

TARGET

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MORRIS HOME HOLDINGS LTD: CAN THIS COMPANY SURVIVE ? AND, EVEN IF IT DOES SURVIVE, WHO WILL, EVENTUALLY, BE HOLDING THE REINS OF POWER ?

Whether or not Morris Home Holdings Ltd (慕容家居控股有限公司) (Code: 1575, Main Board, The Stock Exchange of Hongkong Ltd) will be able to brave its present, grave financial situation, it is open to anybody, who would care to hypothesise, as to what will be the end result.

But, that which is fact is that this manufacturer of sofas and sofa covering is staring at the muzzle-end of a loaded financial firearm.

Morris Home Holdings Ltd went public on the premier equity market of the **Hongkong Special Administrative Region (HKSAR)** of the **People's Republic of China (PRC)** on January 12, 2017, but, within 48 months of its entrance as a Main Board Company, very unwelcome events, clearly, started to unravel.

For the three Financial Years, ended December 31, 2021, the Company's Revenue fell through the proverbial floorboards, so to speak, by about 477,366,000.00 **renminbi (RMB)** to RMB502,932,000.00.

For the three Financial Years, ended December 31, 2021, the Net Losses Attributable to Shareholders amounted to RMB354,822,000.00.

Shareholders' Funds (Total Equity) fell into the negative figures of RMB51,171,000.00 – for the first time!

On May 10, 2022, HLB Hodgson Imprey Cheng Ltd (國衛會計師事務所有限公司), the Independent Auditor of Morris Home Holdings Ltd, went on record, stating, inter alia:

'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.'

Under the subheading, '**Multiple uncertainties relating to going concern basis**', found at Page 69 of the 2021 Annual Report of Morris Home Holdings Ltd, HLB Hodgson Imprey Cheng Ltd stated, definitively, the following:

'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 ...'.

HLB Hodgson Imprey Cheng Ltd signed off on Tuesday, May 10, 2022.

Three days later, on Friday, May 13, 2022, Mr Zou Ge Bing (鄒格兵), the Chairman of the Board of Directors, Chief Executive Officer and Executive Director of Morris Home Holdings Ltd, caused to publish and disseminate the following announcement:

**(1) INSIDE INFORMATION
RESTRUCTURING PROPOSAL FOR TWO SUBSIDIARIES
AND
(2) MONTHLY UPDATE ANNOUNCEMENT PURSUANT TO
RULE 3.7 OF THE TAKEOVERS CODE**

'This announcement is made by Morris Home Holdings Limited (the "Company", together with its subsidiaries, the "Group") pursuant to Rules 13.09 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities of Futures Ordinance (Cap 571 of the laws of Hong Kong) (the "SFO") and Rule 3.7 of the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code").

*‘Reference is made to the (i) announcement of the Company dated 22 April 2022 in relation to a memorandum of understanding (the “**Memorandum**”) entered into between the Company and a potential subscriber in relation to the possible issue and subscription of 1,300,000,000 new shares of the Company; and (ii) the announcement of the Company dated 19 January 2022 (the “**Announcements**”) in relation to the pre-restructuring applications filed by Zhejiang Apollo Leather Products Co., Ltd. (浙江阿波羅皮革製品有限公司) and Zhejiang Morris Fashion Home Co., Ltd. (浙江慕容時尚家居有限公司) (collectively, the “**Relevant Subsidiaries**”) with the People’s Court of Haining City (the “**Court**”) on 19 January 2022 ... [CLICK TO ORDER FULL ARTICLE](#)*

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