements entered into by Fashion Home (as tenant) and 慕容集團有限公司 (Morris Group Co., Ltd, “**Morris PRC**”) (as landlord) on 23 September 2020 for the lease of properties for a term of three years (the “**2020 Lease Agreements**”) for the annual rent of RMB14,383,488;
- (c) the lease renewal agreement dated 8 July 2020 (the “**2020 Lease Renewal Agreement**”) entered into by Fashion Home (as tenant) and Morris PRC (as landlord) to agree on the signing of the 2020 Lease Agreements;
- (d) the supplemental agreement dated 21 August 2020 entered into between Fashion Home and Morris PRC to modify and supplement the 2020 Lease Renewal Agreement;
- (e) the share purchase agreement dated 8 January 2021 entered into between Morris International Group Limited (慕容國際集團有限公司, a direct wholly-owned subsidiary of the Company) as vendor and Morris Capital as purchaser in relation to the disposal of the entire issued share capital of Masia Investment Limited (美亞投資有限公司) at the consideration of US\$5.513 million (approximately RMB36 million);
- (f) the share charge over the 100 ordinary Shares of US\$1 each of Masia Investment Limited (美亞投資有限公司) executed by Morris Capital in favour of Morris International Group Limited (慕容國際集團有限公司, a direct wholly-owned subsidiary of the Company) on 9 March 2021;
- (g) the agreement entered into between Silverbricks Securities Company Limited as placing agent and the Company dated 18 January 2022 in relation to the best-effort placing of up to 200,000,000 placing shares at the placing price of HK\$0.175 per placing share, which was subsequently terminated on 11 February 2022;
- (h) the agreement entered into between Silverbricks Securities Company Limited as placing agent and the Company dated 25 February 2022 in relation to the best-effort placing of up to 200,000,000 placing shares at the placing price of HK\$0.12 per placing share (the “**2022 Feb Placing Agreement**”);
- (i) the supplemental placing agreement dated 28 February 2022 pursuant to which the parties thereto agreed to, among other things, amend and supplement the terms of the 2022 Feb Placing Agreement;
- (j) the MOU;
- (k) the Share Subscription Agreement;
- (l) the Supplemental Share Subscription Agreement; and
- (m) the Placing Agreement.

10. EXPERT'S QUALIFICATIONS AND CONSENTS

The following are the qualifications of the expert who has given its opinions and advices which are included in this Composite Document:

Name	Qualifications
Lego Corporate Finance Limited	a licensed corporation under the SFO to carry out Type 6 (advising on corporate finance) regulated activity as defined in the SFO

The above expert has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of its letter of advice in the form and context in which it is included and all references to its name in the form and context in which they respectively appear.

11. GENERAL

The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The head office and principal place of business of the Company in Hong Kong is located at Room 708–709, Laford Centre, 838 Lai Chi Kok Road, Cheung Sha Wan, Hong Kong.

The Company's branch share registrar and transfer office in Hong Kong is Tricor Investor Services Limited, whose address is at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

The registered office of Lego, the Independent Financial Adviser, is at Room 1601, 16/F, China Building, 29 Queen's Road Central, Central, Hong Kong.

The English text of this Composite Document shall prevail over the Chinese text in case of inconsistency.

12. DOCUMENTS ON DISPLAY

Copies of the following documents will be available for inspection (i) at the principal place of business of the Company in Hong Kong at Room 708–709, Laford Centre, 838 Lai Chi Kok Road, Cheung Sha Wan, Hong Kong during normal business hours (9:30 a.m. to 5:00 p.m.) from Monday to Friday (except Saturdays, Sundays and public holidays); (ii) on the website of the Company (<http://www.morrishome.com.hk/>); and (iii) on the website of the SFC

(<http://www.sfc.hk>), from the date of this Composite Document up to and including the Closing Date:

1. this Composite Document and the accompanying Forms of Acceptance;
2. the amended and restated memorandum and articles of association of the Company;
3. the published annual reports of the Company containing audited consolidated financial statements of the Company for the three financial years ended 31 December 2019, 31 December 2020 and 31 December 2021;
4. the published interim report of the Company containing unaudited consolidated financial statements of the Company for the six months ended 30 June 2022;
5. the “Letter from the Board”, the text of which is set out on pages 27 to 41 of this Composite Document;
6. the “Letter from the Independent Board Committee”, the text of which is set out on pages 42 to 43 of this Composite Document;
7. the “Letter from the Independent Financial Adviser”, the text of which is set out on pages 44 to 63 of this Composite Document;
8. the written consents referred to in the paragraph headed “10. Experts’ Qualifications and Consents” in this Appendix IV;
9. the material contracts referred to in the paragraph headed “9. Material Contracts” in this Appendix IV;
10. the Irrevocable Undertaking;
11. the Share Subscription Agreement;
12. the Supplemental Share Subscription Agreement; and
13. the Placing Agreement.