



MORRIS
HOLDINGS LIMITED

GLOBAL
LEADER IN
THE UPHOLSTERED
SOFA INDUSTRY

軟體沙發行業的
全球領導者

MORRIS HOLDINGS LIMITED
慕容控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)

Stock code 股份代號: 1575

ANNUAL REPORT 2018
年報



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BOARD OF DIRECTORS

Executive Directors

Mr. ZOU Gebing (Chairman and Chief Executive Officer)
Mr. ZENG Jin
Mr. SHEN Zhidong
Mr. WU Yueming (appointed on 6 June 2018)
Mr. CHEN Guohua (retired on 17 May 2018)

Independent Non-executive Directors

Mr. LIU Haifeng
Mr. PANG Wing Hong (appointed on 12 April 2019)
Mr. CHU Guodi (appointed on 28 May 2019)
Mr. SHAO Shaomin (resigned on 29 March 2019)
Mr. HUANG Wenli (resigned on 28 May 2019)

AUDIT COMMITTEE

Mr. PANG Wing Hong (Chairman, appointed on 12 April 2019)
Mr. LIU Haifeng
Mr. CHU Guodi (appointed on 28 May 2019)
Mr. SHAO Shaomin (Chairman, resigned on 29 March 2019)
Mr. HUANG Wenli (resigned on 28 May 2019)

REMUNERATION COMMITTEE

Mr. CHU Guodi (Chairman, appointed on 28 May 2019)
Mr. LIU Haifeng
Mr. PANG Wing Hong (appointed on 12 April 2019)
Mr. HUANG Wenli (Chairman, resigned on 28 May 2019)
Mr. SHAO Shaomin (resigned on 29 March 2019)

NOMINATION COMMITTEE

Mr. LIU Haifeng (Chairman)
Mr. PANG Wing Hong (appointed on 12 April 2019)
Mr. CHU Guodi (appointed on 28 May 2019)
Mr. SHAO Shaomin (resigned on 29 March 2019)
Mr. HUANG Wenli (resigned on 28 May 2019)

COMPANY SECRETARY

Ms. HO Ka Yan (resigned on 28 February 2019)

AUTHORISED REPRESENTATIVES

Mr. SHEN Zhidong (appointed on 17 May 2018)
Mr. WU Yueming (appointed on 28 February 2019)

AUDITORS

HLB Hodgson Impey Cheng Limited
(appointed on 21 May 2019)
Ernst & Young (resigned on 21 May 2019)

董事會

執行董事

鄒格兵先生(主席兼行政總裁)
曾金先生
沈志東先生
吳月明先生(於2018年6月6日獲委任)
陳國華先生(於2018年5月17日退任)

獨立非執行董事

劉海峰先生
彭永康先生(於2019年4月12日獲委任)
褚國弟先生(於2019年5月28日獲委任)
邵少敏先生(於2019年3月29日辭任)
黃文禮先生(於2019年5月28日辭任)

審核委員會

彭永康先生(主席, 於2019年4月12日獲委任)
劉海峰先生
褚國弟先生(於2019年5月28日獲委任)
邵少敏先生(主席, 於2019年3月29日辭任)
黃文禮先生(於2019年5月28日辭任)

薪酬委員會

褚國弟先生(主席, 於2019年5月28日獲委任)
劉海峰先生
彭永康先生(於2019年4月12日獲委任)
黃文禮先生(主席, 於2019年5月28日辭任)
邵少敏先生(於2019年3月29日辭任)

提名委員會

劉海峰先生(主席)
彭永康先生(於2019年4月12日獲委任)
褚國弟先生(於2019年5月28日獲委任)
邵少敏先生(於2019年3月29日辭任)
黃文禮先生(於2019年5月28日辭任)

公司秘書

何家欣女士(於2019年2月28日辭任)

授權代表

沈志東先生(於2018年5月17日獲委任)
吳月明先生(於2019年2月28日獲委任)

核數師

國衛會計師事務所有限公司
(於2019年5月21日獲委任)
安永會計師事務所(於2019年5月21日辭任)

Corporate Information 公司資料

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P. O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East Hong Kong

REGISTERED OFFICE

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

HEADQUARTERS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2001, 20/F, Citicorp Centre,
18 Whitfield Road, Causeway Bay,
Hong Kong

COMPLIANCE ADVISER

GF Capital (Hong Kong) Limited
29-30/F, Li Po Chun Chambers
189 Des Voeux Road Central Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Citibank
Industrial and Commercial Bank of China (Asia) Limited
Bank of Jiaxing
Agricultural Bank of China Limited
Taishin International Bank
China Merchants Bank Co., Ltd.

STOCK CODE

01575

WEBSITE

www.morrisholdings.com.hk

開曼群島主要股份過戶登記總處

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P. O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

香港股份過戶登記分處

卓佳證券登記有限公司
香港皇后大道東 183 號
合和中心 54 樓

註冊辦事處

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

中國總部

中國浙江省
海寧經濟開發區
由拳路 500 號

香港主要營業地點

香港
銅鑼灣威非路道 18 號
萬國寶通中心 20 樓 2001 室

合規顧問

廣發融資(香港)有限公司
香港德輔道中 189 號
李寶椿大廈 29 至 30 樓

主要往來銀行

中國銀行(香港)有限公司
花旗銀行
中國工商銀行(亞洲)有限公司
嘉興銀行
中國農業銀行股份有限公司
台新國際商業銀行
招商銀行股份有限公司

股份代號

01575

公司網站

www.morrisholdings.com.hk

Financial Highlights

財務摘要

- Revenue increased by approximately 13.7% to approximately RMB1,610.0 million in 2018 (2017: approximately RMB1,416.4 million)
- 2018年收入增加約13.7%至約人民幣1,610.0百萬元(2017年：約人民幣1,416.4百萬元)
- Gross profit decreased by approximately 10.6% to approximately RMB428.0 million in 2018 (2017: approximately RMB478.5 million)
- 2018年毛利減少約10.6%至約人民幣428.0百萬元(2017年：約人民幣478.5百萬元)
- Profit for the year decreased by approximately 40.7% to approximately RMB86.4 million in 2018 (2017: approximately RMB145.7 million)
- 2018年年內溢利減少約40.7%至約人民幣86.4百萬元(2017年：約人民幣145.7百萬元)
- Basic earnings per share decreased by approximately 41.1% to approximately RMB8.64 cents in 2018 (2017: approximately RMB14.68 cents)
- 2018年每股基本盈利減少約41.1%至約人民幣8.64分(2017年：約人民幣14.68分)
- The Board proposed to declare final dividend of HK1.3 cents per ordinary share (2017: HK3.8 cents) for the year ended 31 December 2018
- 董事會擬就截至2018年12月31日止年度宣派末期股息每股普通股1.3港仙(2017年：3.8港仙)

Chairman's Statement

主席報告書

Dear Shareholders,

On behalf of the board (the “**Board**”) of directors (the “**Directors**”) of Morris Holdings Limited (the “**Company**”), I am pleased to present the annual report of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2018 (“**2018**” or the “**Reporting Period**”) to the shareholders of the Company (the “**Shareholders**”).

BUSINESS REVIEW

After over ten years of rapid and steady development, the Company has successfully shifted from M (manufacturing) oriented to B (brand) oriented.

In 2002, the Company commenced its original equipment manufacturing (OEM) sofa business, and laid a solid foundation for production and tapped into overseas markets through cooperation with internationally renowned brands. In 2008, the Group then commenced its original design production (ODM) business. With years of experience and by focusing on research and development and innovation, the Group commenced its original brand production (OBM) business and took the first step to launch its self-owned brand in 2013. Following its listing on the Main Board of The Hong Kong Stock Exchange Limited (the “**Stock Exchange**”) in 2017, the Group accelerated its pace of development and developed its own retail channels in 2018.

Under my leadership, the Group has achieved fruitful results by gradually transforming from an original equipment manufacturing (OEM) company to an enterprise with self-owned brands and smart manufacturing technologies. From 2013 to 2018, the proportion of the Group's self-owned brands to OEM has significantly increased, demonstrating the strength of the Group's self-owned brands.

各位股東，

本人謹代表慕容控股有限公司(「**本公司**」)董事(「**董事**」)會(「**董事會**」)欣然向本公司各位股東(「**股東**」)提呈本公司及其附屬公司(「**本集團**」)截至2018年12月31日止年度(「**2018年**」或「**報告期間**」)的年報。

業務回顧

經過十多年的快速穩健發展，本公司成為實現從M(製造)走向B(品牌)的企業。

本公司在2002年開展貼牌生產(OEM)沙發業務，通過與國際知名品牌合作，為生產能力奠下堅實基礎，亦打開了通往海外市場的大路。隨後在2008年，本集團開展原設計生產(ODM)業務。經過多年的經驗累積，及一貫注重研發創新的精神，本集團在2013年開展原品牌生產(OBM)業務，邁出「自主品牌」的第一步。2017年本集團在香港聯合交易所有限公司(「**聯交所**」)主板上市，隨即加快發展步伐，並在2018年掌握自主零售渠道。

本人帶領本集團由貼牌生產(OEM)的企業，走向擁有「自主品牌」、「智能製造」的企業，循序漸進，碩果累累。從2013年到2018年，本集團自有品牌與OEM的比例大幅上升，印證本集團自有品牌轉型之路的實力。

Chairman's Statement

主席報告書

During the year, the Group successfully completed one of its major tasks by acquiring all the issued and outstanding common stock of Jennifer Convertibles Inc. (“**Jennifer Convertibles**”), a well-known U.S. furniture chain with a long history, and quickly absorbing its overseas self-owned retail channels. In order to build an international furniture brand, the Group must develop its own sales channels, so as to fully implement its brand strategies for in-depth development and enhance its market position and bargaining power in the industry chain. Acquisition of Jennifer Convertibles marked an important milestone to further raise its bargaining power in the international market. The brand building of Morrisofa represented another significant step for brand development of the Company. In addition, thanks to the unwavering efforts of the management of the Company in the past year, the team building, channel construction and market and product positioning in the domestic market began to take shape, laying a solid foundation for future development.

OUTLOOK

Looking forward to 2019, I will continue to lead all staff of the Company to step onto the international stage and develop its self-owned brands, aiming at becoming a well-known furniture brand enterprise in the world.

For external strategies, the Group will actively develop its business, consolidate its existing market in North America and strive to expand its original brand retail channels. At the same time, the Group will also actively explore other overseas markets, diversify its risks and further internationalize the products and brands of the Company. Furthermore, building on its solid foundation in the domestic market, the Company is looking for a fast-growing business model to promote its new products and brand concepts to a wider range of young consumers. For internal strategies, the Company plans to set up a new production plant to be named the “Morris Center”, enhance its production capacity and technologies, actively focus on internal informatization, improve its employee performance review system, and strengthen the production management and quality supervision systems of its factories, so as to enhance its internal operational efficiency and create higher benefits.

年內，本集團收購美國知名老牌傢俱連鎖店 Jennifer Convertibles Inc. (「**Jennifer Convertibles**」) 全部已發行及發行在外的普通股，迅速收納海外自主零售渠道，圓滿完成今年其中一項重要工作。要打造國際傢俱品牌，必須要掌握自主銷售渠道，以致可以全面推進其品牌策略邁向縱深發展，增強在產業鏈中的地位和議價能力。Jennifer Convertibles 的併入是進一步搶佔國際市場話語權的重要里程碑，慕容沙發的品牌建設是本公司邁進品牌發展的另一重要步伐。另外，在內銷市場方面，經過本公司管理層過去一年的努力，在團隊建設、渠道建設、市場和產品定位上的運作已具雛形，為日後擴張業務打下堅固的基礎。

展望

展望2019年，本人會繼續努力帶領本公司全體員工，走向國際化和走向自主品牌的道路，目標把本公司打造成世界知名的傢俱品牌企業。

對外，本集團會積極向外擴張，強化北美的原有市場，並努力實現原品牌零售渠道擴張的目標；同時，積極開拓其他海外市場，分散風險同時把本公司產品和品牌進一步國際化；另外，基於國內市場的穩健基礎上，尋找快速增長的經營模式，把本公司嶄新的產品和品牌理念推廣給更廣大的年輕消費群體。對內，計劃建設名為「慕容中心」的新生產廠房，提升產能和技術；積極進行內部信息化建設、完善員工績效審核制度、強化工廠生產管理和質量監管制度等，旨意提高本公司內部的營運效率，創造更高的效益。

Chairman's Statement 主席報告書

In addition, the Company will continue to build its corporate culture, and turn the Company into a platform for its employees to showcase their talents, turn the jobs into the careers of its staff and turn the products into the works of its workers. Meanwhile, the Group will continue to promote its management concept and core values, namely the "Five Hearts of Morris", with an aim to provide all its staff a pleasant working environment, healthy and promising future and happy life achieved from their hard work.

I would like to reiterate my sincere gratitude to the Shareholders for their faith in the Company. I strongly believe the market will ultimately reward the Group's long-term thinking and strategy will generate greatest results.

Zou Gebing

Chairman and Executive Director
Hong Kong, 10 July 2019

另外，本人將繼續推行本公司的文化建設，把本公司變成員工施展才能的平台、把工作變成員工們的事業、把產品變成工人們的作品；同時繼續推廣「五心慕容」管理理念及核心價值，讓本公司員工可以在愉快的工作環境中工作、可以在掌握健康發展的未來和享受勞動成果帶來的幸福生活。

本人謹此再次衷心感激股東對本公司的信任。本人堅信，本集團著眼長遠最終將獲得市場回報，而我們的策略亦將帶來最佳成果。

主席兼執行董事

鄒格兵

香港，2019年7月10日

Profile of Directors and Senior Management

董事與高級管理層履歷

EXECUTIVE DIRECTORS

Mr. Zou Gebing, aged 42, is the chairman and CEO of the Group and was appointed as an executive Director on 18 March 2016. He is responsible for overseeing and mapping the Group's growth strategy and overall management.

Prior to joining the Group, he was the marketing and development manager in Zhejiang Kasen Industrial Group Co., Ltd., and was deputy general manager in Hongyang Group Co., Ltd., from July 1997 to March 2000 and from May 2000 to March 2002, respectively, and had been mainly responsible for exploration and development of overseas markets of sofas and other furniture. He joined Morris Group Co., Ltd. ("**Morris PRC**") as part of its management team in May 2002, served as its vice chairman and general manager since February 2005, and became the chairman of Morris PRC in January 2012.

Mr. Zou obtained a bachelor's degree in English from Shanghai International Studies University in the PRC in July 1997 and a master's degree in business administration for senior management from Zhejiang University in the People's Republic of China (the "**PRC**") in March 2007. He had also served as a corporate tutor for MBA postgraduates in the Management School of Zhejiang University from April 2007 to March 2012. Mr. Zou was accredited as a senior economist by the Senior Economist Qualification Committee of Zhejiang Province in December 2007.

With over 17 years of industry experience as mentioned above, Mr. Zou is an experienced entrepreneur in furniture manufacturing related businesses.

Mr. Zou's spouse, Ms. Wu Xiangfei (one of the controlling shareholders of the Company), is a cousin of Mr. Shen's spouse.

執行董事

鄒格兵先生，42歲，為本集團主席兼行政總裁，於2016年3月18日獲委任為執行董事。彼負責監管及制定本集團的增長策略及整體管理。

於加入本集團之前，彼自1997年7月至2000年3月及自2000年5月至2002年3月分別於浙江卡森實業集團有限公司及海寧宏洋集團有限公司擔任營銷與發展經理及副總經理，主要負責海外沙發及其他傢俱市場的拓展及開發。彼於2002年5月加入慕容集團有限公司（「**慕容中國**」）的管理團隊，自2005年2月起擔任副主席兼總經理，並於2012年1月成為慕容中國的主席。

鄒先生於1997年7月及2007年3月分別獲得中華人民共和國（「**中國**」）上海外國語大學英語學士學位及中國浙江大學工商管理高級管理碩士學位。彼自2007年4月至2012年3月亦擔任浙江大學管理學院的MBA研究生企業導師。鄒先生於2007年12月獲得浙江省高級經濟師資格評審委員會授予高級經濟師資格。

憑藉上述逾17年的行業經驗，鄒先生已成為傢俱製造相關行業資深的企業家。

鄒先生的配偶、本公司控股股東鄒向飛女士為沈先生的配偶的表姊妹。

Profile of Directors and Senior Management 董事與高級管理層履歷

Mr. Zeng Jin, aged 45, is the senior vice president and head of production and quality management of the Group and was appointed as an executive Director on 18 March 2016. He is responsible for overseeing production planning and manufacturing and quality management the Group. He has extensive experience in production and quality management.

Prior to joining the Group, he had worked as a technician in Shanghai Hongdun Anti-Counterfeit Material Co., Ltd. from August 1997 to May 1998. He had then worked at Uniplas (Shanghai) Co., Ltd. from May 1998 to September 2000. He then subsequently worked as a quality engineer at Krone Communications (Shanghai) Co., Ltd. from September 2000 to November 2001. He had then been employed as a plant manager assistant and manager in the engineering department of Shanghai Trayton Furniture Co., Ltd. from November 2001 to January 2005. He then joined Morris PRC and was appointed as a general manager assistant in January 2005 and then as a deputy general manager in November 2011. He was then employed by the Group as a senior vice president and the head of production and quality management immediately after completion of the business transfer in December 2015.

Mr. Zeng obtained his double bachelor's degrees in polymer science and computer software from the East China University of Science and Technology in Shanghai, PRC in July 1997 and a master of Business Administration degree from Donghua University in Shanghai, PRC in June 2008.

曾金先生，45歲，為本集團高級副總裁兼生產與質量管理主管，於2016年3月18日獲委任為執行董事。彼負責監管本集團的生產規劃以及生產及質量管理。曾先生於生產及質量管理方面擁有豐富經驗。

於加入本集團之前，彼自1997年8月至1998年5月擔任上海宏盾防偽材料有限公司的技術員，且自1998年5月至2000年9月任職於統合實業有限公司。其後，彼自2000年9月至2001年11月於科龍通訊系統(上海)有限公司擔任質量工程師。隨後，彼自2001年11月至2005年1月於上海特雷通傢俱有限公司擔任車間經理助理及工程部門經理。彼此後加入慕容中國，並分別於2005年1月及2011年11月獲委任為總經理助理及副總經理。於2015年12月業務轉讓完成後，彼即獲本集團委聘為高級副總裁兼生產與質量管理主管。

曾先生分別於1997年7月及2008年6月獲得中國上海華東理工大學高分子科學與計算機軟件專業的雙學士學位及中國上海東華大學工商管理碩士學位。

Profile of Directors and Senior Management 董事與高級管理層履歷

Mr. Shen Zhidong, aged 44, is a senior vice president of the Group and was appointed as an executive Director on 6 July 2017. He is also a director of Masia Industries Limited, a subsidiary of the Company in Cambodia. Mr. Shen is the head of administrative operations and human resources matters of the Group.

Mr. Shen had served in the government sectors in Haining for over ten years. From February 1999 to June 2010, Mr. Shen had served in the Organization Department of Haining Municipal Committee of the Communist Party of China in many positions including, among others, as a section member, a deputy section leader, a section leader, a committee member and a deputy bureau level coordinator. From June 2010 to January 2014, Mr. Shen served as the deputy director of the General Office of the People's Government of Haining. In January 2014, Mr. Shen was employed by Morris PRC as its vice president. He was employed by the Group as the senior vice president immediately after completion of the transfer of the furniture division of Morris PRC to the Group in December 2015.

Mr. Shen graduated from the Party School Open College of the Central Committee of the Communist Party of China in the study of economic management in December 2002.

Mr. Shen's spouse is a cousin of Ms. Wu Xiangfei, one of the controlling shareholders of the Company and the spouse of Mr. Zou.

Mr. Wu Yueming, aged 35, is the general manager of the administrative department of the Company and was appointed as an executive Director on 6 June 2018. He is mainly responsible for coordinating and managing back office support works and public relations of the Company. He is also a director of Zhejiang Apollo Leather Products Co., Ltd., Zhejiang Morris Trendy Home Co., Ltd., and Haining Morris Home Gallery Co., Ltd., each a subsidiary of the Company. Mr. Wu joined Morris PRC in 2005 where he worked as a technician of semi-finished sofa production. He was subsequently promoted to manager of the logistics department in September 2010, deputy office director in April 2012 and standing deputy office director in August 2014 at Morris PRC. He was then employed as the general manager of the administrative department of the Company in January 2017. He obtained the qualification of assistant economist issued by the Haining City Human Resources and Social Security Bureau in November 2014. He also obtained the graduation certificate from the Normal College of the Dongbei University of Finance and Economics in administration management through distance learning in July 2016.

沈志東先生，44歲，為本集團高級副總裁，於2017年7月6日獲委任為執行董事。彼亦為本公司的柬埔寨附屬公司Masia Industries Limited的董事。沈先生總管本集團的行政事務及人力資源事宜。

沈先生曾任職於海寧政府部門超過十年。自1999年2月至2010年6月，沈先生先後於中共海寧市委組織部擔任多項職位，其中包括科員、副科長、科長、部務會議成員及副局級組織員。自2010年6月至2014年1月，沈先生擔任海寧市人民政府辦公室副主任。於2014年1月，沈先生獲慕容中國聘為副總裁。彼於2015年12月慕容中國完成將傢俱業務轉讓予本集團後，隨即獲本集團委聘為高級副總裁。

沈先生於2002年12月獲得中國中央黨校函授學院經濟管理專業本科學位。

沈先生的配偶為本公司控股股東、鄒先生的配偶鄒向飛女士的表姊妹。

吳月明先生，35歲，為本公司行政部總經理，於2018年6月6日獲委任為執行董事。彼主要負責協調及管理本公司後勤辦公室支援工作及本公司的公共關係。彼亦為浙江阿波羅皮革製品有限公司、浙江慕容時尚家居有限公司及海寧慕容世家家居有限公司的董事，該三家公司均為本公司的附屬公司。吳先生於2005年加入慕容中國並擔任半成品沙發生產技術員。彼隨後於2010年9月晉升為慕容中國物流部經理、於2012年4月晉升為辦公室副主任及於2014年8月晉升為辦公室常務副主任。彼於2017年1月受聘為本公司行政部總經理。彼於2014年11月獲得海寧市人力資源和社會保障局頒發的助理經濟師資格，亦通過遠程學習於2016年7月自東北財經大學普通高等學校獲得行政管理專業的畢業證書。

Profile of Directors and Senior Management

董事與高級管理層履歷

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Liu Haifeng, aged 44, was appointed as an independent non-executive Director on 6 July 2017 and is mainly responsible for supervising and providing independent judgement to the Board. He is also the chairman of the Nomination Committee and a member of each of the Audit Committee and Remuneration Committee.

Mr. Liu has been a tutor to master students in public administration of faculties of humanities of Donghua University since 2011 and a deputy manager of Donghua University Master of Public Administration Center since September 2014.

Mr. Liu obtained his master degree in education from Shanghai Normal University in June 2004. Mr. Liu later obtained his doctoral degree in management science and engineering from Donghua University School of Business and Management in June 2009. He then later completed his postdoctoral study in applied economics at Fudan University and obtained his certificate of postdoctoral in May 2014.

Mr. Pang Wing Hong, aged 48, was appointed as an independent non-executive Director on 12 April 2019 and is mainly responsible for supervising and providing independent judgement to the Board. He is also the chairman of the Audit Committee and a member of each of the Nomination Committee and Remuneration Committee. He has over 20 years of experience in financial management, accounting, auditing and corporate finance. He obtained a Bachelor of Business Administration degree, majoring in professional accountancy, from the Chinese University of Hong Kong in 1994 and a Master of Business Administration degree from the University of Adelaide, Australia in 2008. He has been an associate member of the Hong Kong Institute of Certified Public Accountants since 1998 and a fellow member of the Association of Chartered Certified Accountants since 2002. Mr. Pang has been the chief financial officer of Miko International Holdings Limited (stock code: 1247), a company listed on the Stock Exchange since October 2015. From April 2015 to October 2015, Mr. Pang was the chief financial officer of China Green (Holdings) Limited (stock code: 904), a company listed on the Stock Exchange.

獨立非執行董事

劉海峰先生，44歲，於2017年7月6日獲委任為獨立非執行董事，主要負責監督及向董事會提供獨立判斷。彼亦為提名委員會主席兼審核委員會及薪酬委員會成員。

劉先生自2011年起擔任東華大學人文學院公共管理專業碩士研究生導師，並自2014年9月起任職東華大學MPA中心副主任。

劉先生於2004年6月自上海師範大學取得教育碩士學位。劉先生於2009年6月自東華大學管理學院取得管理科學與工程博士學位。其後，彼於復旦大學完成應用經濟學之後博士研究，並於2014年5月取得後博士證書。

彭永康先生，48歲，於2019年4月12日獲委任為獨立非執行董事，主要負責監督及向董事會提供獨立判斷。彼亦為審核委員會主席兼提名委員會及薪酬委員會成員。彼於財務管理、會計、審核及企業融資方面積累逾20年經驗。彼持有由香港中文大學於1994年頒發的工商管理學士學位，主修專業會計，並持有由澳洲阿德萊德大學於2008年頒發的工商管理碩士學位。彼自1998年起為香港會計師公會會員及自2002年起英國特許公認會計師公會資深會員。彭先生自2015年10月起為聯交所上市公司米格國際控股有限公司(股份代號：1247)的首席財務官。於2015年4月至2015年10月，彭先生為聯交所上市公司中國綠色食品(控股)有限公司(股份代號：904)的首席財務總監。

Profile of Directors and Senior Management 董事與高級管理層履歷

Mr. Chu Guodi, aged 40, was appointed as an independent non-executive Director on 28 May 2019 and is mainly responsible for supervising and providing independent judgement to the Board. He is also the chairman of the Remuneration Committee and a member of each of the Nomination Committee and Audit Committee. He has over 17 years of experience as a practicing lawyer in China. He is currently a partner of 浙江海翔律師事務所 (Zhejiang Haixiang Law Firm*). Mr. Chu has been an independent director of 浙江華鐵建築安全科技股份有限公司 (Zhejiang Huatie Construction Safety Science And Technology Co., Ltd.*), a company listed on Shanghai Stock Exchange with a stock code of 603300, since June 2014 and an independent director of 兄弟科技股份有限公司 (Brother Enterprises Holding Co., Ltd.*), a company listed on Shenzhen Stock Exchange with a stock code of 002562, since April 2017.

Mr. Chu is a member of 中華全國律師協會 (All-China Lawyers' Association*). He graduated from Zhejiang University with a bachelor degree of law.

褚國弟先生，40歲，於2019年5月28日獲委任為獨立非執行董事，主要負責監督及向董事會提供獨立判斷。彼亦為薪酬委員會主席兼提名委員會及審核委員會成員。彼擁有逾17年中國執業律師的經驗。彼現時為浙江海翔律師事務所的合夥人。褚先生自2014年6月起為於上海證券交易所上市的浙江華鐵建築安全科技股份有限公司(股份代號：603300)的獨立董事，並自2017年4月起為於深圳證券交易所上市的兄弟科技股份有限公司(股份代號：002562)的獨立董事。

褚先生為中華全國律師協會會員。彼畢業於浙江大學，取得法律學士學位。

* For reference only

Profile of Directors and Senior Management

董事與高級管理層履歷

SENIOR MANAGEMENT

Ms. Peng Yuling, aged 55, was appointed as the chief financial officer of the Group on 31 December 2015. She is responsible for managing the financial operations and accounting functions of the Group. Prior to joining the Group, Ms. Peng served as a finance manager, a deputy general manager and a director at Haining Jisheng Textile Co., Ltd. from February 1994 to November 2001. Ms. Peng then subsequently served as a deputy finance manager and a director at Zhejiang Jianshi Industry Co., Ltd. and a deputy general manager and a director at Haining Jishun Garments Co., Ltd., from December 2001 to December 2005 and from December 2006 to January 2012, respectively. Ms. Peng joined Morris PRC as the chief financial officer in February 2012 and was employed by the Group as the chief financial officer immediately after completion of the business transfer in December 2015. Ms. Peng graduated from the Party School of the Central Committee of the Communist Party of China in the PRC in the study of Economic Management in December 2000. She was accredited as a senior accountant by the Assessment Committee of Senior Accountant Qualification of Zhejiang Province in December 2003.

Ms. Shen Jiangping, aged 45, was appointed as the director of human resources of the Group on 31 December 2015. She is responsible for overseeing recruitment, staff training, reward management and human resources matters of the Group. Ms. Shen joined Morris PRC in October 2001 and worked at the human resources department of Morris PRC. Ms. Shen was then promoted to deputy manager and manager in the human resources department of Morris PRC in April 2002 and December 2011, respectively. Ms. Shen was subsequently appointed as manager in the finance department of Morris PRC in June 2014. Ms. Shen was employed by the Group as the director of human resources immediately after completion of the business transfer in December 2015. Ms. Shen completed a three year program in accounting at the School of Distance Learning of Zhejiang University in the PRC in June 2007. Ms. Shen was accredited as a first level corporate human resources professional by the Ministry of Human Resources and Social Security of the PRC in December 2010.

高級管理層

彭玉玲女士，55歲，於2015年12月31日獲委任為本集團首席財務官。彼負責主管本集團的財務營運及會計工作。於加入本集團之前，彭女士自1994年2月至2001年11月擔任海寧吉盛製衣有限公司的財務經理、副總經理兼董事。彭女士隨後自2001年12月至2005年12月及自2006年12月至2012年1月分別擔任浙江吉恩仕實業股份有限公司的副財務經理兼董事，以及擔任海寧吉順製衣有限公司的副總經理兼董事。彭女士於2012年2月作為首席財務官加入慕容中國並於2015年12月業務轉讓完成後即獲本集團委聘為首席財務官。彭女士於2000年12月於中國中共中央黨校畢業，修讀經濟管理。彼於2003年12月獲浙江省會計專業人員高級職務評審委員會評定為高級會計師。

沈江萍女士，45歲，於2015年12月31日獲委任為本集團人力資源部主任。彼負責監管本集團的招聘、員工培訓、獎勵管理及人力資源事宜。沈女士於2001年10月加入慕容中國，在慕容中國的人力資源部工作。隨後，沈女士分別於2002年4月及2011年12月獲提拔為慕容中國的人力資源部副經理及經理。沈女士其後於2014年6月獲委任為慕容中國財務部經理。於2015年12月業務轉讓完成後，沈女士即獲本集團委聘為人力資源部主任。沈女士於2007年6月於中國浙江大學遠程教育學院完成三年會計學課程。沈女士亦於2010年12月獲中華人民共和國人力資源和社會保障部授予一級企業人力資源管理師稱號。

Management Discussion and Analysis

管理層討論及分析

BUSINESS REVIEW

During the 2018 financial year, the Group continued to maintain steady growth in revenue by actively investing in product design and research and development and establishing and expanding sales channels. The Group's revenue increased from approximately RMB1,416.4 million in 2017 to approximately RMB1,610.0 million in 2018, representing an increase of approximately 13.7%. Profit for the year decreased by approximately 40.7% from approximately RMB145.7 million in 2017 to approximately RMB86.4 million in 2018.

The U.S. market

On 31 August 2018, the Company successfully acquired all the issued and outstanding common stock of Jennifer Convertibles. Such acquisition represented a critical step forward in implementing the Group's brand development strategies. Jennifer Convertibles is principally engaged in the retail business of sale of a complete line of furniture products and home furnishings in the eastern part of the U.S. It has good reputations on carrying good quality furniture products and a variety of different designed products. Its retail chain also carries semi customization services for comparatively high-end customers. At the time of the acquisition, Jennifer Convertibles operated 17 retail outlets in the eastern part of the U.S., located in New York, New Jersey and Connecticut. The acquisition of Jennifer Convertibles further complemented the Group's industry chain from research and development and design, production and manufacturing to end user sales of its own brands. Jennifer Convertible's long established sales network and market presence helped to facilitate the Company's own-brand strategy and created synergy effects with the existing business of the Group. The integrated business model of the Group after the acquisition, covering the full industry chain, had also enhanced the competitive advantages of the Company.

The U.S. wholesale market review

Despite the uncertainties surrounding the business environments in the U.S., with a stable customer base, the Company's business in the wholesale market was relatively stable in 2018. While maintaining long-term relationships with its major customers, the Group further explored business opportunities from smaller furniture retailers to diversify the concentration risks in revenue.

業務回顧

本集團於2018財政年度，通過積極投入產品設計研發，建設並擴張銷售管道，使收入繼續保持穩定增長。本集團收入由2017年約人民幣1,416.4百萬元增加至2018年約人民幣1,610.0百萬元，升幅約為13.7%。年內溢利由2017年約人民幣145.7百萬元減少約40.7%至2018年約人民幣86.4百萬元。

美國市場

2018年8月31日，本公司成功收購Jennifer Convertibles全部已發行及發行在外的普通股，此收購事項是本集團實行品牌發展策略的重要一步。Jennifer Convertibles主要在美國東部從事完整系列傢俱產品及家居飾品的零售業務，在提供優質傢俱產品及不同設計產品方面聲譽卓著。其連鎖零售點亦向較為高端的客戶提供半訂製服務。於收購時，Jennifer Convertibles在美國東部（即紐約、新澤西州及康涅狄格州）經營17個零售點。收購Jennifer Convertibles可進一步完善本集團有關研發設計、生產製造以至終端自家品牌銷售的產業鏈。Jennifer Convertibles穩健的銷售網絡及市場地位有助加強本公司的自家品牌策略，並與本集團的現有業務發揮協同效應。於收購後，本集團涵蓋整個產業鏈的綜合業務模式亦可提升本公司的競爭優勢。

美國批發市場回顧

儘管美國營商環境充斥不明朗因素，惟本公司於2018年的批發市場業務因客戶基礎穩定而相對平穩。本集團與主要客戶維持長遠關係，同時亦進一步探索來自小型傢俱零售商的商機，務求分散收益集中風險。

Management Discussion and Analysis

管理層討論及分析

The PRC market

On 12 January 2018, the Group's own brand "Morrisofa" set up its first flagship store in the PRC market, and launched its sofa product collection, namely "Fall in Love (一眼入心)". It successfully tapped into the domestic market of young consumers with a brand new, fashionable and intelligent brand image. In 2018, the Company participated in various international major furniture exhibitions in Shenzhen, Beijing and Shanghai, and invested in brand promotion and sales network expansion. By the end of 2018, the Company has established 3 direct sales-stores in Shanghai and Hangzhou and set up 7 distribution stores in 7 other cities in the PRC. In addition, the Company was aware of the rapid development and growing trend of online shopping. During the year 2018, online stores have been setup in major online shopping platforms including Jingdong, Taobao and WeChat, providing online and offline services to vast consumers.

Cambodia

The production facility in Cambodia has neither commenced trial operation in the first half of 2017 nor become fully operative in 2018. The Company has installed some machines and equipment in the factory in Cambodia, but operations had not been started as at the date of this report. The development in the Sihanoukville Special Economic Zone was much slower than expected and many of the infrastructure and peripheral facilities, as well as the supply chain for the manufacturing of sofa was still in an infant status and still could not support a mass production of sofa as at the date of this report.

中國市場

2018年1月12日，本集團自家品牌「慕容沙發」在中國市場開設第一間旗艦店，並推出「一眼入心」沙發產品系列，成功以新穎、時尚、智能化的品牌形象打進中國國內的年輕消費市場。在2018年，本公司參與了深圳、北京和上海的國際大型傢俱展覽，為品牌推廣和拓展銷售網絡投下資源。截至2018年年底，本公司在上海、杭州共設立3家直營店，及在另外7個中國城市開設7家經銷門店。另外，本公司也關注到線上購物急速發展及增長走勢。於2018年，目前在京東、淘寶和微信等主要網購平台均設有網店，貫通線上線下服務廣大消費者。

柬埔寨

位於柬埔寨的生產設施並無於2017年上半年開始試運，亦無於2018年全面投入營運。本公司在柬埔寨工廠安裝了若干機器及設備，惟於本報告日期仍未開始投入營運。西哈努克經濟特區的發展步伐遠遠慢於預期，多項基礎設施及週邊設施以及生產沙發的供應鏈仍處於初期發展階段，於本報告日期仍然無法支持沙發大規模生產。

Management Discussion and Analysis 管理層討論及分析

The Ministry of Public Works and Transport of Cambodia announced the infrastructure improvements and future plans in October 2014 (the “**2014 plans**”) which, among other things, outlined (i) a proposed Cambodian expressway network including an expressway from Phnom Penh to Sihanoukville; (ii) railway network development projects including a southern line from Phnom Penh to Sihanoukville; and (iii) a development plan of the Sihanoukville Port with an estimated capacity of 350,000 TEUs per year. However, the Company realized that the actual infrastructure development has fallen significantly far behind the 2014 plans in late 2017. As at the date of this report, there was only a bumpy state road currently available connecting Phnom Penh and Sihanoukville; and to the best knowledge of the Company, limited shipments were available from the Sihanoukville Port to ports for the Group’s customers in the U.S., where the Group receives majority of its orders. Only in March 2019 that the Cambodia government confirmed an expressway project connecting Sihanoukville and Phnom Penh which is scheduled to be completed in early 2023. Furthermore, the Company realized in late 2017 that the major raw materials, such as softwood, leather and specialty foam of the sofa sourced from local suppliers in Cambodia did not meet the production standard of the Group.

In view of the above, the Company considered that the commencement of full operation of the production facility in Cambodia was not in the best interest of the Group and decided to further delay the commencement of full operation of the Cambodia factory until the infrastructure and peripheral facilities favor a mass production of the Group’s products with economic sense. The Company would like to stress that the delay in the development plan in Cambodia was caused by uncontrollable external factors. The Company expects there will be no large capital expenditure in Cambodia in the forthcoming future.

The Company has engaged a consultancy firm to conduct a review of the political, social, investment and macro-economic risks in Cambodia for the year 2018. The political risk and economic risk of Cambodia is set out in the section headed “Cambodia: Political and Economic Outlook” on pages 25 to 31 of this annual report.

柬埔寨公共工程與運輸部 (Ministry of Public Works and Transport of Cambodia) 於 2014 年 10 月宣佈基建設施改進及未來計劃 (「**2014 年計劃**」)，概述 (其中包括) (i) 建議柬埔寨高速公路網絡，包括金邊至西哈努克的高速公路；(ii) 鐵路網絡發展項目，包括金邊至西哈努克的南線；及 (iii) 西哈努克港發展計劃，其估計年吞吐量為 350,000 個集裝箱。然而，本公司知悉，於 2017 年底的實際基建設施發展步伐遠遠落後於 2014 年計劃。於本報告日期，目前僅有一條凹凸不平的國道連接金邊至西哈努克，而據本公司所深知，可供本集團的美國客戶由西哈努克港運送貨物至各個港口的船隻有限，而美國乃本集團接獲大部分訂單所在地區。於 2019 年 3 月，柬埔寨政府僅確認一項連接西哈努克至金邊的高速公路項目，有關項目計劃於 2023 年初完工。此外，本公司於 2017 年底發現，向柬埔寨當地供應商採購的沙發主要原材料 (例如軟木、皮革及特種泡沫) 不符合本集團的生產標準。

有鑑於此，本公司認為，柬埔寨生產設施全面投入營運不符合本集團最佳利益，並決定進一步延後柬埔寨工廠全面投入營運，直至基建設施及週邊設施在經濟方面有利於大規模生產本集團產品為止。本公司謹此強調，因出現無法控制的外圍因素以致延遲推行柬埔寨發展計劃。本公司預期日後將不會在柬埔寨錄得大筆資本開支。

本公司已委聘顧問公司，檢討於 2018 年柬埔寨的政治、社會、投資及宏觀經濟風險。柬埔寨的政治風險及經濟風險載於本年報第 25 至 31 頁的「柬埔寨：政治及經濟前景」一節。

Management Discussion and Analysis

管理層討論及分析

Product research and development

The Group has always attached great importance to research and development investment and product innovation, in order to maintain a high-quality level and strive for product intelligence. During the year 2018, the Group had successfully developed a new product, “voice-activated sofa”, which has been launched in Hong Kong in early 2019. The launch of the voice-activated sofa highlighted the Company’s strength in research and development and production. It also demonstrated further enrichment of the Group’s product portfolio under its self-owned brands while taking a crucial step forward in enriching its product intelligence.

In addition, in August 2018, the Group has been successfully confirmed as one of the drafting parties for organization standards of manufacturing electric functional sofas in Zhejiang and has obtained three major ISO system certifications in November 2018.

FINANCIAL REVIEW

The revenue of the Group increased from approximately RMB1,416.4 million in 2017 to approximately RMB1,610.0 million in 2018, representing an increase of approximately 13.7%. The profit for the year decreased by approximately 40.7% from approximately RMB145.7 million in 2017 to approximately RMB86.4 million in 2018. If excluding the loss on remeasurement of liability component of convertible loan of approximately RMB24.6 million, fair value gain on convertible loan of approximately RMB27.5 million and interest expense on the convertible loan of approximately RMB15.1 million incurred in 2018, the profit for the year would decrease by approximately 32.3% from approximately RMB145.7 million in 2017 to approximately RMB98.6 million in 2018. The Company’s basic and diluted earnings per ordinary share was approximately RMB8.64 cents in 2018 (2017: RMB14.68 cents) based on the profit for the year attributable to the owners of the Company approximately RMB86.4 million (2017: RMB145.6 million), and the weighted average number of ordinary shares of 1,000,000,000 (2017: 992,465,753) in issue during the year.

產品研發

本集團一直以來都非常注重研發投入和產品革新，務求保持高質量水平的同時貫徹產品智能化的目標。於2018年，本集團成功研發新產品「聲控沙發」，並於2019年初在香港發佈。聲控沙發的推出突顯了本公司在研發及生產上的實力，亦意味著本集團自主品牌產品結構的進一步豐富，在加強其產品智能化方面邁出重要一步。

另外，在2018年8月，本集團成功立項成為浙江製造電動功能沙發的團體標準起草單位之一；並且在2018年11月通過了ISO三大體系認證。

財務回顧

本集團收入由2017年約人民幣1,416.4百萬元增加至2018年約人民幣1,610.0百萬元，升幅約為13.7%。年內溢利由2017年約人民幣145.7百萬元減少約40.7%至2018年約人民幣86.4百萬元。倘不包括於2018年所產生重新計量可換股貸款負債部分的虧損約人民幣24.6百萬元、可換股貸款的公允值收益約人民幣27.5百萬元及可換股貸款利息開支約人民幣15.1百萬元，年內溢利將由2017年約人民幣145.7百萬元減少約32.3%至2018年約人民幣98.6百萬元。本公司於2018年的每股普通股基本及攤薄盈利約為人民幣8.64分（2017年：人民幣14.68分），乃根據本公司擁有人應佔年內溢利約人民幣86.4百萬元（2017年：人民幣145.6百萬元）以及年內已發行普通股的加權平均數1,000,000,000股（2017年：992,465,753股）計算。

Management Discussion and Analysis

管理層討論及分析

Revenue

The revenue of the Group increased by approximately 13.7%, from approximately RMB1,416.4 million in 2017 to approximately RMB1,610.0 million in 2018, which was primarily attributable to the significant increase in sales volume of both sofas and sofa covers. Sofa products continued to contribute as the major component of sales, which was in line with the Group's strategy in developing its original brand manufacturing ("OBM") business model. The Group has been changing its business model from original equipment manufacturing business model to OBM business model and has been increasing its focus on promoting the Group's own brand in the market during the Reporting Period.

Cost of sales

The cost of sales of the Group increased by approximately 26.0% from approximately RMB937.9 million in 2017 to approximately RMB1,182.0 million in 2018, which was primarily due to the increase in the consumption of major raw materials and increase in direct labour.

Gross profit

The gross profit of the Group decreased by approximately 10.6% from approximately RMB478.5 million in 2017 to approximately RMB428.0 million in 2018. The gross profit margin decreased from approximately 33.8% in 2017 to approximately 26.6% in 2018, primarily due to the additional tariff levied on the Group's export products and the increase in labour cost and the cost of leather raw materials.

Other net income and gains

The other net income and gains of the Group increased from approximately RMB36.9 million in 2017 to approximately RMB85.8 million in 2018. Such increase was primarily due to the fair value gain on the convertible loan of approximately RMB27.5 million, net income of selling unused raw materials of approximately RMB9.3 million and exchange gain recorded in 2018 whereas exchange loss was recorded in 2017.

Selling and distribution expenses

The selling and distribution expenses of the Group slightly decreased by approximately 3.6% from approximately RMB215.3 million in 2017 to approximately RMB207.6 million in 2018. Such decrease was primarily due to the decrease in freight charges.

收入

本集團收入由2017年約人民幣1,416.4百萬元增加約13.7%至2018年約人民幣1,610.0百萬元，主要是由於沙發及沙發套的銷量大幅上升。沙發產品繼續佔據銷量的重要比例，而且符合本集團發展原品牌生產（「OBM」）業務模型的策略。本集團已將其業務模型由原設備生產轉型為OBM，並於報告期間愈益著重在市場上推廣本集團的自家品牌。

銷售成本

本集團銷售成本由2017年約人民幣937.9百萬元增加約26.0%至2018年約人民幣1,182.0百萬元，主要是由於主要原材料消耗上升及直接勞工增加。

毛利

本集團毛利由2017年約人民幣478.5百萬元減少約10.6%至2018年約人民幣428.0百萬元。毛利率由2017年約33.8%減少至2018年約26.6%，主要是由於對本集團的出口產品徵收額外關稅，加上勞工成本及皮革原材料成本上漲。

其他淨收入及收益

本集團其他淨收入及收益由2017年約人民幣36.9百萬元增加至2018年約人民幣85.8百萬元。有關增幅主要是由於2018年錄得可換股貸款的公允值收益約人民幣27.5百萬元、銷售未使用原材料的淨收入約人民幣9.3百萬元及匯兌收益，而2017年則錄得匯兌虧損。

銷售及分銷開支

本集團銷售及分銷開支由2017年約人民幣215.3百萬元微跌約3.6%至2018年約人民幣207.6百萬元。有關減幅主要是由於貨運開支減少。

Management Discussion and Analysis

管理層討論及分析

Administrative expenses

The administrative expenses of the Group increased by approximately 53.5% from approximately RMB101.7 million in 2017 to approximately RMB156.1 million in 2018, which was primarily due to the increase in legal and professional expenses, consultation fee and staff salaries of approximately RMB37.9 million for the acquisition of Jennifer Convertibles, the operation of the new retail stores and the issue of the convertible loan during the year.

Finance costs

The finance costs of the Group increased by approximately 112.8% from approximately RMB11.7 million in 2017 to approximately RMB24.9 million in 2018, which was primarily due to the increase in interest for convertible loan of approximately RMB15.1 million.

Income tax expense

The income tax expense of the Group decreased by approximately 63.7% from approximately RMB38.3 million in 2017 to approximately RMB13.9 million in 2018. In addition, the effective tax rate decreased from approximately 20.8% in 2017 to approximately 13.8% in 2018. The substantial decrease in income tax expense in 2018 was mainly attributable to a reduced enterprise income tax rate of 15%.

Profit for the year

As a result of the foregoing, The profit for the year decreased by approximately 40.7% from approximately RMB145.7 million in 2017 to approximately RMB86.4 million in 2018. If excluding the loss on remeasurement of liability component of convertible loan of approximately RMB24.6 million, fair value gain on convertible loan of approximately RMB27.5 million and interest expense on the convertible loan of approximately RMB15.1 million incurred in 2018, the profit for the year would decrease by approximately 32.3% from approximately RMB145.7 million in 2017 to approximately RMB98.6 million in 2018.

行政開支

本集團行政開支由2017年約人民幣101.7百萬元增加約53.5%至2018年約人民幣156.1百萬元，主要是由於年內就收購Jennifer Convertibles、營運新零售店及發行可換股貸款而令法律及專業開支、顧問費以及員工薪金上升約人民幣37.9百萬元。

融資成本

本集團融資成本由2017年約人民幣11.7百萬元增加約112.8%至2018年約人民幣24.9百萬元，主要是由於可換股貸款利息增加約人民幣15.1百萬元。

所得稅開支

本集團所得稅開支由2017年約人民幣38.3百萬元減少約63.7%至2018年約人民幣13.9百萬元。此外，實際稅率由2017年約20.8%減少至2018年約13.8%。2018年的所得稅開支大幅減少主要是由於享有減免企業所得稅稅率15%。

年內溢利

由於上述原因，年內溢利由2017年約人民幣145.7百萬元減少約40.7%至2018年約人民幣86.4百萬元。倘不包括於2018年所產生重新計量可換股貸款負債部分的虧損約人民幣24.6百萬元、可換股貸款的公允值收益約人民幣27.5百萬元及可換股貸款利息開支約人民幣15.1百萬元，年內溢利將由2017年約人民幣145.7百萬元減少約32.3%至2018年約人民幣98.6百萬元。

Management Discussion and Analysis

管理層討論及分析

LIQUIDITY AND CAPITAL RESOURCES

Working capital

For 2018, cash and cash equivalents of the Group increased by approximately RMB96.5 million, which was comprised of the net cash flows generated from operating activities of approximately RMB70.9 million, net cash flows used in investing activities of approximately RMB154.2 million, and net cash flows generated from financing activities of approximately RMB175.4 million, while approximately RMB4.4 million was the net exchange gain of foreign exchange rate changes.

Borrowing and pledge of assets

As at 31 December 2018, the Group's interest-bearing bank borrowings amounted to approximately RMB142.2 million, all of which were repayable within twelve months from 31 December 2018. The bank loans' interest rates ranged between 2.7% to 6.5% per annum.

Gearing ratio

The gearing ratio of the Group, which is total interest-bearing bank borrowings divided by total equity as at the end of the year and multiplied by 100%, decreased from approximately 44.0% as at 31 December 2017 to approximately 38.7% as at 31 December 2018, which was primarily due to the increase in total equity and repayment of interest-bearing bank borrowings during 2018.

Capital commitments

The Group did not have any capital commitment as at 31 December 2018 (2017: RMB0.7 million).

Contingent liabilities

The Group did not have any significant contingent liabilities as at 31 December 2018.

Trade and bills receivables

The trade and bills receivables of the Group increased to approximately RMB634.5 million as at 31 December 2018 (31 December 2017: RMB372.1 million), primarily due to the significant increase in sales to the Group's customers in the fourth quarter in 2018 as compared to the corresponding period in 2017.

流動資金及資本來源

營運資金

於2018年，本集團現金及現金等價物增加約人民幣96.5百萬元，包括經營活動所得現金流量淨額約人民幣70.9百萬元，投資活動所用現金流量淨額約人民幣154.2百萬元及融資活動所得現金流量淨額約人民幣175.4百萬元，而約人民幣4.4百萬元為外幣匯率變動的匯兌收益淨額。

借款及資產抵押

於2018年12月31日，本集團的計息銀行借款約為人民幣142.2百萬元，全部均須自2018年12月31日起12個月內償還。銀行貸款年利率介乎2.7%至6.5%。

資產負債比率

本集團資產負債比率（按年末的計息銀行借款總額除以權益總額再乘以100%計算）由2017年12月31日約44.0%減少至2018年12月31日約38.7%，主要是由於2018年的權益總額增加及償還計息銀行借款。

資本承擔

本集團於2018年12月31日並無任何資本承擔（2017年：人民幣0.7百萬元）。

或然負債

本集團於2018年12月31日並無任何重大或然負債。

貿易應收款項及應收票據

本集團於2018年12月31日的貿易應收款項及應收票據增加至約人民幣634.5百萬元（2017年12月31日：人民幣372.1百萬元），主要是由於本集團於2018年第四季度向客戶所作銷售較2017年同期大幅增加。

Management Discussion and Analysis

管理層討論及分析

Trade and bills payables

The trade and bills payables of the Group decreased to approximately RMB416.8 million as at 31 December 2018 (31 December 2017: RMB488.5 million), primarily due to the restructuring of subsidiaries in PRC which reduced the bills payables and increase in timely payment to the suppliers for third party purchases. In order to monitor the Group's cash flow position, the finance department will present the cash flow statements to the senior management on monthly basis.

Foreign exchange exposure

Revenue from major customers is mainly from the U.S. while the production facilities of the Group are mainly located in the PRC. Accordingly, most of the sales are denominated in U.S. dollar while the costs arising from the Group's operations are generally settled in RMB. As a result, fluctuations in the value of U.S. dollar against RMB could adversely affect the financial results of the Group. During 2018, the Group did not experience any material difficulties or impacts on its operations or liquidity as a result of currency exchange fluctuation. The Group did not use any financial instruments for hedging purposes during 2018 and there was no hedging instruments outstanding as at 31 December 2018. The Group will continue to monitor closely the exchange rate risk arising from its existing operations and new investments in the future, especially amid frequent global trade disputes and mounting trade protectionism posing more uncertainties and risks to the economic development across the globe, in particular the PRC and the U.S. economies in view of the trade war between the PRC and the U.S. The Group will further implement the necessary hedging arrangement to mitigate any significant foreign exchange risk when and if appropriate.

貿易應付款項及應付票據

本集團於2018年12月31日的貿易應付款項及應付票據減少至約人民幣416.8百萬元(2017年12月31日：人民幣488.5百萬元)，主要是由於中國附屬公司重組，以致應付票據減少及就第三方買家向供應商及時付款增加。為監控本集團現金流量狀況，財務部將每月向高級管理層呈交現金流量表。

外匯風險

來自主要客戶的收入主要源自美國，而本集團的生產設施主要位於中國。因此，大部分銷售額以美元計值，而本集團營運產生的成本一般以人民幣結算。因此，倘美元兌人民幣的匯價波動，則可能會對本集團的財務業績產生不利影響。於2018年，本集團業務或流動資金並無因匯率波動而出現任何重大困難或受到重大影響。本集團於2018年並無使用任何金融工具作對沖之用，本集團於2018年12月31日亦無未償還對沖工具。本集團將繼續對其現有業務及未來新投資所引致的匯率風險進行緊密監控，特別是在全球貿易爭端頻繁及貿易保護主義抬頭之際，導致全球經濟發展增添不確定因素及風險，因中美貿易戰尤以中國及美國經濟為甚。本集團將於適當時進一步實施必要的對沖安排，以降低任何重大的外匯風險。

Management Discussion and Analysis

管理層討論及分析

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

Save as mentioned under the section headed “Business Review” in this annual report, the Group had no other significant investments, nor had it made any material acquisition or disposal of the Group’s subsidiaries or associated companies during the Reporting Period.

HUMAN RESOURCES MANAGEMENT

The management of the Group believes that talent is the basis for long-term development of enterprises. The Group targets to enhance its corporate image through building up and solidifying the Company’s brand name. With the ‘Five Hearts of Morris’: ambition, confidence, determination, perseverance and loyalty, as core values, the Group targets to establish a distinctive corporate culture. Through regular trainings and promotion of its corporate culture, the Group provides its staff with opportunities for personal growth and enhances the employees’ sense of belonging to the Group. In addition, the Group provides its employees with competitive remuneration packages and various benefits in line with industry practice. At the same time, the Group strives to create a good working environment, and cultivates teamwork spirit among employees. The Group carries out performance evaluation quarterly, and conducts “Morris Artisans” evaluations, aiming at elevating the morale of the Group’s technicians. The Group regularly reviews human resources policies to ensure that the policies align with market practice and comply with regulatory requirements. As of 31 December 2018, the Group employed 2,499 employees (31 December 2017: 2,052 employees). The total annual salary and related costs (excluding directors’ remuneration) for 2018 were approximately RMB184.9 million (2017: RMB188.0 million).

The Company operates a share option scheme which allows the Company to grant options to eligible persons as rewards for their contributions to the Group. The share option scheme has been adopted by the Company on 10 December 2016. No share options were granted, exercised or cancelled by the Company under the share option scheme during the period from the listing date to 31 December 2018 and there were no outstanding share options under the share option scheme as at 31 December 2018 and the date of this report.

重大投資以及重大收購及出售附屬公司

除本年報「業務回顧」一節所述者外，本集團於報告期間並無任何其他重大投資，亦無任何重大收購或出售本集團附屬公司或聯營公司。

人力資源管理

本集團管理層認為人才是企業長期發展的基礎。本集團擬透過建設及鞏固本公司的品牌名稱增強其企業形象。「慕容五心」：雄心、信心、決心、恆心及忠心為我們的核心價值，本集團擬建設與眾不同的企業文化。透過有關企業文化的定期培訓及教育，本集團為其員工提供個人成長機會，並增強員工對本集團的歸屬感。此外，本集團為其員工提供具競爭力的薪酬待遇及與行業慣例一致的各種福利。同時，本集團致力創造良好的工作環境，並在員工之間建設團隊精神。本集團按季度進行「績效評優」，並進行「慕容巨匠」評選活動，激勵本集團技術人員的士氣。本集團定期審核人力資源政策，以確保有關政策與市場慣例一致及符合監管規定。截至2018年12月31日，本集團僱用2,499名員工(2017年12月31日：2,052名員工)。2018年的薪金總額及相關成本總額(不包括董事薪酬)約為人民幣184.9百萬元(2017年：人民幣188.0百萬元)。

本公司設立購股權計劃，讓本公司向合資格人士授出購股權作為其對本集團作出貢獻的獎勵。購股權計劃於2016年12月10日獲本公司採納。本公司於上市日期起至2018年12月31日止期間並無根據購股權計劃授出、行使或註銷任何購股權，而於截至2018年12月31日及本報告日期，購股權計劃項下概無尚未行使購股權。

Principal Risks and Uncertainties

主要風險及不確定因素

The followings are part of the key risks and uncertainties identified by the Group. There may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

FINANCIAL AND ECONOMIC RISK

Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements so as to ensure sufficient reserves of cash and adequate committed lines of funding from major financial institutions (when applicable) to meet its liquidity requirements in the short and long term. The Group's cash and cash equivalents as at 31 December 2018 maintained at a satisfactory level. As at 31 December 2018, the Group had no significant capital commitment.

Foreign currency risk

Revenue from major customers is mainly from the U.S. while the production facilities of the Group are mainly operates in the PRC. Accordingly, most of the sales are denominated in U.S. dollar while the costs arising from its operations are generally settled in RMB. As a result, fluctuations in the value of U.S. dollars against RMB could adversely affect the financial results of the Group. During 2018, the Group did not experience any material difficulties or impacts on its operations or liquidity as a result of currency exchange fluctuation.

The Group did not use any financial instruments for hedging purposes during 2018 and there was no hedging instruments outstanding as at 31 December 2018. The Group will continue to monitor closely the exchange rate risk arising from its existing operations and new investments in the future. The Group will further implement the necessary hedging arrangement to mitigate any significant foreign exchange risk when and if appropriate.

以下是本集團識別的部分主要風險及不確定因素。除下文所示風險及不確定因素外，本集團亦可能存在目前尚不知悉或現時不重要但未來可能變得重要的其他風險及不確定因素。

金融與經濟風險

流動資金風險

本集團政策為定期監察其流動資金需要，以確保短期及長期內有充足現金儲備及獲主要金融機構提供足夠的承諾資金額度(如適用)。本集團於2018年12月31日的現金及現金等價物維持在滿意水平。於2018年12月31日，本集團概無重大資本承擔。

外匯風險

來自主要客戶的收入主要源自美國，而本集團的生產設施主要位於中國。因此，大部分銷售額以美元計值，而本集團營運產生的成本一般以人民幣結算。因此，美元兌人民幣的匯價波動，則可能會對本集團的財務業績產生不利影響。於2018年，本集團業務或流動資金並無因匯率波動而出現任何重大困難或受到重大影響。

本集團於2018年並無使用任何金融工具作對沖之用，本集團於2018年12月31日亦無未償還對沖工具。本集團將繼續對其現有業務及未來新投資所引致的匯率風險進行緊密監控。本集團將於適當時進一步實施必要的對沖安排，以降低任何重大的外匯風險。

Principal Risks and Uncertainties

主要風險及不確定因素

Credit risk

The Group's credit risk is primarily attributable to trade receivables. Credit evaluations are performed on all credit customers taking into account the customer's payment history and current ability to pay, any information specific to the customer and the economic environment in which the customer operates. The credit period is generally one to two months, extending up to three to six months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. Impairment losses are recorded for those overdue balances where there is objective evidence of impairment.

The Group has concentration risk in respect of trade receivables due from the Group's five largest customers who accounted for approximately 67.7% and 85.8% of the Group's total trade receivables as at 31 December 2018 and 2017 respectively. The credit risk exposure to trade receivables balance has been and will continue to be monitored by the Group on an ongoing basis.

Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest-bearing bank borrowings. The Group monitors the interest rate exposure on a continuous basis and adjusts the portfolio of bank deposits and borrowings where necessary.

Economy of U.S. market

As the majority of the Group's revenue is derived from the U.S., its results of operations and financial condition therefore depend on the U.S. economy. The Group's profitability and business growth are affected by the uncertainty of macroeconomic conditions and uncertain economic outlook and political conditions in U.S..

The U.S. economy faces challenges such as budget deficits, public debt, lack of labor market dynamism and change in political instability. Moreover, Donald Trump, elected President in November 2016, has changed the U.S. trade policies with China, which could bring adverse impact to the business of the Group.

The Group has evaluated the business risk from the change in trade policies of U.S. with China, and would explore different means to mitigate such risks stemming therefrom.

信貸風險

本集團的信貸風險主要歸因於貿易應收款項。本集團將評估所有信貸客戶的信貸狀況，信貸評估計及客戶的付款歷史和當前還款能力、與客戶及其經營所在經濟環境有關的任何資訊。信貸期一般為一至兩個月，主要客戶的信貸期延長至最多三至六個月。每位客戶設有最高信貸限額。本集團致力嚴格控制其未償還應收款額，逾期結餘由高級管理層定期檢討。倘出現減值的客觀證據，方可就該等逾期結餘記錄減值虧損。

本集團面臨來自五大客戶的貿易應收款項的集中風險，該等貿易應收款項於2018年及2017年12月31日分別約佔本集團貿易應收款項總額的67.7%及85.8%。本集團已經並將持續監察關於貿易應收款項結餘的信貸風險。

利率風險

本集團面臨利率變動對計息銀行借款產生影響的利率風險。本集團持續監察利率風險，並在必要時調整銀行存款及借款的組合。

美國市場的經濟

由於本集團的大部分收入來自美國，故其經營業績及財務狀況取決於美國經濟。本集團的盈利能力及業務增長受宏觀經濟狀況的不確定性以及美國不明朗的經濟展望和政治狀況影響。

美國經濟面臨預算赤字、公債、勞動力市場動力不足及政局不穩變動等挑戰。此外，於2016年11月當選總統的當勞·特朗普更改了美國對華貿易政策，此舉可能對本集團業務帶來不利影響。

本集團已評估美國對華貿易政策變更產生的業務風險，並將探索各種不同方法以緩解由此引起的該等風險。

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柬埔寨：政治及經濟前景

CORRUPTIONS

Transparency International's Corruption Perceptions Index has ranked Cambodia as one of the worst countries for corruption in the Asia Pacific region for the last several years. Although international agencies have been helping the government to write anti-corruption legislation since the 1990s, and many provisions such as the 2011 Anticorruption Law cover Western concerns about corruption and power abuses, but poor enforcement means that they have little effect.

In Cambodia, endemic levels of corruption combine with a high degree of bureaucracy to make the commercial environment potentially difficult. The 2018 edition of the World Bank's Ease of Doing Business survey places Cambodia 135th out of 190 countries, with only the ability to obtain easy credit offsetting the poor rankings for starting a business (183rd), dealing with construction permits (179th), and enforcing contracts (179th). All these are areas that are susceptible to bribery and corruption.

Corruption is becoming an issue not only for businesses but also individuals. As the economy has improved, research has revealed that corruption is one of the leading concerns for ordinary Cambodians. However, while a meaningful rather than cosmetic anti-corruption campaign would probably be popular, it remains unlikely that the Cambodian People's Party (CPP) will feel the need to move beyond rhetoric to significant action during 2018.

貪污

透明國際(Transparency International)的貪污觀感指數(Corruption Perceptions Index)過去數年將柬埔寨列為亞太區內貪污最嚴重的國家之一。雖然自1990年代起，國際機構一直協助該國政府擬定反貪污法例，而不少條文(例如2011年借鑑西方的反貪污法)均關注貪污及濫權問題，但執法不力導致成效不彰。

在柬埔寨，地方貪污陋習普遍加上官僚主義嚴重，令營商環境有潛在困難。在世界銀行的2018年「企業經營難易度」調查中，柬埔寨在190個國家中排名第135位，只有易於獲取信貸的能力，能夠抵銷開展業務(排名第183位)、辦理建築許可證(排名第179位)及執行合約(排名第179位)的差劣排名。此等方面均容易受到貪污受賄的影響。

貪污不僅對於企業，且對於個人而言亦是日漸關切的問題。隨著經濟改善，研究發現貪污是一般柬埔寨人主要憂慮的問題之一。雖然人民普遍樂見當局有實質的反貪運動而非只流於門面功夫，但柬埔寨人民黨除出口術外，仍不大可能感到有必要於2018年採取其他重大行動。

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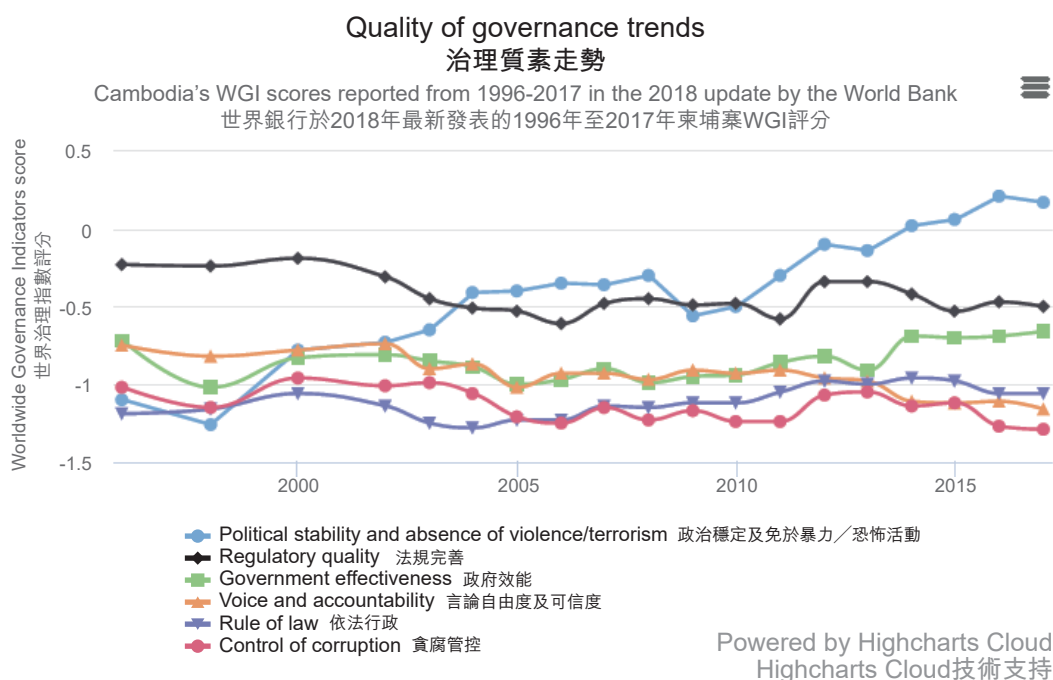
柬埔寨：政治及經濟前景

QUALITY OF GOVERNANCE TRENDS

The World Bank's Worldwide Governance Indicators (WGI) show that rankings for certain measures of Cambodia's political governance have stayed relatively low over the past 15 years. The measure for 'Political Stability and Absence of Violence/Terrorism' is the only measure that shows significant improvement since 1996. This may be attributable to the longevity of the current ruling party and Prime Minister.

治理質素走勢

世界銀行的「世界治理指數」顯示，於過去15年，柬埔寨若干政治治理措施的排名仍然偏低。自1996年以來，「政治穩定及免於暴力／恐怖活動」為唯一顯著改善的措施，此乃可能歸因於長期由現有執政黨及首相統治。



Note: The estimate of governance score ranges from approximately -2.5 (weak) to 2.5 (strong performance). WGI are a research dataset summarizing the views on the quality of governance provided by a large number of enterprise, citizen and expert survey respondents in industrial and developing countries.

附註：估計治理評分介乎約-2.5(表現欠佳)至2.5(表現強勁)。WGI為研究資料組，總結了工業及發展中國家大量企業、公民及專家調查受訪者對治理質素的看法。

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柬埔寨：政治及經濟前景

ECONOMIC POLICY

1. The economy is a principle domain to support the national development program, which involves sustainability and macroeconomy. It should effectively use its natural and human resources. Cambodia would promote free market economy linked with the program of combat the poverty, and social justice. The economic mechanism runs its course within rules and regulations of free market economy.
2. The Royal Government would not manage the market, but it would support it. The Royal Government would grant the private sector the right of self-determination on productivity, investment, and expenditure, and it would intervene much less. For the reasons, it would set legal and administrative structures to ensure freedom and autonomy of the private sector to property right, employment, profession, and the right to compete freely.
3. It would improve mechanism and structure of economic management to ensure the effectiveness and transparency to cope with corruption and violation of law. That is very important to stabilize the macro-economy, to boost the people's standard of living, and to encourage the investment.

經濟政策

1. 經濟為支持國家發展計劃的主要一環，當中涉及可持續發展及宏觀經濟方面，並須善用其天然及人力資源。柬埔寨將推動與消除貧困及社會公義息息相關的自由市場經濟。自由市場經濟的規則及規例充分體現了經濟機制。
2. 王國政府不得管理並須支持市場。王國政府賦予私營界別在生產力、投資及支出方面的自決權，大大減少干預市場。因此，王國政府將建立法律及行政架構，以確保私營界別在產權、僱傭、專業及自由競爭權利方面的自由及自主權。
3. 柬埔寨將改善經濟管理的機制及架構，以確保其有效性及透明度，從而應對貪污及違法行為。此舉對穩定宏觀經濟、提高人民生活水平及鼓勵投資至關重要。

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4. It prioritizes the physical agricultural infrastructure, electricity and human resources, which are the basic of overall development. The following goals must be achieved:
- To speed up the economic growth in order to improve the popular living standard and to create more employment. The chief potential to promote the economic growth is to amass and transform the natural resources and the national products into the products of export. The Royal Government would improve economic rules and regulations and to promote Cambodia to be a goods producer in order to attract more foreign investment.
 - To ensure the stability of Riel currency, to keep the inflation rate at bay, to prevent the loss of revenue and private saving by the Riel fluctuation, and to build confidence in Riel by devaluating with caution the dollar.
 - To increase the export of agricultural and manufacturing products with high expertise and quality.
 - The Royal Government would do it best to alleviate the poverty. The alleviation of poverty is not only the basic of sustainability of the economic development, but it also the priority to implement the social program.
4. 柬埔寨優先考慮實際農業基建、電力及人力資源等整體發展基礎，並須實現以下目標：
- 加快經濟增長步伐，務求提高人民生活水平及創造更多就業機會。促進經濟增長的主要潛力在於積累天然資源及國產產品並將其轉化為出口產品。王國政府將改善經濟規則及規例，並促使柬埔寨成為商品生產國，以吸引更多外商投資。
 - 確保柬埔寨瑞爾的穩定性，保持平穩通脹率，避免因瑞爾波動而造成收益及私人儲蓄損失，並透過審慎將美元貶值以建立對瑞爾的信心。
 - 提高具有高專業知識的優質農業及製造業產品的出口量。
 - 王國政府將竭盡所能扶貧。扶貧不僅為經濟可持續發展的基礎，亦是推行社會方案的優先考量事項。

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柬埔寨：政治及經濟前景

5. To attain the above goals, the Royal Government would seize down the following imbalances:
 - Between the need and supply, especially on foods, housing, transportation, education and health care.
 - Between the revenue and expenditure within the national budget.
 - Between the import and export.
 - Between the currency and goods.
 - Between salary and the standard of living of civil servant and servicemen.
 - Between the increase in the work force and the employment.
 - Between the need for national development and the training of human resources.
 6. The Royal Government would continue to carry out the projects, which are identified in the national program of rehabilitation and development of Cambodia. It would focus on the long-term program for the economic and social development. It also attempts to achieve the urgent need for the investment on public sector.
5. 為達致上述目標，王國政府將正視以下各項失衡之處：
 - 供需，特別是食品、住房、交通、教育及醫療保健方面。
 - 國家預算以內的收入與支出。
 - 進出口。
 - 貨幣與貨品。
 - 公務員及軍人的薪金與生活水平。
 - 勞動力與就業增長。
 - 國家發展所需與人力資源培訓。
 6. 王國政府將繼續執行柬埔寨國家復元及發展計劃所確定的項目，側重於經濟及社會發展長期方案，亦嘗試應對公營投資的迫切需求。

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柬埔寨：政治及經濟前景

SUSTAINED ECONOMIC GROWTH

The Cambodian economy continued to maintain stable growth in 2018. The International Monetary Fund is projecting real gross domestic product growth of 7.0% in 2018 and 6.8% in 2019, with an inflation rate of 3.3% in both years (source: International Monetary Fund — World Economic Outlook Database October 2018).

In the first 11 months of 2018, visits to Cambodia continued to grow with international arrivals increasing 11% to 5.4 million visitors. China continues to be the leading source of visits to Cambodia, growing by 69% to 1.8 million visitors in the first 11 months of 2018. China (34%), Vietnam (13%) and Laos (7%) were the top three sources of arrivals, collectively accounting for 54% of total visits to Cambodia. Arrivals at Phnom Penh International Airport grew 36% over the same period (source: Ministry of Tourism, Cambodia).

Cambodia continues to attract visitors from Asia and other nations, benefiting from its appeal as a tourism destination and the abundance of business opportunities that exist in an emerging economy with political and social stability. The Ministry of Tourism of Cambodia (“MOT”) targets to attract 7.0 million visitors by 2020, of which 2.0 million will be Chinese visitors (source: Khmer Times, 4 January 2017).

持續經濟增長

柬埔寨經濟於2018年繼續保持穩定增長。國際貨幣基金組織預計於2018年及2019年的實際國內生產總值增長率分別為7.0%及6.8%，而兩個年度的通脹率均為3.3%（資料來源：國際貨幣基金組織 — 2018年10月世界經濟展望數據庫）。

於2018年首11個月，柬埔寨訪客人次持續增長，國際訪客人數上升11%至5,400,000名。中國仍為柬埔寨的主要訪客來源，於2018年首11個月上升69%至1,800,000名。中國(34%)、越南(13%)及老撾(7%)為三大訪客來源，合共佔柬埔寨訪客總數的54%。金邊國際機場的入境人次較同期增長36%（資料來源：柬埔寨旅遊部）。

柬埔寨受惠於其作為旅遊目的地的吸引力，加上政治及社會穩定的新興經濟體的商機處處，以致不斷吸引來自亞洲及其他國家的訪客。柬埔寨旅遊部（「旅遊部」）的目標為於2020年前吸引7,000,000名訪客到訪，其中2,000,000名將為中國訪客（資料來源：《高棉時報》，2017年1月4日）。

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柬埔寨：政治及經濟前景

CHALLENGES TO CAMBODIA'S GROWTH

To ensure stronger medium-term growth, there are several challenges:

1. Infrastructure: Despite increasing public investment, Cambodia still faces high energy costs, insufficient supply of electricity, and shortcomings in its transportation network.
2. Cambodia ranks low among the Southeast Asian countries in terms of ease of doing business and in competitiveness. The cost of doing business also is high because of sometimes burdensome government procedures.
3. Good governance is essential if Cambodia is to compete against other countries that also aspire to move up the ladder of development.

CONCLUSION

As disclosed on page 65, the net proceeds from the Listing for expansion of the manufacturing capabilities in Cambodia have been fully utilised. In view of the current development status in Cambodia as discussed on pages 15 to 16 and the political and economic risks in Cambodia as set out on pages 25 to 31, the Company considered that the commencement of full operation of the production facility in Cambodia was not in the best interest of the Group and decided to further delay the commencement of full operation of the Cambodia factory until the infrastructure and peripheral facilities favor a mass production of the Group's products with economic sense. The Company expects there will be no large capital expenditure in Cambodia in the forthcoming future and has no plan to allocate further resources to Cambodia at this stage. The Company would like to cautiously monitor the business environment and carry out the operation subject to the improvement of these external factors.

The Directors are of the view that no impairment of investment in Cambodia shall be made, which is for the reasons that: (i) the construction of production facility was completed in early 2018 and the Directors reviewed the Cambodia Real Estate Market Outlook 2019 Report issued by CBRE Research and considered there is a favorable trend in rental market and potential increase in value of land and property in Cambodia; and (ii) as at the date of this report, there was no significant drop in asset's value of the investment in Cambodia. The Company would regularly review the asset's value of the investment in Cambodia and assess whether there is any indication that the investment may be impaired.

柬埔寨增長面對的挑戰

為了確保中期增長更加強勁，須面對以下重重挑戰：

1. 基建：儘管公共投資日益增加，柬埔寨仍面臨能源成本高昂、電力供應不足及運輸網絡欠佳等問題。
2. 至於營商難易度及競爭力方面，柬埔寨在東南亞國家中排名偏低。由於政府程序有時較為繁瑣，以致營商成本高昂。
3. 倘柬埔寨須與其他力爭上游的國家競爭，施行善政至關重要。

結論

誠如第65頁所披露，用作提高於柬埔寨的產能的上市所得款項已獲全數動用。鑑於第15至16頁所述柬埔寨現行發展狀況以及第25至31頁所述柬埔寨的政治及經濟風險，本公司認為，柬埔寨生產設施全面投入營運不符合本集團最佳利益，並決定進一步延後柬埔寨工廠全面投入營運時間，直至基建設施及週邊設施在經濟方面有利於大規模生產本集團產品為止。本公司預期日後將不會在柬埔寨錄得大筆資本開支，現階段亦無計劃分配更多資源至柬埔寨。本公司將審慎監控營商環境，並於此等外圍因素有所改善的情況下方始開展業務。

董事認為，將不會就於柬埔寨的投資計提減值，原因為：(i) 生產設施建設工程已於2018年初完工，而董事經審閱世邦魏理仕研究發表的2019年柬埔寨房地產市場前景報告(Cambodia Real Estate Market Outlook 2019 Report)，並認為柬埔寨租務市場呈現利好走勢以及土地及物業價值出現潛在升幅；(ii) 於本報告日期，於柬埔寨的投資的資產價值並無大幅下滑。本公司將定期審閱於柬埔寨的投資的資產價值，並評估有否任何跡象顯示投資可能減值。

Corporate Governance Report

企業管治報告

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain high standards of corporate governance to protect the interests of its Shareholders and to enhance corporate value and accountability. The Board has reviewed the Company's corporate governance practices and is satisfied that save as disclosed below, the Company has complied with all code provisions ("**Code Provisions**") and, where applicable, the recommended best practices of the Corporate Governance Code (the "**Corporate Governance Code**") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") since 12 January 2017, the date on which the Shares were listed on the Stock Exchange (the "**Listing Date**") and up to the date of this report.

According to Code Provision A.2.1., the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company has appointed Mr. Zou Gebing as both the chairman and the chief executive officer of the Company. The Board believes that vesting the roles of the chairman and chief executive officer in the same individual would enable the Company to achieve higher responsiveness, efficiency and effectiveness when formulating business strategies and executing business plans. The Board believes that the balance of power and authority is sufficiently maintained by the operation of the senior management and the Board, which comprises experienced and high-calibre individuals. The Board currently comprises four executive Directors (including Mr. Zou Gebing) and three independent non-executive Directors and therefore has a fairly strong independence element in its composition. The Board will nevertheless review the structure and composition of the Board from time to time in light of prevailing circumstances, in order to maintain a high standard of corporate governance practices of the Company.

Trading suspension and resumption

At the request of the Company, trading in the shares on the Stock Exchange has been suspended with effect from 1:00 p.m. on 28 March 2019. Since all conditions under the resumption guidance issued by the Stock Exchange dated 27 May 2019 have been fulfilled to the Stock Exchange's satisfaction, trading in the shares on the Stock Exchange has been resumed with effect from 9:00 a.m. on 20 August 2019. For further details, please refer to the Company's announcements dated 27 May 2019 and 19 August 2019 respectively.

企業管治常規

本公司致力維持高水平的企業管治標準，以保障股東權益及提升企業價值及問責性。董事會已審閱本公司的企業管治常規，並信納除下文披露者外，自2017年1月12日（即股份在聯交所上市日期（「上市日期」）直至本報告日期，本公司已遵守載列於聯交所證券上市規則（「上市規則」）附錄十四的企業管治守則（「企業管治守則」）所有守則條文（「守則條文」）及建議最佳常規（如適用）。

根據守則條文A.2.1，主席及行政總裁的角色應有所區分，並不應由同一人兼任。本公司已委任鄧格兵先生為本公司主席兼行政總裁。董事會相信，主席及行政總裁的角色由同一人擔任將使本公司於制定業務策略及執行業務計劃時更敏捷、有效率及更具效益。董事會相信，由經驗豐富的優秀人才組成的高級管理層及董事會進行營運足以達致平衡其權力與權限。董事會現時由四名執行董事（包括鄧格兵先生）及三名獨立非執行董事組成，因此其組成具有相當高的獨立性。然而，董事會仍將根據現況不時檢討董事會的架構及組成，以保持本公司的高水平企業管治常規。

暫停及恢復買賣

應本公司要求，股份自2019年3月28日下午1時正起於聯交所暫停買賣。由於聯交所所發出日期為2019年5月27日的復牌指引中的條件已經全部達成並獲聯交所信納，股份自2019年8月20日上午9時正起於聯交所恢復買賣。有關進一步詳情，請參閱本公司日期分別為2019年5月27日及2019年8月19日的公告。

Corporate Governance Report

企業管治報告

The Company will continue to review its corporate governance practices in order to enhance its corporate governance standard, comply with regulatory requirements and meet the growing expectations of shareholders and investors of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as a code of conduct of the Company for Directors’ securities transactions. The Company has made specific enquiry with all Directors and the relevant employees regarding any non-compliance with the Model Code during the Reporting Period, and they all confirmed that they had fully complied with the required standard set out in the Model Code and its code of conduct regarding directors’ securities transactions throughout the Reporting Period.

BOARD OF DIRECTORS

The Board is responsible for overseeing the management, businesses, strategic directions and financial performance of the Group. The Board holds regular meetings to discuss the Group’s businesses and operations. All important issues are discussed in a timely manner. The Board delegates to the management the daily operations of the Group under the directions set out by the management and the Board. The Board has established various committees and has delegated to the Audit Committee, the Remuneration Committee, and the Nomination Committee of the Board (collectively, the “**Board Committees**”) various duties. All the Board Committees perform their distinct roles in accordance with their respective terms of reference.

Pursuant to the internal guidelines of the Group, the Board shall meet at least four times a year. Additional board meetings will be held when warranted. The Directors at all times have full and timely access to information of the Group. There is a procedure for Directors to seek independent professional advice whenever deemed necessary by them at the expense of the Company, as appropriate.

本公司將繼續檢討其企業管治常規，提升企業管治水平、遵守監管規定並滿足本公司股東及投資者日益增長的期望。

證券交易的標準守則

本公司已採納上市規則附錄十所載上市發行人董事進行證券交易的標準守則(「**標準守則**」)作為董事進行證券交易的行為守則。本公司向全體董事及相關員工進行具體查詢，查詢其於報告期間有否遵守標準守則，彼等均確認已於報告期間全面遵守標準守則所載規定準則及董事進行證券交易的行為守則。

董事會

董事會負責監管本集團的管理、業務、策略方向及財務表現。董事會定期舉行會議，討論本集團的業務及營運。董事會須及時討論所有重要事項。董事會將本集團的日常營運授予管理層，彼等須根據管理層及董事會制定的指示行事。董事會已成立多個委員會並向董事會的審核委員會、薪酬委員會及提名委員會(統稱「**董事委員會**」)委派多項職責。所有董事委員會均根據其各自的職責範圍履行其不同的責任。

根據本集團的內部指引，董事會每年至少召開四次會議。如有需要可另外召開董事會會議。任何時候，董事均能全面、及時獲取本集團的資料。本公司設有程序，使董事可於其認為需要時尋求獨立專業意見，費用由本公司承擔(如適用)。

Corporate Governance Report

企業管治報告

Directors receive at least 14 days prior written notice of a regular meeting and may propose matters for discussion to be included in the agenda. The minutes of Board meetings are prepared by the company secretary with details of the decisions reached, any concerns raised and dissenting views expressed. Copies of the final versions of Board minutes are sent to the Directors for their information and records. The draft minutes are sent to all Directors within a reasonable time after each meeting for their comments before being formally signed. The signed minutes are kept in safe custody by the company secretary and are available for inspection by the Directors.

Insurance coverage in respect of Directors' and officers' liability has been arranged by the Company.

As of the date of this report, the composition of the Board is as follows:

Executive Directors:

Mr. ZOU Gebing (*Chairman and Chief Executive Officer*)
Mr. ZENG Jin
Mr. SHEN Zhidong
Mr. WU Yueming (appointed on 6 June 2018)
Mr. CHEN Guohua (retired on 17 May 2018)

Independent Non-executive Directors:

Mr. LIU Haifeng
Mr. PANG Wing Hong (appointed on 12 April 2019)
Mr. CHU Guodi (appointed on 28 May 2019)
Mr. SHAO Shaomin (resigned on 29 March 2019)
Mr. HUANG Wenli (resigned on 28 May 2019)

The biographies of the Directors are set out in "Profile of Directors and Senior Management" on page 8 to page 13 of this annual report.

董事在常規會議之前至少14日內收到事先書面通知，並可提出討論事宜列入議程。董事會會議記錄由公司秘書編製，詳細介紹了所達成的決議、提出的任何疑慮和不同意見。董事會會議記錄的最終版本副本將發送給董事，以供參考及記錄。會議紀要在每次會議後、正式簽署前的合理時間內發送給所有董事，以供提出意見。簽署的會議記錄由公司秘書妥善保管，以供董事查閱。

本公司已安排投購有關董事及高級職員責任的保險。

於本報告日期，董事會的組成如下：

執行董事：

鄒格兵先生(主席兼行政總裁)
曾金先生
沈志東先生
吳月明先生(於2018年6月6日獲委任)
陳國華先生(於2018年5月17日退任)

獨立非執行董事：

劉海峰先生
彭永康先生(於2019年4月12日獲委任)
褚國弟先生(於2019年5月28日獲委任)
邵少敏先生(於2019年3月29日辭任)
黃文禮先生(於2019年5月28日辭任)

董事履歷載於本年報第8至13頁的「董事與高級管理層履歷」。

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During the Reporting Period, the attendance of the individual Directors at the meetings is set out below: 於報告期間，各董事出席會議情況如下：

Name of Director	董事姓名	Number of meetings attended/eligible to attend during the Reporting Period				
		Remuneration Committee	Nomination Committee	Audit Committee	Board	General Meeting
		薪酬委員會	提名委員會	審核委員會	董事會	股東大會
Executive Directors		執行董事				
Mr. Zou Gebing	鄒格兵先生	N/A 不適用	N/A 不適用	N/A 不適用	6/7	1/1
Mr. Chen Guohua (Note 1)	陳國華先生(附註1)	N/A 不適用	N/A 不適用	N/A 不適用	2/2	1/1
Mr. Zeng Jin	曾金先生	N/A 不適用	N/A 不適用	N/A 不適用	9/9	1/1
Mr. Wu Yueming (Note 2)	吳月明先生(附註2)	N/A 不適用	N/A 不適用	N/A 不適用	5/5	N/A 不適用
Mr. Shen Zhidong	沈志東先生	N/A 不適用	N/A 不適用	N/A 不適用	9/9	1/1
Independent non-executive Directors		獨立非執行董事				
Mr. Shao Shaomin (Note 3)	邵少敏先生(附註3)	3/3	2/2	2/2	9/9	1/1
Mr. Huang Wenli (Note 4)	黃文禮先生(附註4)	3/3	2/2	2/2	9/9	1/1
Mr. Pang Wing Hong (Note 5)	彭永康先生(附註5)	N/A 不適用	N/A 不適用	N/A 不適用	N/A 不適用	N/A 不適用
Mr. Chu Guodi (Note 6)	褚國弟先生(附註6)	N/A 不適用	N/A 不適用	N/A 不適用	N/A 不適用	N/A 不適用
Mr. Liu Haifeng	劉海峰先生	3/3	2/2	2/2	9/9	1/1

Notes:

- (1) Mr. Chen Guohua retired on 17 May 2018.
- (2) Mr. Wu Yueming was appointed on 6 June 2018.
- (3) Mr. Shao Shaomin resigned on 29 March 2019.
- (4) Ms. Huang Wenli resigned on 28 May 2019.
- (5) Mr. Pang Wing Hong was appointed on 12 April 2019.
- (6) Mr. Chu Guodi was appointed on 28 May 2019.

附註：

- (1) 陳國華先生於2018年5月17日退任。
- (2) 吳月明先生於2018年6月6日獲委任。
- (3) 邵少敏先生於2019年3月29日辭任。
- (4) 黃文禮先生於2019年5月28日辭任。
- (5) 彭永康先生於2019年4月12日獲委任。
- (6) 褚國弟先生於2019年5月28日獲委任。

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The role of the independent non-executive Directors is to provide independent and objective opinions to the Board, giving adequate control and balances for the Company to protect the overall interests of the Shareholders and the Company.

They serve actively on the Board and Board Committees to provide their independent and objective views. In compliance with Rules 3.10(1) and 3.10A of the Listing Rules, the Company has appointed three independent non-executive Directors, representing more than one-third of the Board. One of the independent non-executive Directors has the appropriate professional qualifications in accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

The Board must satisfy itself that an independent non-executive Director does not have any material relationship with the Group. The Board is guided by the criteria of independence as set out in the Listing Rules in determining the independence of Directors.

The Board members have no financial, business, family or other material/relevant relationships with each other, save as disclosed under the section headed “Profile of Directors and Senior Management” in this annual report. The Company has received annual confirmation of independence from all the independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Board is of the view that all the independent non-executive Directors are independent in accordance with the Listing Rules.

The independent non-executive Director Mr. Shao Shaomin was appointed on 10 December 2016 and resigned on 29 March 2019. Mr. Pang Wing Hong was appointed as an independent non-executive Director on 12 April 2019, replacing Mr. Shao’s directorship in the Company. Mr. Huang Wenli was appointed on 10 December 2016 and resigned on 28 May 2019. Mr. Chu Guodi was appointed as an independent non-executive Director on 28 May 2019, replacing Mr. Huang’s directorship in the Company. Mr. Liu Haifeng was appointed on 6 July 2017. They are subject to retirement by rotation in accordance with the articles of association of the Company (the “**Articles**”). Please refer to “Corporate Governance Practices” on page 32 of this report for further details.

獨立非執行董事的獨立性

獨立非執行董事的角色乃向董事會提供獨立及客觀的意見，為本公司提供足夠的制約及平衡，以保障股東及本公司整體利益。

彼等於董事會及董事委員會上積極提供其獨立及客觀的意見。本公司已遵照上市規則第3.10(1)及3.10A條，委任三名獨立非執行董事，佔董事會人數超過三分之一。其中一名獨立非執行董事具備上市規則第3.10(2)條所規定的適當會計專業資格或相關財務管理專業知識。

董事會確信，獨立非執行董事與本集團並無任何重大關係。董事會在確定董事獨立性時，遵循上市規則所載獨立標準。

除本年報「董事與高級管理層履歷」一節所披露者外，董事會成員之間並無財務、商業、家庭或其他重大／相關的關係。本公司已收到全體獨立非執行董事根據上市規則第3.13條提交的年度獨立性確認書。董事會認為，根據上市規則全體獨立非執行董事均為獨立人士。

獨立非執行董事邵少敏先生於2016年12月10日獲委任並於2019年3月29日辭任。彭永康先生於2019年4月12日獲委任為獨立非執行董事，接替邵先生的本公司董事職務。黃文禮先生於2016年12月10日獲委任並於2019年5月28日辭任。褚國弟先生於2019年5月28日獲委任為獨立非執行董事，接替黃先生的本公司董事職務。劉海峰先生於2017年7月6日獲委任。彼等須根據本公司組織章程細則（「**細則**」）輪值退任。有關進一步詳情，請參閱本報告第32頁的「企業管治常規」。

Corporate Governance Report

企業管治報告

DIRECTORS' TRAINING

All Directors are provided with timely updates on the Company's performance, financial position and prospects to enable the Board as a whole and each Director to discharge their duties. In addition, the Company arranges for and provides continuous professional development training and relevant materials to the Directors to help ensure they are apprised of the latest changes in the commercial, legal and regulatory environment in which the Group conducts its business and to refresh their knowledge and skills on the roles, functions and duties of a listed company director. The Directors have provided to the Company their record of continuous professional development training, and they have participated in training activities in the following manner:

1. Reading materials on Directors' duties, compliance issues for listed companies and/or legal and regulatory requirements;
2. Reading materials on corporate governance and financial reporting; and
3. Reading materials on risk management and internal control.

Dividend policy

On 10 December 2018, the Company adopted a new dividend policy that may declare and distribute dividends to the shareholders of the Company, provided that the Group records a profit after tax and that the declaration and distribution of dividends does not affect the normal operations of the Group. The Company intends to pay out an annual dividend payment at a payout ratio of not less than 30% of the Group's consolidated net profit after tax for the then financial year after taking into consideration of certain factors stated in the Company's announcement dated 10 December 2018.

董事的培訓

所有董事均獲提供有關本公司的表現、財務狀況及前景的最新資料，以助董事會（作為一個整體）及各董事履行職責。另外，本公司為董事安排並提供持續專業發展培訓和相關資料，以確保彼等了解本集團經營業務的商業、法律和監管環境的最新變化，並重溫其關於上市公司董事角色、職能和職責的知識和技能。董事向本公司提供其持續專業發展培訓記錄，並以如下方式參加培訓活動：

1. 閱讀關於董事職責、上市公司的合規問題及／或法律及法規要求的資料；
2. 閱讀企業管治和財務報告資料；及
3. 閱讀風險管理和內部監控資料。

股息政策

於2018年12月10日，本公司已採納新股息政策，可向本公司股東宣派及派付股息，惟須以本集團錄得除稅後溢利且宣派及派付股息不會對本集團正常營運構成影響為前提。經考慮本公司日期為2018年12月10日的公告所載若干因素後，本公司擬按不少於本集團於當時財政年度除稅後綜合淨利潤30%的派付比率支付年度股息。

Board Diversity Policy (“Diversity Policy”)

The Company adopted a policy of having a diversity in the composition of Board members so as to enhance the quality of its performance. In designing the Board’s composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against selection criteria, having regard for the benefits of diversity on the Board.

The Nomination Committee will monitor the implementation of the Diversity Policy and, from time to time, review the Diversity Policy to ensure its effectiveness.

Nomination Policy

The Board is responsible for selection and appointment of Directors. The Nomination Policy of the Board (the “**Nomination Policy**”) sets out the criteria, process and procedures for the Nomination Committee to recommend suitable candidates for directorship with a view to ensuring that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company’s business.

The Nomination Committee shall consider a number of factors in making nominations, including but not limited to the skills and experience of the candidate, the commitment that the candidate is expected to devote to the Board and the competence of the candidate in satisfying relevant legal and regulatory requirements. The Company adopted the Diversity Policy as stated in the previous section for achieving diversity on the Board with reference to the Company’s business model and specific needs. The candidate to be nominated as an INED must satisfy the independence criteria set out in Rule 3.13 of the Listing Rules

董事會多元化政策 (「多元化政策」)

本公司已採納董事會成員多元化政策，以提升其表現質素。在設計董事會組成時，董事會多元化加以考慮各方面，包括但不限於性別、年齡、文化和教育背景、種族、專業經驗、技能、知識以及服務年資。所有董事會任命均以用人唯才為原則，並在考慮人選時以充分顧及董事會成員多元化的裨益為甄選準則。

提名委員會將監察多元化政策的執行情況，並不時檢討多元化政策，以確保其行之有效。

提名政策

董事會負責挑選及委任董事。董事會提名政策 (「**提名政策**」) 載列提名委員會建議合適董事人選的準則、過程及程序，藉以確保董事會在切合本公司業務需要的技能、經驗及觀點多元化之間取得平衡。

提名委員會將於提名時考慮多項因素，包括但不限於候選人的技能及經驗、候選人預期為董事會作出的承諾以及候選人能否符合相關法律及法規規定。本公司經參考本公司的業務模式及特定需求，採納上一節所述多元化政策，以達致董事會多元化。獲提名為獨立非執行董事的候選人必須符合上市規則第3.13條所載獨立性標準。

Corporate Governance Report

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If the Nomination Committee determines that an additional or replacement director is required, the Committee may take such measures that it considers appropriate in connection with its identification and evaluation of a candidate. The Nomination Committee may propose to the Board a candidate recommended or offered for nomination by a shareholder of the Company as a nominee for election to the Board. On making recommendation, the Nomination Committee may submit the candidate's personal profile to the Board for consideration. The Board may appoint the candidate(s) as director(s) to fill a casual vacancy(ies) or as an addition to the Board or recommend such candidate to shareholders for election or re-election (where appropriate) at the general meeting.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board Committees are established with defined written terms of reference. The terms of reference of the Board Committees are posted on the Company's website and the website of the Stock Exchange and are available to the Shareholders upon request.

All members of each Board Committee are independent non-executive Directors.

AUDIT COMMITTEE

The Audit Committee was established with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process, internal control system and risk management system of the Group, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

Members of the Audit Committee are Mr. Pang Wing Hong (appointed on 12 April 2019), Mr. Liu Haifeng and Mr. Chu Guodi (appointed on 28 May 2019). They are all independent non-executive Directors. Mr. Pang Wing Hong currently serves as the chairman of the Audit Committee, replacing Mr. Shao Shaomin, who resigned on 29 March 2019.

倘提名委員會確定需要新增或更換董事，委員會可採取其認為適當的措施，以物色及評估人選。提名委員會可向董事會建議由本公司股東推薦或提名的人選作為候任董事。於提出建議時，提名委員會可向董事會提交候選人的個人簡歷以供考慮。董事會可委任該候選人擔任董事以填補臨時空缺或作為新增董事，或向股東推薦該候選人以供於股東大會選任或重選（如適用）。

董事委員會

董事會已成立三個委員會，即審核委員會、薪酬委員會及提名委員會，目的是為監察本公司特定事務。所有董事委員會均制定明確的書面職權範圍。董事委員會各自的職權範圍載於本公司及聯交所網站，股東可要求索取有關資料。

各董事委員會的成員均為獨立非執行董事。

審核委員會

本公司已成立審核委員會，並依照上市規則第3.21條及企業管治守則訂明其書面職權範圍。審核委員會的主要職責為檢討及監督本集團的財務報告程序、內部監控制度及風險管理制度，監察審核程序以及履行董事會授予的其他職責與責任。

審核委員會成員為彭永康先生（於2019年4月12日獲委任）、劉海峰先生及褚國弟先生（於2019年5月28日獲委任）。彼等均為獨立非執行董事。彭永康先生目前擔任審核委員會主席，接替於2019年3月29日辭任的邵少敏先生。

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Pursuant to the meeting of the Audit Committee on 10 July 2019, the Audit Committee reviewed, among other things, the audited financial statements for 2018 with recommendations to the Board for approval and discussed with the management and the external auditors the accounting policies and practices which may affect the Group, the report prepared by the external auditors covering major findings in the course of the audit and the accounting and financial reporting matters.

REMUNERATION COMMITTEE

The Remuneration Committee was established with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code. The primary duties of the Remuneration Committee are to establish and review the policy and structure of the remuneration for the Directors and senior management and make recommendations on the remuneration packages of individual Directors and senior management and on other employee benefit arrangements.

The Remuneration Committee consists of all the independent non-executive Directors, namely Mr. Chu Guodi, Mr. Liu Haifeng and Mr. Pang Wing Hong. Mr. Chu Guodi currently serves as the chairman of the Remuneration Committee, replacing Mr. Huang Wenli who resigned on 28 May 2019.

Pursuant to the meeting of the Remuneration Committee on 10 July 2019, the Remuneration Committee has assessed the performance of the Directors and senior management of the Company, and reviewed and recommended to the Board the remuneration policy and structure relating to the Directors and senior management of the Company.

The remuneration for the Directors and senior management comprises basic salary, retirement benefits and discretionary bonus. Details of the amount of emoluments of Directors paid for 2018 are set out in note 8 to the financial statements.

Details of the remuneration by band of the 2 members of the senior management of the Company, whose profile are set out on page 13 of this annual report, for 2018 are set out below:

Remuneration band	Number of individual	薪酬範圍	人數
Nil to HK\$1,000,000	2	零至 1,000,000 港元	2

根據審核委員會於2019年7月10日舉行的會議，審核委員會已審閱(其中包括)2018年的經審核財務報表並向董事會建議予以批准，與管理層及外聘核數師討論影響本集團的會計政策與常規、外聘核數師編製的報告(當中涵蓋其於審核過程中的重大發現)以及會計及財務報告事宜。

薪酬委員會

本公司已成立薪酬委員會，並依照上市規則第3.25條及企業管治守則訂明其書面職權範圍。薪酬委員會的主要職責為制定與檢討董事及高級管理層的薪酬政策及架構，並就個別董事及高級管理層的薪酬待遇以及其他僱員福利安排提出建議。

薪酬委員會由全體獨立非執行董事褚國弟先生、劉海峰先生及彭永康先生組成。褚國弟先生目前擔任薪酬委員會主席，接替於2019年5月28日辭任的黃文禮先生。

根據薪酬委員會於2019年7月10日舉行的會議，薪酬委員會已評估本公司董事及高級管理層的表現，檢討與本公司董事及高級管理層有關的薪酬政策及架構並向董事會提供建議。

董事及高級管理層薪酬包括基本工資、退休福利及酌情花紅。於2018年支付的董事酬金金額詳情載於財務報表附註8。

於2018年，本公司高級管理層2名成員(其履歷載於本年報第13頁)的薪酬範圍詳情載列如下：

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NOMINATION COMMITTEE

The Nomination Committee was established with written terms of reference in compliance with the Corporate Governance Code. The primary duties of the Nomination Committee are to make recommendations to the Board on appointments of the Directors, to assess the independence of the independent non-executive Directors, to take up references and to consider related matters.

The Nomination Committee consists of all the independent non-executive Directors, namely Mr. Chu Guodi, Mr. Liu Haifeng and Mr. Pang Wing Hong. Mr. Liu Haifeng currently serves as the chairman of the Nomination Committee.

The Nomination Committee carries out the process of selecting and recommending candidates for directorships by making reference to the balance of expertise, skills, experience, professional knowledge, personal integrity and time commitments of such individuals, the requirements of the business of the Group and other relevant statutory requirements and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary.

Further, pursuant to the terms of reference of the Nomination Committee, the Nomination Committee, when reviewing the composition of the Board, will have regard to the diversity of the Board, which includes gender, age, cultural and educational background, length of service, skills, knowledge and professional experience of the Board. The Company recognises and embraces the benefits of diversity of Board members.

Pursuant to the meeting of the Nomination Committee on 10 July 2019, the Nomination Committee has reviewed the policy for the nomination of Directors, the structure, size and composition of the Board and assessed independence of the independent non-executive Directors.

提名委員會

本公司已成立提名委員會，並依照企業管治守則訂明其書面職權範圍。提名委員會的主要職責為就委任董事向董事會提出建議，評估獨立非執行董事的獨立性，取得證明以及考慮相關事宜。

提名委員會由全體獨立非執行董事褚國弟先生、劉海峰先生及彭永康先生組成。劉海峰先生目前擔任提名委員會主席。

提名委員會負責就均衡知識、技能、經驗、專業知識、個人誠信及投入時間以及就本集團業務需要及其他相關法定規則及規例，進行甄選及推薦候任董事人選程序。有需要時或會委任外部招聘代理進行招聘及甄選程序。

此外，根據提名委員會的職權範圍，提名委員會在檢討董事會的組成時，將考慮到董事會多元化，其中包括性別、年齡、文化和教育背景、服務年資、技能、知識以及專業經驗。本公司承認並擁護董事會成員多元化的利益。

根據提名委員會於2019年7月10日舉行的會議，提名委員會已檢討董事會的董事提名政策、架構、人數及組成，並評估獨立非執行董事的獨立性。

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CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties set out in code provision D.3.1 of the Corporate Governance Code, namely:

- (i) to develop and review the Company's policies and practices on corporate governance;
- (ii) to review and monitor the training and continuous professional development of Directors and senior management;
- (iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (iv) to develop, review and monitor the code of conduct and compliance manual (including in relation to securities trading) applicable to employees and Directors; and
- (v) to review the Company's compliance with the Corporate Governance Code and disclosure in the corporate governance report in the Company's annual report.

The Board will continue to review the Company's policies and practices on corporate governance and legal and regulatory compliance, training and continuous professional development participations of the Directors, as well as the Company's compliance with the Corporate Governance Code.

AUDITORS' REMUNERATION

During 2018, the total fees paid/payable in respect of services provided by the Group's external auditors are set out below:

企業管治職能

董事會負責履行企業管治守則的守則條文D.3.1所載企業管治職責，即：

- (i) 制定及檢討本公司在企業管治方面的政策及常規；
- (ii) 檢討及監察董事及高級管理層的培訓及持續專業發展；
- (iii) 檢討及監察本公司在遵守法律及監管規定方面的政策及常規；
- (iv) 制定、檢討及監察適用於僱員及董事的行為守則及合規手冊(包括與證券交易有關)；及
- (v) 檢討本公司遵守企業管治守則的情況及在本公司年報的企業管治報告所作披露。

董事會將繼續檢討本公司在遵守企業管治及法律與監管規定方面的政策及常規、董事的培訓及持續專業發展參與情況以及本公司遵守企業管治守則的情況。

核數師酬金

於2018年，本集團外聘核數師就其所提供服務已獲支付／應獲支付的總費用如下：

2018
2018年
RMB'000
人民幣千元

Audit and audit related services	審計及審計相關服務	3,608
Non-audit services: Taxation and other professional services	非審計服務：稅務及其他專業服務	1,271
		4,879

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COMPANY SECRETARY

Ms. Ho Ka Yan (“**Ms. Ho**”) was appointed as the company secretary of the Company on 28 February 2018, who was responsible for handling company secretarial matters including compliance with the companies ordinance. On 28 February 2019, Ms. Ho resigned from the role as the company secretary of the Company, and the company secretary position was held vacant as at the date of this report.

DIRECTORS’ RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Board, supported by the finance and accounting department, is responsible for the preparation of the financial statements of the Group that give a true and fair view. In preparing the financial statements, the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants have been adopted. Appropriate accounting policies have also been used and applied consistently. The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group’s ability to continue as a going concern.

The statement by the auditors of the Company regarding their reporting responsibilities on the financial statements of the Group is included in the Report of the Independent Auditors on pages 71 to 80 of this annual report.

公司秘書

何家欣女士（「**何女士**」）於2018年2月28日獲委任為本公司的公司秘書，負責處理公司秘書事宜（包括遵守公司條例）。於2019年2月28日，何女士辭任本公司的公司秘書職務，而公司秘書職位於本報告日期仍然懸空。

董事對財務報表的責任

在財務及會計部門的協助下，董事會負責編製本集團真實與公平的財務報表。編製財務報表時，已採納香港會計師公會頒佈的香港財務報告準則，並貫徹使用和運用適當的會計政策。董事並不知悉任何可能會對本集團持續經營能力造成重大疑慮的事件或情況的重大不確定因素。

本公司核數師就本集團財務報表的申報責任聲明載於本年報第71至80頁的獨立核數師報告。

RISK MANAGEMENT AND INTERNAL CONTROL

The management has the responsibility to maintain appropriate and effective risk management and internal control systems, and the Board has the responsibility to review and monitor the effectiveness of the Group's risk management and internal control systems at least annually covering material controls, including financial, operational and compliance controls, to ensure that the systems in place are adequate and effective. The Group adopts a risk management system which manages the risk associated with its business and operations. The system comprises the following phases:

Identification:	Identify ownership of risks, business objectives and risks that could affect the achievement of objectives.
Evaluation:	Analyse the likelihood and impact of risks and evaluate the risk portfolio accordingly.
Management:	Consider the risk responses, ensure effective communication to the Board and on-going monitor the residual risks.

The Company has in place an internal control system which is compatible with The Committee of Sponsoring Organizations of the Treadway Commission ("**COSO**") 2013 framework. The COSO framework enables the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The five key components of the COSO framework are shown as follows:

Control Environment:	A set of standards, processes and structures that provide the basis for carrying out internal control across the Group.
Risk Assessment:	A dynamic and iterative process for identifying and analysing risks to achieve the Group's objectives, forming a basis for determining how risks should be managed.
Control Activities:	Action established by policies and procedures to help ensure that management directives to mitigate risks to the achievement of objectives are carried out.

風險管理及內部監控

管理層負責維持合適及有效的風險管理及內部監控制度，而董事會負責至少每年檢討及監察本集團的風險管理及內部監控制度（涵蓋包括財務、營運及合規監控等重要監控）的有效性，以確保現時制度的足夠性及有效性。本集團採納風險管理制度以管理有關其業務及營運的風險。該制度包括以下層面：

識別：	識別風險所有權、業務目標及可能影響目標達成的風險。
評估：	分析風險的可能性及影響並對風險組合作出相應評估。
管理：	考慮風險應對，確保與董事會有效溝通並持續監察剩餘風險。

本公司已制定符合特雷德韋委員會贊助組織委員會（The Committee of Sponsoring Organizations of the Treadway Commission, 「**COSO**」）於2013年發出的框架的內部監控制度。COSO框架可促使本集團達致營運有效性及效率性、財務報告可靠性以及遵守適用法律及法規的目標。COSO框架由以下五個關鍵部分組成：

監控環境：	為本集團開展內部監控提供基礎的一套標準、程序及結構。
風險評估：	識別及分析風險以達成本集團目標並就確定如何管理風險形成依據的動態交互流程。
監控行動：	政策及程序為幫助確保減輕風險以達成目標的管理層指令獲執行而制定的行動。

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Information and Communication: Internal and external communication to provide the Group with the information needed to carry out day-to-day controls.

Monitoring: Ongoing and separate evaluations to ascertain whether each component of internal control is present and functioning.

The Group's risk management and internal control systems are, however, designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group has conducted an annual review on whether there is a need for an internal audit department. Given the Group's relatively simple corporate and operation structure, as opposed to diverting resources to establish a separate internal audit department, the Board, supported by the Audit Committee, is directly responsible for risk management and internal control systems of the Group and for reviewing its effectiveness.

During the Reporting Period, the Company engaged an external independent adviser with professional staff in possession of relevant expertise to conduct an independent review of the risk management and internal control systems of the Group in order to maintain high standards of corporate governance. The review plan has been approved by the Board and the Audit Committee. The Board and the Audit Committee had also reviewed the resources, staff qualifications and experience and training programs of the external independent adviser and considered they are adequate and sufficient.

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company is aware of the relevant obligations under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO") and the Listing Rules.

資訊及通訊：為本集團提供進行日常監控所需資訊的內部及外部通訊。

監察：為確定內部監控的各組成部分是否存在及運行而進行的持續及單獨評估。

然而，本集團的風險管理及內部監控制度旨在管理而非消除不能達成業務目標的風險，並僅可對重大錯誤陳述或損失提供合理但並非絕對的保證。

本集團已就是否需要設立內部審計部門進行年度檢討。鑑於本集團的公司及業務架構相對簡單，並不適合分散資源成立獨立內部審計部門，董事會在審核委員會的協助下直接負責本集團的風險管理及內部監控制度並檢討其有效性。

於報告期間，本公司委聘外部獨立顧問（包括具備相關專業知識的專業人員）對本集團風險管理及內部監控制度進行獨立檢討，以維持高水準的企業管治。檢討計劃已獲董事會及審核委員會批准。董事會及審核委員會亦已檢討外部獨立顧問的資源、員工資格及經驗以及培訓計劃並認為相關資源、員工資格及經驗以及培訓計劃屬充足及充分。

就處理及發佈內幕消息的程序及內部監控措施而言，本公司知悉香港法例第571章證券及期貨條例（「證券及期貨條例」）及上市規則下的相關責任。

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In order to enhance the Group's system of handling inside information, and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures, the Group also adopts and implements an inside information policy and procedures. Certain reasonable measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Group, which include:

1. The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.
2. Confidentiality covenants will be in place when the Group enters into significant negotiations.

In addition, all employees are required to strictly adhere to the rules and regulations regarding the management of inside information, including that all employees who, because of his/her office or employment, is likely to be in possession of inside information in relation to the Company, are required to comply with the securities transaction rules adopted by the Company which are on terms no less exacting than those required under the Listing Rules.

During the course of auditing the consolidated financial statements of the Group for the year ended 31 December 2018, Ernst and Young ("EY") raised queries about (i) certain transactions in respect of the purchase and sale of leather, furniture and furniture-related products carried out by the Group in the People's Republic of China during the year ended 31 December 2018; (ii) the disclosures and accounting for the relationships between two subsidiaries of the Group in the People's Republic of China and some of their customers and/or suppliers, in particular whether these customers and suppliers are independent from the Group (the "**Auditor's Queries**").

為加強本集團的內幕消息處理制度並確保其公開披露資料的真實性、準確性、完整性與及時性，本集團亦採納並實施內幕消息政策及程序。本集團已不時採納若干合理措施以確保存在適當保障以防止違反有關本集團的披露規定，其中包括：

1. 僅少數僱員可按需要查閱相關資料。掌握內幕消息的僱員充分熟知彼等的保密責任。
2. 本集團進行重大磋商時將會訂立保密條款。

此外，所有僱員須嚴格遵守有關內幕消息管理的規則及規定，包括任何因其職位或僱傭關係有可能掌握有關本公司內幕消息的所有僱員須遵守本公司所採納的證券交易規則，其條款不遜於上市規則的規定。

於審核本集團截至2018年12月31日止年度綜合財務報表期間，安永會計師事務所(「安永」)就下列方面提出查詢：(i)本集團於截至2018年12月31日止年度於中華人民共和國所進行若干有關買賣皮革、傢俱及傢俱相關產品的交易；(ii)有關本集團兩家於中華人民共和國的附屬公司與若干客戶及／或供應商的關係的披露及會計處理，特別是該等客戶及供應商是否獨立於本集團(「核數師查詢」)。

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On 27 June 2019, the Audit Committee of the Company appointed Stevenson, Wong & Co. (“**SWC**”) to conduct an independent investigation and prepare an investigation report in respect of the Auditor’s Queries identified by EY (the “**Independent Investigation Report**”). During the course of conducting the said independent investigation, in respect of the basis of recognition of the Group’s income, the Company is of the view that there were weaknesses in the implementation of internal control measures of the Group for the year ended 31 December 2018. As at the date of this report, the Company has added corresponding internal control measures for the basis of income recognition.

In light of the above incidences, the Company has thus strengthened corresponding internal control measures by adding that both the delivery note and the receipt confirmation from customers are required as evidence for revenue recognition. The remedial measures that the Company has taken including: (i) adding above internal control procedures; and (ii) the Company has additionally assigned two senior staff from the finance department to review and monitor the implementation of internal controls in relation to sales cycle, purchase cycle and inventory cycle and they will act as checkers to ensure internal control procedures are properly carried out. These two senior staff from the finance department will throughout the year monitor these cycles and report to the Directors directly if and when they discover any inconsistencies with the internal control procedures. Taking into account that (i) an independent internal control adviser, World Link Corporate Finance Limited, has reviewed the updated internal control manual of the Company on 28 July 2019, and the internal control adviser is of the view that as at 28 July 2019 the internal control procedures are appropriate and adequate; (ii) the Company has additionally assigned two senior staff from the finance department to review and monitor the implementation of internal controls measures; and (iii) as at the date of this report, no issue in relation to the implementation of corresponding internal control procedures was identified by the Company, the Directors are of the view that the corresponding internal control procedures are effective and adequate. Based on the reasons discussed above and considering that as at the date of this report, the Directors are not aware of any other incidents similar to the issues identified in the Auditor’s Queries and the Independent Investigation Report with revealed internal control weaknesses, the Directors are further of the view that the Company’s internal control systems are effective and adequate.

於2019年6月27日，本公司審核委員會已委任史蒂文生黃律師事務所(「**史蒂文生黃**」)就安永提出的核數師查詢進行獨立調查並編製調查報告(「**獨立調查報告**」)。於進行上述獨立調查期間，就本集團的收入確認基礎而言，本公司認為本集團截至2018年12月31日止年度的內部監控措施執行方面存在弱點。於本報告日期，本公司已就收入確認基礎加入相應的內部監控措施。財務部員工須以客戶簽收確認單為收入確認基礎。

由於發生上述事故，本公司已因而加強相應內部監控措施，方法為加入需要送貨單及客戶的簽收確認單作為收入確認憑證。本公司採取的補救措施包括：(i) 加入上述內部監控程序；及(ii) 本公司另行委派兩名財務部高級人員檢討及監察有關銷售週期、採購週期及存貨週期的內部監控執行情況，彼等將擔任檢查員，以確保適當執行內部監控程序。該兩名財務部高級人員將於本年度一直監控有關週期，並在發現與內部監控程序有任何不一致之處時直接向董事匯報。考慮到(i) 獨立內部控制顧問滙領企業融資有限公司已於2019年7月28日檢討本公司經更新的內部監控手冊，而內部監控顧問認為於2019年7月28日的內部監控程序為適當及充分；(ii) 本公司另行委派兩名財務部高級人員檢討及監察內部監控執行情況；及(iii) 於本報告日期，本公司並無發現有關相應內部監控程序於執行時的任何問題，董事認為相應內部監控程序為有效及充分。基於上述理由，並考慮到截至本報告日期，董事並不知悉任何其他與核數師查詢及獨立調查報告所發現反映內部監控弱點的問題相似的事件，董事進一步認為，本公司內部監控制度為有效及充分。

Corporate Governance Report

企業管治報告

Save as disclosed above, the Board and the Audit Committee had reviewed the adequacy and effectiveness of the Group's risk management and internal control systems during the Reporting Period and up to the date of this report and believes that the existing systems are adequate and effective.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide a forum for the Shareholders to exchange views directly with the Board. Subject to provisions of the applicable laws in the Cayman Islands and the Listing Rules, the Articles require that an annual general meeting ("AGM") of the Company to be held each year and at the venue as determined by the Board. Each general meeting, other than an AGM, is called an extraordinary meeting.

According to the Articles, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

PROCEDURES FOR PUTTING FORWARD PROPOSALS BY SHAREHOLDERS AT GENERAL MEETING

To put forward proposals at a general meeting of the Company, a Shareholder should lodge a written notice of his/her/its proposal (the "Proposal") with his/her/its detailed contact information to the principal place of business of the Company in Hong Kong. The identity of the Shareholder and his/her/its request will be verified with the Company's branch share registrar in Hong Kong and upon confirmation by the Company's branch share registrar that the request is proper and in order and made by a Shareholder, the Board will determine in its sole discretion whether the Proposal may be included in the agenda for the general meeting. If the request has been verified as not in order, the Shareholder will be advised of this outcome and, accordingly, a general meeting will not be convened as requested.

除上文所披露者外，董事會及審核委員會已於報告期間及直至本報告日期檢討本集團風險管理及內部監控制度的足夠性及有效性，並認為現有制度充分而且有效。

股東權利

本公司股東大會為股東提供直接與董事會交換意見的論壇。根據開曼群島的適用法律條文及上市規則，細則規定本公司須每年舉行一次股東週年大會（「股東週年大會」），會議地點由董事會釐定。非股東週年大會的各股東大會為特別大會。

根據細則，任何一名或多名股份持有人於遞呈請求日期持有附帶於本公司股東大會投票的權利的本公司實繳股本不少於十分之一，則有權隨時向董事會或本公司秘書發出書面請求，要求董事會召開股東特別大會，以處理有關請求書中所指明的任何事項。

如果在遞呈請求21日內，董事會並無召開會議，請求人本人可以相同方式召開會議，而請求人可向本公司報銷其因董事會未能召開會議而招致的一切合理費用。

股東在股東大會上提呈建議的程序

為於本公司股東大會上提呈建議，股東須以書面形式將其建議（「建議」）連同詳細聯絡資料呈交至本公司的香港主要營業地點。本公司將向其香港股份過戶登記分處核實股東身份及其要求，於獲得本公司股份過戶登記分處確認股東作出的要求屬恰當及適當後，董事會將全權酌情釐定是否在股東大會議程內加入建議。倘該要求經核實屬不適當，則股東將獲告知有關結果，並不會按要求召開股東大會。

Corporate Governance Report 企業管治報告

PUTTING ENQUIRIES BY SHAREHOLDERS TO THE BOARD

Shareholders may at any time make a request for the Company's information to the extent such information is publicly available and the Company has an investor relationship personnel to attend to enquiries from the Shareholders. Details of the contact person are set out below:

Name: Mr. Sun Ho Chau
Telephone: (852) 2106 3238
Email: ryan.sun@morrisholdings.com.hk

Shareholders may also make enquiries with the Board at the general meetings of the Company and/or by sending them to the Company's principal place of business in Hong Kong at the following correspondence address and addressing to the Board:

Address: Unit 2001, 20/F, Citicorp Centre,
18 Whitfield Road, Causeway Bay,
Hong Kong

Shareholders should direct their questions about their shareholdings, share transfer, share registration and payment of dividend to Tricor Investor Services Limited (the Company's branch share registrar in Hong Kong). Contact details of Tricor Investor Services Limited are set out below:

Address: Level 54, Hopewell Centre 183
Queen's Road East
Hong Kong
Telephone: (852) 2980 1333
Fax: (852) 2810 8185
Email: is-enquiries@hk.tricorglobal.com

股東向董事會提出詢問

股東可隨時索取本公司資料，惟有關資料須為可公開查閱，本公司亦有投資者關係人員處理來自股東的詢問。聯絡人的詳情載列如下：

姓名：孫浩洲先生
電話：(852) 2106 3238
電郵：ryan.sun@morrisholdings.com.hk

股東亦可於本公司股東大會上向董事會提出詢問及／或透過將有關詢問發送至本公司的香港主要營業地點並提交予董事會提出詢問，通訊地址如下：

地址：香港
銅鑼灣威非路道18號
萬國寶通中心20樓2001室

股東如對名下股權、股份轉讓、股份登記及派付股息有任何疑問，應向本公司的香港股份過戶登記分處卓佳證券登記有限公司(為)出。卓佳證券登記有限公司的聯絡方式詳情載列如下：

地址：香港
皇后大道東183號
合和中心54樓
電話：(852) 2980 1333
傳真：(852) 2810 8185
電郵：is-enquiries@hk.tricorglobal.com

Corporate Governance Report

企業管治報告

COMMUNICATION WITH SHAREHOLDERS

The Board and senior management maintain a continuing dialogue with the Shareholders and investors through various channels including the Company's AGM to answer Shareholders' questions. The chairman and other members of the Board are present at the AGM. The annual report and AGM circular is distributed to all the Shareholders at least 20 clear business days before the AGM.

INVESTOR RELATIONS

The Company establishes different communication channels with investors to update them with the latest business development and financial performance including the AGM, the publication of annual reports, announcements and circulars on the websites of the Stock Exchange and the Company in order to maintain a high level of transparency.

MEMORANDUM AND ARTICLES OF ASSOCIATION

The Company adopted an amended and restated memorandum of association on 10 December 2016 and amended and restated articles of association on the Listing Date.

與股東溝通

董事會及高級管理層透過多種渠道(包括召開本公司股東週年大會以回答股東的疑問)與股東和投資者維持持續的對話。董事會主席及其他成員均出席股東週年大會。本公司於股東週年大會前至少足20個營業日向全體股東派發年報及股東週年大會通函。

投資者關係

本公司與投資者建立不同的通訊途徑，以便彼等知悉最新業務發展及財務表現，包括股東週年大會、於聯交所及本公司網站刊發年報、公告及通函，以維持高度透明。

組織章程大綱及細則

本公司已於2016年12月10日採納經修訂及重列的組織章程大綱以及於上市日期採納經修訂及重列的組織章程細則。

Directors' Report

董事會報告

The Directors present this annual report and the audited consolidated financial statements of the Company for 2018.

BUSINESS REVIEW

The review of business performance of the Group, the Group's business prospect and the financial key performance indicators during 2018 are set out in the sections headed "Financial Highlights", "Chairman's Statement" and "Management Discussion and Analysis" on page 4, pages 5 to 7 and pages 14 to 22 respectively of this annual report. The content is part of this directors' report.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE COMPANY

The principal risks and uncertainties of the Group during the Reporting Period is set out in the sections headed "Principal Risks and Uncertainties" on pages 23 to 24 respectively of this annual report. The content is part of this directors' report.

ENVIRONMENTAL PROTECTION AND COMPLIANCE WITH LAW AND REGULATIONS

The Group is committed to supporting the environmental sustainability. Being manufacturing and trading companies in the PRC, the Group is subject to various environmental laws and regulations set by the PRC national, provincial and municipal governments. Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations. During 2018, the Group has complied with relevant laws and regulations that have significant impact on the operations of the Group. Further, any changes in applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

A report on the environmental, social and governance aspects is prepared in accordance with Appendix 27 to the Listing Rules will be published on the Company's and the Stock Exchange's websites as close as possible to, and in any event no later than three months after, the publication of the Company's annual report.

董事謹此提呈本公司於2018年年報及經審核綜合財務報表。

業務回顧

本集團於2018年的業務表現回顧、本集團業務前景及關鍵財務表現指標載於本年報第4頁的「財務摘要」、第5至7頁的「主席報告書」及第14至22頁的「管理層討論及分析」章節，有關內容為本董事會報告的一部分。

本公司面臨的主要風險及不確定因素

於報告期間，本集團的主要風險及不確定因素載於本年報第23至24頁的「主要風險及不確定因素」一節，有關內容為本董事會報告的一部分。

環境保護及遵守法律法規

本集團致力支持環境的可持續發展。作為中國的製造和貿易公司，本集團須遵守中國國家、省及市政府制定的各項環保法律及法規。本集團已設定合規程序確保遵守適用法律、規則及規例。於2018年，本集團已遵守對本集團營運有重大影響的相關法律及法規。此外，有關僱員及有關營運單位不時留意相關法律、規則及規例的變動。

有關環境、社會及管治方面的報告乃根據上市規則附錄二十七編製，並將於盡可能接近本年報及在任何情況下不遲於本公司年報公佈的三個月後分別在本公司及聯交所網站刊載。

RELATIONSHIP WITH STAKEHOLDERS

The Group recognises that employees, customers and business partners are keys to its sustainable development. The Group is committed to establishing a close and caring relationship with its employees, providing quality services to its customers and enhancing cooperation with its business partners.

EMPLOYEES

Human resources are one of the greatest assets of the Company and the Company regards the personal development of its employees as highly important. The Group wants to continue to be an attractive employer for committed employees.

The Company endeavors to motivate its employees with clear career objectives and provides opportunities for advancement and improvement of their skills. The Group provides on-the-job training and development opportunities to its staff members.

SUPPLIERS

The Group has developed long-term relationships with a number of its raw material suppliers and take great care to ensure that they share the Group's commitment to quality. The Group carefully selects its suppliers and requires them to satisfy certain assessment criteria including track record, experience, reputation, ability to produce high-quality products and quality control effectiveness.

CUSTOMERS

The Group is committed to providing safe products to its customers. The Group endeavors to ensure the safety and quality of furniture products via stringent quality control measures and regular communication with customers.

COMMUNITY

The Group will continue to contribute to the harmonious society through social contributions and participation in public service and donation activities.

與持份者的關係

本集團深明僱員、客戶及業務夥伴是其可持續發展的關鍵。本集團致力與僱員建立密切及關顧的關係，為客戶提供優質服務，並加強與其業務夥伴的合作。

僱員

人力資源為本公司最大資產之一，本公司高度重視僱員的個人發展。本集團有意繼續作為盡忠職守僱員的負責任僱主。

本公司致力激勵其僱員，提供清晰的事業目標以及提供機會增進及完善其技能。本集團亦為員工提供在職培訓及發展機會。

供應商

本集團與多名原材料供應商建立長期合作關係，並盡力確保彼等遵守本集團對質量的承諾。本集團審慎挑選供應商，並要求彼等達到若干評估標準，包括往績記錄、經驗、聲譽、生產優質產品的能力及質量監控效率。

客戶

本集團致力為客戶提供安全產品。本集團透過採納嚴格質量監控措施及定期與客戶溝通，銳意確保傢俱產品安全優質。

社區

本集團將繼續透過惠澤社會以及參與公共服務及捐款活動，為社會和諧作出貢獻。

Directors' Report

董事會報告

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

The results of the Group for 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on page 81 of this annual report.

The Board recommended a payment of final dividend of HK1.3 cents per Share for the year ended 31 December 2018 payable on 20 September 2019 to all Shareholders on the register of members of the Company on 6 September 2019 subject to approval by the Shareholders in the forthcoming AGM.

TAX RELIEF

The Company is not aware of any relief from taxation available to Shareholders by reason of their holding of the shares of the Company.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during 2018 in the property, plant and equipment of the Group are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of share capital of the Company are set out in note 27 to the Company's financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company during 2018.

主要業務

本公司為本集團的控股公司，而其附屬公司主要業務為生產及銷售沙發、沙發套及其他傢俱產品。

業績及分派

本集團於2018年的業績載於本年報第81頁的綜合損益及其他全面收益表。

董事會已建議於2019年9月20日向所有於2019年9月6日名列本公司股東名冊的股東派發截至2018年12月31日止年度每股1.3港仙的末期股息，惟須待股東於應屆股東週年大會上批准。

稅項減免

本公司並不知悉有任何股東因持有本公司股份而享有稅項減免。

物業、廠房及設備

本集團物業、廠房及設備於2018年的變動詳情載於綜合財務報表附註13。

股本

本公司股本詳情載於本公司財務報表附註27。

購買、出售或贖回本公司的上市證券

於2018年，本公司或其附屬公司概無購買、出售或贖回任何本公司的上市證券。

Directors' Report

董事會報告

DISTRIBUTABLE RESERVES

As at 31 December 2018, the distributable reserves of the Company amounted to approximately RMBNil (31 December 2017: RMB16.6 million).

FIVE YEAR FINANCIAL SUMMARY

Five year financial summary are set up in the sections headed "Five Year Financial Summary" on page 196 of this annual report.

DIRECTORS

The Directors during 2018 and up to the date of this annual report were:

Executive Directors:

Mr. ZOU Gebing (*Chairman and CEO*)
Mr. ZENG Jin
Mr. SHEN Zhidong
Mr. WU Yueming (appointed on 6 June 2018)
Mr. CHEN Guohua (retired on 17 May 2018)

Independent Non-executive Directors:

Mr. LIU Haifeng
Mr. PANG Wing Hong (appointed on 12 April 2019)
Mr. CHU Guodi (appointed on 28 May 2019)
Mr. SHAO Shaomin (resigned on 29 March 2019)
Mr. HUANG Wenli (resigned on 28 May 2019)

In accordance with paragraph 83(3) of the Articles, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of shareholders after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Mr. Wu Yueming, Mr. Chu Guodi and Mr. Pang Wing Hong will retire at the forthcoming AGM and will offer themselves for re-election.

可供分派儲備

於2018年12月31日，本公司可供分派儲備約為人民幣零元(2017年12月31日：人民幣16.6百萬元)。

五年財務概要

五年財務概要載於本年報第196頁的「五年財務概要」一節。

董事

於2018年及截至本年報日期的董事如下：

執行董事：

鄒格兵先生(主席兼行政總裁)
曾金先生
沈志東先生
吳月明先生 (於2018年6月6日獲委任)
陳國華先生 (於2018年5月17日退任)

獨立非執行董事：

劉海峰先生
彭永康先生 (於2019年4月12日獲委任)
褚國弟先生 (於2019年5月28日獲委任)
邵少敏先生 (於2019年3月29日辭任)
黃文禮先生 (於2019年5月28日辭任)

根據細則第83(3)段，任何獲董事會委任填補臨時空缺的董事任期須直至彼獲委任後首屆股東大會舉行時屆滿，屆時須於該會上重選連任，而任何獲董事會委任加入現有董事會的董事任期將於本公司下屆股東週年大會舉行時屆滿，屆時符合資格重選連任。吳月明先生、褚國弟先生及彭永康先生將於應屆股東週年大會上退任，並符合資格重選連任。

Directors' Report

董事會報告

Further, pursuant to paragraph 84(1) of the Articles, one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement at an AGM at least once every three years and, being eligible, offer themselves for re-election for the forthcoming year. According to paragraph 84(2) of the Articles, any Director appointed by the Board pursuant to Article 83(3) shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation. Therefore, Mr. Zou Gebing and Mr. Zeng Jin will also retire at the forthcoming AGM and will offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for a fixed term of three years commencing from the Listing Date or the date of appointment, unless terminated by not less than three months' notice in writing served by either party on the other expiring at the end of the initial term.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company. There is no specific term or proposed length of service for the independent non-executive Directors under the letters of appointment. They are subject to retirement by rotation and re-election at AGM of the Company at least once every three years and until terminated by not less than three months' notice in writing served by either the Company or the respective independent non-executive Director.

No Directors being proposed for re-election at the forthcoming AGM has a service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

此外，根據細則第84(1)段，當時三分之一董事須輪值告退，惟每名董事須最少每三年於股東週年大會上輪值告退一次，並符合資格重選連任來年的董事職務。根據細則第84(2)段，在釐定須輪值告退的特定董事或董事人數時，董事會根據細則第83(3)條委任的任何董事不得計算在內。因此，鄒格兵先生及曾金先生將於應屆股東週年大會上退任，並符合資格重選連任。

董事的服務合約

每名執行董事已與本公司訂立服務合約，固定任期為自上市日期或委任日期起計三年，除非任何一方在初始任期結束到期時發出不少於三個月的書面通知予以終止。

每名獨立非執行董事已與本公司訂立委任函。根據委任函，概無就獨立非執行董事訂明特定任期或建議服務年期。彼等須最少每三年於股東週年大會上輪值告退及重選一次，直至本公司或相關獨立非執行董事發出不少於三個月的書面通知予以終止為止。不可於一年內免付賠償(法定補償除外)而終止的服務合約。

擬於應屆股東週年大會上重選的董事概無與本公司或其附屬公司訂立本集團不作賠償(法定賠償除外)則不得於一年內終止的服務合約。

Directors' Report 董事會報告

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as those disclosed under the section headed "Connected Transactions and Continuing Connected Transactions" and the related party transactions as disclosed in note 33 to the consolidated financial statements, no transactions, arrangements or contracts of significance in relation to the Company's business to which the Company or any of its subsidiaries was a party and in which a Director or a connected entity of a Director had a material interest, whether directly or indirectly, subsisted as at 31 December 2018 or at any time during 2018.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2018, the interests and short positions of each Director and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, are set out below:

(i) The Company

Name of Director/chief executive	Nature of Interest	Number of securities (Note 1) 證券數目 (附註1)	Approximate percentage of shareholding
董事/主要行政人員姓名	權益性質		佔股權概約百分比
Mr. Zou Gebing (Note 2) 鄒格兵先生(附註2)	Interest of controlled corporation 受控法團權益	750,000,000 Shares (L) 750,000,000 股 (L)	75%

Note 1: The letter "L" denotes the person's long position in such Shares.

Note 2: Morris Capital Limited ("Morris Capital") is owned as to 85% by Mr. Zou Gebing. Under the SFO, Mr. Zou Gebing will therefore be deemed, or taken to be, interested in the same number of Shares in which Morris Capital is interested.

董事於重大交易、安排及合約中的權益

除「關連交易及持續關連交易」一節及綜合財務報表附註33所披露的關連方交易所披露者外，於2018年12月31日或於2018年任何時間，概無與本公司業務有關且本公司或其任何附屬公司作為訂約方及董事或董事的關連實體直接或間接擁有重大權益的重大交易、安排或合約。

董事於證券的權益

於2018年12月31日，各董事及本公司主要行政人員於本公司或其任何相聯法團(按證券及期貨條例第XV部賦予的涵義)的股份、相關股份及債權證中擁有根據證券及期貨條例第XV部第7及8分部須通知本公司及聯交所(包括根據證券及期貨條例有關條文彼等被視為或被當作擁有的權益或淡倉)或根據證券及期貨條例第352條須列入該條所述登記冊或須符合標準守則的權益及淡倉載列如下：

(i) 本公司

附註1：字母「L」代表該名人士於該等股份的好倉。

附註2：慕容資本有限公司(「慕容資本」)由鄒格兵先生擁有85%。根據證券及期貨條例，鄒格兵先生被視為或被當作於慕容資本擁有權益的同等數目股份中擁有權益。

Directors' Report

董事會報告

(ii) Morris Capital (Note 1)

Name of Director/chief executive 董事／主要行政人員姓名	Nature of Interest 權益性質
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Mr. Zou Gebing 鄒格兵先生	Beneficial owner 實益擁有人
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Note 1: Morris Capital holds more than 50% of the Shares. Therefore, Morris Capital is the holding company and an associated corporation of the Company.

Note 2: The letter "L" denotes the person's long position in such Shares.

Save as disclosed above, none of the Directors, chief executives of the Company had any other personal, family, corporate and other interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 31 December 2018.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2018, the following persons (other than the Directors or the chief executive of the Company) have interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO:

Shareholders	Nature of interest	Number of Shares/underlying Shares held (Note 1) 所持股份／ 相關股份數目 (附註1)	Percentage of Shares of the Company in issue 佔本公司已發行 股份百分比
股東	權益性質		
Morris Capital (Note 2) 慕容資本(附註2)	Beneficial owner 實益擁有人	750,000,000 Shares (L) 750,000,000 股 (L)	75% (L)
Wu Xiangfei (Note 3) 鄒向飛(附註3)	Interest of spouse 配偶權益	750,000,000 Shares (L) 750,000,000 股 (L)	75% (L)
RAYS Capital Partners Limited 睿思資本有限公司	Investment manager 投資經理	89,690,000 Shares (L) 89,690,000 股 (L)	8.97% (L)
Ruan David Ching-chi 阮清旗	Interest of controlled corporation 受控法團權益	89,690,000 Shares (L) 89,690,000 股 (L)	8.97% (L)

(ii) 慕容資本(附註1)

Number of securities (Note 2) 證券數目(附註2)	Approximate percentage of shareholding 佔股權概約百分比
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85 Shares of US\$1 each (L) 85 股每股面值 1 美元的股份 (L)	85%
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附註1：慕容資本持有50%以上股份。因此，慕容資本為本公司的控股公司及相聯法團。

附註2：字母「L」代表該名人士於該等股份的好倉。

除上文所披露者外，於2018年12月31日，董事及本公司主要行政人員概無於本公司或其任何相聯法團(按證券及期貨條例第XV部賦予的涵義)的股份、相關股份或債權證中擁有須列入根據證券及期貨條例第352條存置的登記冊或須根據標準守則通知本公司及聯交所的任何其他個人、家族、公司及其他權益或淡倉。

主要股東的權益

於2018年12月31日，以下人士(董事或本公司主要行政人員除外)於股份或相關股份中擁有須列入本公司根據證券及期貨條例第336條存置的登記冊的權益或淡倉：

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Note 1: The letter "L" denotes the person's long position in such Shares.

Note 2: Morris Capital is owned as to 85% by Mr. Zou Gebing and 15% by Ms. Wu Xiangfei.

Note 3: Ms. Wu Xiangfei is the spouse of Mr. Zou Gebing. Under the SFO, Ms. Wu Xiangfei will therefore be deemed, or taken to be, interested in the same number of Shares in which Mr. Zou Gebing is interested.

Save as disclosed above, the Company has not been notified of any other person (other than the Directors and chief executives of the Company) who had an interest or short position in the Shares and/or underlying Shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO as at 31 December 2018.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the Company's business were entered into or existed during 2018.

EMOLUMENT POLICY

The Group is well aware of the importance of incentivising and retaining its employees. The Group offers competitive remuneration packages to its employees and makes contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing fund for its employees. The Remuneration Committee is set up for reviewing the Group's emolument policy and remuneration package of the Directors and chief executive of the Group, having regard to the Group's overall operating results, individual performance and comparable market practices.

The remuneration of the Directors was increased in 2018, which was due to their contributions to the Company's business development, including the development of self-owned brand, sales network expansion and expansion of overseas market. During the financial year ended 31 December 2018, the Company had established 3 direct-sales stores and set up 7 distribution stores in the PRC, and successfully acquired all the issued and outstanding common stocks of Jennifer Convertibles for developing overseas sales channels. The Remuneration Committee has considered the above factors and recommended to the Board the remuneration of the Director for the financial year ended 31 December 2018.

附註1：字母「L」代表該名人士於該等股份的好倉。

附註2：慕容資本由鄒格兵先生擁有85%及由鄔向飛女士擁有15%。

附註3：鄔向飛女士是鄒格兵先生的配偶。根據證券及期貨條例，鄔向飛女士將因此被視為或被當作於鄒格兵先生擁有權益的同等數目股份中擁有權益。

除上文所披露者外，於2018年12月31日，本公司並無接獲任何其他人士（董事及本公司主要行政人員除外）通知，表示其於本公司股份及／或相關股份中擁有須根據證券及期貨條例第XV部第2及3分部向本公司披露的權益或淡倉。

管理合約

於2018年，概無訂立或存在有關本公司全部或任何重大部分業務的管理及行政合約。

薪酬政策

本集團深知獎勵及留聘其僱員的重要性。本集團向其僱員提供具競爭力的薪酬待遇，並為僱員的社會保障保險基金（包括退休金計劃、醫療保險、工傷保險、失業保險及生育保險）及住房公積金作出供款。本公司已成立薪酬委員會，以根據本集團的整體經營業績、個人表現及可資比較市場慣例，檢討本集團的薪酬政策以及本集團董事及主要行政人員的薪酬待遇。

董事於2018年的薪酬有所上升，乃由於彼等對本公司業務發展作出貢獻，包括開發自有品牌、擴大銷售網絡及拓展海外市場。截至2018年12月31日止財政年度，本公司在中國設立3家直營店及7家經銷門店，並成功收購Jennifer Convertibles全部已發行及發行在外的普通股，以期發展海外銷售渠道。薪酬委員會已考慮上述因素，並就董事截至2018年12月31日止財政年度的薪酬向董事會提供建議。

Directors' Report

董事會報告

Details of the remuneration of the Directors for 2018 are set out in note 8 to the consolidated financial statements of this annual report.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, its holding company, or its subsidiaries a party to any arrangements to enable the Directors (including their spouse and children under 18 years of age) to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

There were no competing business of which a Director had a material interest, whether directly or indirectly, subsisted as at 31 December 2018 or at any time during 2018.

DEED OF NON-COMPETITION

Each of Morris Capital, Mr. Zou Gebing and Ms. Wu Xiangfei (each a "Non-Compete Covenantor") has entered into a deed of non-competition ("Deed of Non-competition") dated 10 December 2016 with the Company, to the effect that each of them will not directly or indirectly participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with the business of the Group from time to time.

The Company has received the annual confirmation of the Non-Compete Covenantors in respect of their compliance with the non-competition undertakings under the Deed of Non-competition during 2018.

The independent non-executive Directors also reviewed the Non-Compete Covenantors' compliance with the non-competition undertakings. The independent non-executive Directors confirmed that the Non-Compete Covenantors were not in breach of the non-competition undertakings during 2018.

於2018年的董事薪酬詳情載於本年報綜合財務報表附註8。

購買股份或債權證的安排

於年內任何時間，本公司、其控股公司或其附屬公司概無訂立任何安排，使董事（包括其配偶及18歲以下的子女）可藉購入本公司或任何其他法團的股份或債權證而獲益。

董事於競爭業務的權益

於2018年12月31日或於2018年任何時間，概無董事於競爭業務中直接或間接擁有任何重大權益。

不競爭契據

慕容資本、鄒格兵先生及鄔向飛女士（各為「不競爭契約方」）均與本公司訂立日期為2016年12月10日的不競爭契據（「不競爭契據」），承諾本身不會直接或間接參與可能與本集團不時經營的業務競爭的任何業務或持有相關權利或權益，亦不會以其他方式進行可能與本集團不時經營的業務競爭的任何業務。

於2018年，本公司已收到不競爭契約方就彼等根據不競爭契據遵守不競爭承諾所發出的年度確認。

獨立非執行董事亦已審閱不競爭契約方遵守不競爭承諾的情況。獨立非執行董事確認，不競爭契約方於2018年並無違反不競爭承諾。

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Non-Exempt Continuing Connected Transactions

During 2018, the Group had the following non-exempt continuing connected transactions, details of which are set out below:

The Lease Agreements with Morris PRC

Zhejiang Morris Fashion Home Co., Ltd (formerly known as "Haining Gelin Furniture Co., Ltd."), ("**Zhejiang Morris Fashion Home**"), Zhejiang Apollo Leather Products Co., Ltd. ("**Zhejiang Apollo Leather Products**"), Haining Morris Home Gallery Co., Ltd. ("**Haining Morris Home Gallery**"), and Haining Morris International Home Furnishings Co., Ltd. ("**Haining Morris International**"), each as tenant entered into the lease agreements with Morris PRC as landlord on 1 January 2016 for the lease of various premises located in Haining, Zhejiang Province, PRC for factory, direct sale store and office use. However, as the area of leased properties was insufficient to meet the production requirements of the Group, Zhejiang Morris Fashion Home, Haining Morris Home Gallery and Haining Morris International (each as tenant) entered into lease agreements with Morris PRC (as landlord) on 17 March 2017 for the lease of leased properties located in Haining, Zhejiang Province, PRC for factory, exhibition hall, dormitory, canteens, office and research and development center use for a term of three years commencing from 17 March 2017 and expiring on 16 March 2020. The major terms of the lease agreements are as follows:

關連交易及持續關連交易

非豁免持續關連交易

於2018年，本集團的非豁免持續關連交易詳情如下：

與慕容中國的租賃協議

浙江慕容時尚家居有限公司(前稱「海寧格林家具有限公司」,「**浙江慕容時尚家居**」、浙江阿波羅皮革製品有限公司(「**浙江阿波羅皮革製品**」、海寧慕容世家家居有限公司(「**海寧慕容世家家居**」)及海寧慕容國際家居有限公司(「**海寧慕容國際**」)(各自作為租客)與慕容中國(作為業主)於2016年1月1日分別就租賃位於中國浙江省海寧市的多處作廠房、直銷店及辦公室用途的物業訂立租賃協議。然而，由於租賃物業面積無法滿足本集團的生產需求，浙江慕容時尚家居、海寧慕容世家家居及海寧慕容國際(各自作為租客)與慕容中國(作為業主)於2017年3月17日分別就租賃位於中國浙江省海寧市作廠房、展廳、宿舍、食堂、辦公室及研發中心用途的租賃物業訂立租賃協議，租期自2017年3月17日起至2020年3月16日止為期三年。租賃協議的主要條款如下：

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Lease agreements	Term	Tenant	Landlord	Leased area (sq. m.)	Rent per annum (RMB)
租賃協議	期限	租客	業主	租賃面積 (平方米)	年租 (人民幣元)
Zhejiang Apollo Leather Products Lease Agreement 浙江阿波羅皮革製品租賃協議	1 January 2016 to 1 January 2026 (both days inclusive) 2016年1月1日至2026年1月1日 (包括首尾兩日)	Zhejiang Apollo Leather Products 浙江阿波羅皮革製品	Morris PRC 慕容中國	40,226.08	2,896,277.76
Haining Gelin Furniture Lease Agreement 海寧格林家具租賃協議	1 January 2016 to 1 January 2026 (both days inclusive) 2016年1月1日至2026年1月1日 (包括首尾兩日)	Zhejiang Morris Fashion Home (formerly known as "Haining Morris Home Gelin Furniture") 浙江慕容時尚家居 (前稱「海寧格林家具」)	Morris PRC 慕容中國	19,990.35	1,439,305.20
Haining Morris Home Gallery Lease Agreement 海寧慕容世家家居租賃協議	1 January 2016 to 1 January 2026 (both days inclusive) 2016年1月1日至2026年1月1日 (包括首尾兩日)	Zhejiang Morris Fashion Home (formerly known as "Haining Morris Home Gallery Furniture") 浙江慕容時尚家居 (前稱「海寧慕容世家家居」)	Morris PRC 慕容中國	39,312.00	2,830,464.00
Haining Morris International Lease Agreement 海寧慕容國際租賃協議	1 January 2016 to 1 January 2026 (both days inclusive) 2016年1月1日至2026年1月1日 (包括首尾兩日)	Zhejiang Morris Fashion Home (formerly known as "Haining Morris International") 浙江慕容時尚家居 (前稱「海寧慕容國際」)	Morris PRC 慕容中國	1,000.00	72,000.00
Haining Morris Home Gallery Lease Agreement 海寧慕容世家家居租賃協議	17 March 2017 to 16 March 2020 (both days inclusive) 2017年3月17日至2020年3月16日 (包括首尾兩日)	Zhejiang Morris Fashion Home (formerly known as "Haining Morris Home Gallery Furniture") 浙江慕容時尚家居 (前稱「海寧慕容世家家居」)	Morris PRC 慕容中國	40,474.00	2,914,128.00
Haining Morris Home Gallery Lease Agreement 海寧慕容世家家居租賃協議	17 March 2017 to 16 March 2020 (both days inclusive) 2017年3月17日至2020年3月16日 (包括首尾兩日)	Zhejiang Morris Fashion Home (formerly known as "Haining Morris Home Gallery Furniture") 浙江慕容時尚家居 (前稱「海寧慕容世家家居」)	Morris PRC 慕容中國	20,532.00	1,478,304.00
Haining Gelin Furniture Lease Agreement 海寧格林家具租賃協議	17 March 2017 to 16 March 2020 (both days inclusive) 2017年3月17日至2020年3月16日 (包括首尾兩日)	Zhejiang Morris Fashion Home (formerly known as "Haining Morris Home Gelin Furniture") 浙江慕容時尚家居 (前稱「海寧格林家具」)	Morris PRC 慕容中國	19,723.00	1,420,056.00
Haining Gelin Furniture Lease Agreement 海寧格林家具租賃協議	17 March 2017 to 16 March 2020 (both days inclusive) 2017年3月17日至2020年3月16日 (包括首尾兩日)	Zhejiang Morris Fashion Home (formerly known as "Haining Morris Home Gelin Furniture") 浙江慕容時尚家居 (前稱「海寧格林家具」)	Morris PRC 慕容中國	9,300.00	669,600.00
Haining Morris International Lease Agreement 海寧慕容國際租賃協議	17 March 2017 to 16 March 2020 (both days inclusive) 2017年3月17日至2020年3月16日 (包括首尾兩日)	Zhejiang Morris Fashion Home (formerly known as "Haining Morris International") 浙江慕容時尚家居 (前稱「海寧慕容國際」)	Morris PRC 慕容中國	6,400.00	460,800.00
Haining Morris International Lease Agreement 海寧慕容國際租賃協議	17 March 2017 to 16 March 2020 (both days inclusive) 2017年3月17日至2020年3月16日 (包括首尾兩日)	Zhejiang Morris Fashion Home (formerly known as "Haining Morris International") 浙江慕容時尚家居 (前稱「海寧慕容國際」)	Morris PRC 慕容中國	4,608.00	331,776.00

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The aggregated annual caps of the lease agreements for the year ended 31 December 2017 and the years ending 31 December 2018, 2019 and 2020 are RMB15 million, RMB15 million, RMB15 million and RMB15 million, respectively. For further details of the lease agreement, please refer to the announcement of the Company dated 17 March 2017.

As the entire issued share capital of Morris PRC is owned by Mr. Zou Gebing and Ms. Wu Xiangfei, Morris PRC is, accordingly, an associate of Mr. Zou Gebing and is therefore a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules.

Sales Agreement with Jennifer Convertibles

Mstar International Trading (HK) Limited, a wholly-owned subsidiary of the Company, entered into a sales agreement with Jennifer Convertibles (the "**Jennifer Convertibles Sales Agreement**") on 1 January 2016, pursuant to which the Group agreed to supply sofas to Jennifer Convertibles.

The Jennifer Convertibles Sales Agreement is valid until either (i) the expiry of a period of three years or (ii) the date on which Jennifer Convertibles ceases to be the Company's connected person, whichever comes earlier. Both parties to the agreement may negotiate to extend the agreement for a further term of three years within two months before the expiry of the three-year term of the agreement unless the agreement is terminated due to Jennifer Convertibles ceasing to be a connected person of the Company.

The annual caps of the sales by the Group to Jennifer Convertibles for the years ended 31 December 2016 and 2017 and the year ending 31 December 2018 are RMB32.0 million, RMB32.0 million and RMB32.0 million respectively.

As the entire issued share capital of Jennifer Convertibles is owned by Mr. Zou Gebing, Jennifer Convertibles is, accordingly, an associate of Mr. Zou Gebing and is therefore a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules.

截至2017年12月31日止年度以及截至2018年、2019年及2020年12月31日止年度，租賃協議的總年度上限分別為人民幣15百萬元、人民幣15百萬元、人民幣15百萬元及人民幣15百萬元。有關租賃協議的進一步詳情，請參閱本公司日期為2017年3月17日的公告。

由於慕容中國全部已發行股本由鄒格兵先生及鄔向飛女士擁有，因此，根據上市規則第14A.07條，慕容中國為鄒格兵先生的聯繫人，故慕容中國為本公司的關連人士。

與 Jennifer Convertibles 的銷售協議

於2016年1月1日，本公司全資附屬公司美星國際貿易(香港)有限公司與Jennifer Convertibles訂立銷售協議(「**Jennifer Convertibles 銷售協議**」)，據此，本集團同意向Jennifer Convertibles供應沙發。

Jennifer Convertibles銷售協議的有效有效期至(i)三年期限屆滿之日或(ii)Jennifer Convertibles不再為本公司的關連人士當日(以較早者為準)為止。協議訂約雙方可在協議三年期限屆滿前兩個月內協商將協議期限再延長三年，除非協議因Jennifer Convertibles不再為我們的關連人士而終止。

截至2016年及2017年12月31日止年度以及截至2018年12月31日止年度，本集團向Jennifer Convertibles的銷售年度上限分別為人民幣32.0百萬元、人民幣32.0百萬元及人民幣32.0百萬元。

由於Jennifer Convertibles全部已發行股本由鄒格兵先生擁有，因此，根據上市規則第14A.07條，Jennifer Convertibles為鄒格兵先生的聯繫人，故Jennifer Convertibles為本公司的關連人士。

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Since the highest relevant percentage ratio under the Listing Rules in respect of each of the transactions contemplated under the Lease Agreements and the Jennifer Convertibles Sales Agreement is expected to be, on an annual basis, less than 5%, the transactions are exempt pursuant to Rule 14A.76(2) of the Listing Rules from the circular (including independent financial advice) and independent shareholders' approval requirement but are subject to the announcement, annual reporting and annual review requirements under Chapter 14A of the Listing Rules.

Details of the above continuing connected transactions are further summarised as follows:

由於根據上市規則租賃協議及 Jennifer Convertibles 銷售協議項下擬進行交易各自涉及的最高相關百分比按年度基準計算預期低於 5%，故該等交易將獲豁免遵守上市規則第 14A.76(2) 條的通函（包括獨立財務意見）及獨立股東批准規定，但須遵守上市規則第 14A 章項下的公告、年度申報及年度審閱規定。

上述持續關連交易的詳情進一步概述如下：

Name of connected party 關聯方名稱	Nature of transaction 交易性質	Transaction amount for 2018 2018 年交易金額 RMB'000 人民幣千元	Annual Cap for 2018 2018 年年度上限 RMB'000 人民幣千元
Morris PRC 慕容中國	Lease of properties 物業租賃	14,249	15,000
Jennifer Convertibles Jennifer Convertibles	Supply of sofas 供應沙發	7,466*	32,000

* The continuing connected transactions ceased as at 31 August 2018, since Jennifer Convertibles has been acquired and became a wholly-owned subsidiary of the Group. For details, please refer to the Company's announcement dated 31 August 2018.

* 自收購 Jennifer Convertibles 及其成為本集團全資附屬公司起，持續關連交易已於 2018 年 8 月 31 日終止。有關詳情，請參閱本公司日期為 2018 年 8 月 31 日的公告。

The continuing connected transactions mentioned above have been reviewed by the independent non-executive Directors who have confirmed that the transactions have been entered into: (a) in the ordinary and usual course of business of the Company; (b) on normal commercial terms; and (c) in accordance with the relevant agreement governing such transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

上述持續關連交易乃經獨立非執行董事審閱，彼等確認該等交易乃：(a) 於本公司的日常及一般商業過程中；(b) 按正常商業條款；及 (c) 根據規管交易的有關協議訂立，其條款屬公平合理，且符合股東整體利益。

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Company in this annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

本公司核數師已獲聘根據香港會計師公會頒佈的香港核證工作準則第 3000 號（修訂）「審核或審閱歷史財務資料以外的核證工作」及參照實務說明第 740 號「關於上市規則所述持續關連交易的核數師函件」就本集團的持續關連交易作出報告。核數師已根據上市規則第 14A.56 條發出無保留意見函件，當中載有核數師對本公司於本年報所披露的持續關連交易的調查結果及結論。本公司已將核數師函件副本送呈聯交所。

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Save as disclosed above, a summary of significant related party transactions, which do not constitute connected transactions or continuing connected transactions, made during 2018 is disclosed in note 33 to the financial statements.

CORPORATE GOVERNANCE REPORT

The corporation governance report of the Group during the Reporting Period is set out in the sections headed "Corporate Governance Report" on pages 32 to 50 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

During 2018, sales to the Group's five largest customers and purchases from the five largest suppliers accounted for approximately 53.1% and 58.8% of the total revenue and purchases for the year, respectively. The Group's largest customer accounted for around 14.9% of the total revenue for the year. The Group's largest supplier accounted for around 19.4% of the total purchase for the year.

At no time during 2018 did a Director, a close associate of a Director or a Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest customers or suppliers.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto. The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against the Directors and officers arising out of corporate activities. The level of the coverage is reviewed annually.

EQUITY-LINKED AGREEMENT

Save as disclosed in this annual report relating to share option scheme, no equity-linked agreements were entered into during 2018 or subsisted as at 31 December 2018.

除上文所披露者外，於2018年作出的並不構成關連交易或持續關連交易的重大關聯方交易的概要於財務報表附註33披露。

企業管治報告

本集團於報告期間的企業管治報告載於本年報第32至50頁的「企業管治報告」一節。

主要客戶及供應商

於2018年，本集團向五大客戶的銷售額及向五大供應商的採購額分別佔本年度總收益及總採購額約53.1%及58.8%。本集團最大客戶佔本年度總收益約14.9%。本集團最大供應商佔本年度總採購額約19.4%。

於2018年任何時間，概無董事、董事的緊密聯繫人或股東（就董事所知擁有本公司已發行股本5%以上權益者）於本集團五大客戶或供應商中擁有權益。

獲准許的彌償條文

根據細則，每名董事均有權從本公司的資產中獲得彌償，以應付彼在執行其職責時或就此可能蒙受或招致的所有損失或責任。本公司就董事及高級人員因企業活動而引致針對董事或高級人員的法律行動安排適當的保險，並每年檢討保險覆蓋水平。

股票掛鈎協議

除本年報就購股權計劃所披露者外，概無於2018年訂立或於2018年12月31日存在的股票掛鈎協議。

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USE OF PROCEEDS FROM THE LISTING

The Company listed its shares on the Main Board of the Stock Exchange on 12 January 2017. Net proceeds from the Listing were approximately HK\$218.6 million (after deduction of the underwriting commission and relevant expenses), which are intended to be applied in the manner as disclosed in the prospectus of the Company dated 30 December 2016 (the "Prospectus"). As at 31 December 2018, the net proceeds from the Listing were utilized as follows:

上市所得款項用途

本公司股份於2017年1月12日在聯交所主板上市。上市所得款項淨額約為218.6百萬港元(經扣除包銷佣金及相關開支)，擬按本公司日期為2016年12月30日的招股章程(「招股章程」)所披露的方式應用該等款項。於2018年12月31日，上市所得款項淨額的使用情況如下：

		Amount utilised as at 31 December 2018 於2018年 12月31日 已動用金額 HK\$ million 百萬港元	Amount unutilised as at 31 December 2018 於2018年 12月31日 未動用金額 HK\$ million 百萬港元	
Further expansion of sales and marketing network	進一步拓展銷售及營銷網絡	68.5	68.5	–
Repay bank borrowings	償還銀行借款	57.7	57.7	–
Brand recognition in furniture market	提高於傢俱市場的品牌 認可度	56.8	56.8	–
Working capital	營運資金	21.4	21.4	–
Expansion of the manufacturing capabilities in Cambodia	提高於柬埔寨的產能	14.2	14.2	–
Total	總計	218.6	218.6	–

The proceeds from the Listing had been fully utilized at the end of December 2018, as the Company adopted an aggressive strategy for the expansion of the business by spending on promotion activities and sales network expansion.

由於本公司採取積極策略，透過斥資於推廣活動及拓展銷售網絡以擴展業務，故上市所得款項已於2018年12月底獲全數動用。

SHARE OPTIONS SCHEME

The share options scheme (the “**Share Option Scheme**”) was adopted by the Company on 10 December 2016. The Share Option Scheme allows the Company to grant options to eligible person(s) (the “**Eligible person(s)**”) as rewards or rewards for their contribution to the Group.

The principal terms of the Share Option Scheme are summarised as follows:

1. The limit on the total number of Shares which may be issued upon exercise of all options under the Share Option Scheme and any other share option schemes which may be adopted by the Group from time to time pursuant to which options to subscribe for Shares may be granted (the “**Other Schemes**”) must not, in aggregate, exceed 10% of the Shares in issue as at the Listing Date (which shall be 100,000,000 Shares) unless Shareholders' approval has been obtained, and which must not exceed 30% of the Shares in issue from time to time.

As at 31 December 2018, the total number of Shares available for issue under the Share Option Scheme is 100,000,000 Shares, which represents 10% of the issued Shares as at 31 December 2018.

2. The total number of Shares issued and to be issued upon exercise of the options granted to an Eligible Person under the Share Option Scheme and Other Schemes in any 12-month period must not exceed 1% of the Shares in issue from time to time, and provided that if approved by Shareholders in general meeting with such Eligible Persons abstained from voting, the Company may make further grant of options to such Eligible Person notwithstanding that the further grant would result in the Shares issued and to be issued upon exercise of all options granted and to be granted under the Share Option Scheme and Other Scheme in the 12-month period up to and including the date of the further grant representing in aggregate over 1% of the Shares in issue from time to time.

購股權計劃

本公司於2016年12月10日採納購股權計劃(「**購股權計劃**」)。購股權計劃使本公司可向合資格人士(「**合資格人士**」)授出購股權，作為彼等對本集團所作貢獻的獎勵或回報。

購股權計劃的主要條款概述如下：

1. 購股權計劃及本集團可能不時採納並據此授出可認購股份的購股權的任何其他購股權計劃(「**其他計劃**」)項下所有購股權獲行使而可能發行的股份總數，合共不得超過於上市日期已發行股份的10%(即100,000,000股股份)，除非已獲股東批准並不得超過不時已發行股份的30%。

於2018年12月31日，根據購股權計劃可供發行的股份總數為100,000,000股，相當於2018年12月31日已發行股份的10%。

2. 於任何12個月期間，根據購股權計劃及其他計劃授予合資格人士的購股權獲行使而已發行及將予發行的股份總數，不得超過不時已發行股份的1%。經股東在股東大會上批准且有關合資格人士放棄投票的情況下，本公司可以向該合資格人士進一步授予購股權，即使於12個月期間直至進一步授出當日(包括該日)進一步授予的購股權將導致購股權計劃及其他計劃項下所有已授出及將予授出的購股權獲行使而已發行及將予發行的股份合共超過不時已發行股份的1%。

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3. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Board to each Eligible Person provided that the period within which the option must be exercised shall not be more than 10 years from the date of the grant of option.
 4. HK\$1.00 shall be paid by the grantee to the Company by way of consideration for the grant.
 5. The Share Option Scheme shall be valid and effective for a period of 10 years commencing on the Listing Date.
3. 根據購股權計劃的條款，購股權可於董事會決定和通知每名合資格人士期間的任何時間行使，前提為行使購股權期限不得超過自授出購股權之日起計10年。
 4. 承授人須向本公司支付授出代價1.00港元。
 5. 購股權計劃自上市日期起有效期為10年。

Other details of the Share Option Scheme are set out in the Prospectus. No share option has been granted by the Company under the Share Option Scheme since its adoption up to 31 December 2018.

購股權計劃的其他詳情載於招股章程。自採納購股權計劃起直至2018年12月31日，本公司並無根據購股權計劃授出任何購股權。

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles although there is no restriction against such rights under the Companies Law of the Cayman Islands.

優先購買權

細則並無有關優先購買權的條文，而開曼群島公司法亦無限制有關權利。

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, the Directors confirm that the Company has maintained a sufficient public float as required under the Listing Rules since the Listing Date.

足夠公眾持股量

根據本公司可從公眾渠道取得的資料及據董事所知，董事確認，本公司自上市日期起一直維持足夠上市規則要求的足夠公眾持股量。

INDEPENDENT AUDITORS

The previous auditor of the Group, EY was re-appointed as auditor of the Group at the last AGM of the Company held on 17 May 2018 to hold office until the conclusion of the following AGM of the Company. However, as the Company and EY had been unable to reach an agreement on the estimated additional fees as detailed in the Company's announcement dated 2 May 2019, HLB Hodgson Impey Cheng Limited ("**HLB**") was appointed as the new auditor of the Group with effect from 21 May 2019 upon the removal of EY, until the conclusion of the following AGM of the Company.

獨立核數師

本集團前核數師安永在本公司於2018年5月17日舉行的上屆股東週年大會上獲續聘為本集團核數師，任期至本公司下屆股東週年大會結束時為止。然而，誠如本公司日期為2019年5月2日的公告所詳述，由於本公司與安永一直未能就估計額外費用達成協議，於罷免安永後，國衛會計師事務所有限公司（「**國衛**」）自2019年5月21日起獲委任為本集團新核數師，任期至本公司下屆股東週年大會結束時為止。

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The accompanying consolidated financial statements have been audited by HLB who shall retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM. Having approved by the Board upon the recommendation of the Audit Committee, a resolution to re-appoint HLB as the independent auditors of the Company and to authorise the Board to fix its remuneration will be proposed at the forthcoming AGM.

EVENT AFTER THE REPORTING PERIOD

On 22 February 2019, the Group entered into an agreement (the “**Agreement**”) with 海寧自然資源和規劃局 (Haining Planning and Land Resources Administration*) for the acquisition of the land use right for a parcel of land in Haining, PRC for a total consideration of RMB26,550,000. The consideration under the Agreement has been fully settled in accordance with the terms of the Agreement.

On 5 January 2018, the Company entered into a convertible loan agreement (“**Convertible Loan Agreement**”) with IFC, pursuant to which IFC agreed to lend, and the Company agreed to borrow, a convertible loan (“**Convertible Loan**”) in an aggregate principal amount of HK\$200,000,000. Please refer to the announcements of the Company dated 5 January 2018 and 24 January 2018 for further details. Pursuant to the Convertible Loan Agreement and as one of the conditions of disbursement, each of Mr. Zou, Ms. Wu Xiangfei, Mr. Zou’s spouse and one of the controlling shareholders of the Company, Morris PRC, a company owned as to 85% by Mr. Zou and as to 15% by Ms. Wu, and IFC entered into a share retention and undertaking agreement pursuant to which, among others, Mr. Zou has undertaken to at all times maintain his controlling stake (being not less than 51% interests) in the Company and Morris PRC and not to transfer his shares in Morris Capital, one of the controlling shareholders of the Company and owned as to 85% by Mr. Zou and 15% by Ms. Wu, or Morris PRC if, giving effect to such transfer, Mr. Zou will not be able to maintain his controlling stake in the Company or Morris PRC mentioned above for so long as any part of the Convertible Loan is outstanding or any amount is available for disbursement under the Convertible Loan Agreement and for so long as IFC holds any equity securities of the Company.

隨附的綜合財務報表已經由國衛審計，國衛將告退任，並符合資格在應屆股東週年大會上接受續聘。經董事會根據審核委員會的建議批准後，將於應屆股東週年大會上提呈決議案以續聘國衛為本公司的獨立核數師，並授權董事會釐定其酬金。

報告期間其後事項

於2019年2月22日，本集團與海寧自然資源和規劃局訂立協議（「該協議」），以收購中國海寧一幅土地的土地使用權，總代價為人民幣26,550,000元。該協議代價已根據該協議條款全數結清。

於2018年1月5日，本公司與國際金融公司訂立可換股貸款協議（「可換股貸款協議」），據此，國際金融公司同意借出而本公司同意借入本金總額為200,000,000港元的可換股貸款（「可換股貸款」）。有關進一步詳情，請參閱本公司日期為2018年1月5日及2018年1月24日的公告。根據可換股貸款協議及作為發放條件之一，鄒先生、鄒向飛女士（鄒先生配偶）、本公司控股股東之一慕容中國（由鄒先生及鄒女士分別擁有85%及15%的公司）與國際金融公司各自訂立股份保留及承諾協議，據此（其中包括），鄒先生承諾於所有時間維持其於本公司及慕容中國的控股股份（即不少於51%權益）且不會轉讓其於慕容資本（本公司控股股東之一，由鄒先生及鄒女士分別擁有85%及15%）或慕容中國的股份，倘進行相關轉讓，鄒先生將不能保留上述於本公司或慕容中國的控股股份，只要可換股貸款的任何部分尚未償還，或任何款項根據可換股貸款協議可供發放，以及只要國際金融公司持有本公司的任何股本證券。

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董事會報告

Trading in the Shares on the Stock Exchange had been suspended with effect from 28 March 2019.

As a result of the suspension in trading in the shares of the Company, the carrying amount of liability of the convertible loan to the principal amount was adjusted and the same was reallocated from non-current liabilities to current liabilities in order to reflect such continuance. On 20 April 2019, 23 May 2019 and 12 June 2019, the Company entered into three amendment agreements respectively with the lender of the convertible loan for the agreed schedule of certain permitted prepayments of the convertible loan. As at 12 June 2019, the outstanding principal of the convertible loan was HK\$171,949,905.70. Under the agreed schedule as provided in the abovementioned amendment agreements, for the period from 15 June 2019 to 30 September 2019, the Company agrees to pay the following permitted prepayments:

- a) an amount of HK\$7,500,000 on or prior to 15 June 2019;
- b) an amount of HK\$7,500,000 on or prior to 30 June 2019;
- c) an amount of HK\$6,000,000 on or prior to 15 July 2019;
- d) an amount of HK\$6,000,000 on or prior to 30 July 2019;
- e) an amount of HK\$6,000,000 on or prior to 15 August 2019;
- f) an amount of HK\$6,000,000 on or prior to 30 August 2019;
- g) an amount of HK\$6,000,000 on or prior to 15 September 2019; and
- h) an amount of HK\$6,000,000 on or prior to 30 September 2019.

For the remaining outstanding amount payable under the convertible loan agreement after 30 September 2019, the Company will publish further announcement, if the remaining outstanding amount is not paid according to the repayment term as disclosed in the Company's announcement date 5 January 2018.

股份已自 2019 年 3 月 28 日起在聯交所暫停買賣。

由於本公司股份持續暫停買賣，可換股貸款負債的賬面值已調整至本金額，並由非流動負債重新分配至流動負債，以反映有關持續暫停買賣。於 2019 年 4 月 20 日、2019 年 5 月 23 日及 2019 年 6 月 12 日，本公司與可換股貸款借貸人就可換股貸款若干准許預付款的協定時間表分別訂立三份修訂協議。於 2019 年 6 月 12 日，可換股貸款的未償還本金為 171,949,905.70 港元。根據上述經修訂協議訂明的協定時間表，於 2019 年 6 月 15 日至 2019 年 9 月 30 日止期間，本公司同意支付下列准許預付款：

- a) 於 2019 年 6 月 15 日或之前支付 7,500,000 港元；
- b) 於 2019 年 6 月 30 日或之前支付 7,500,000 港元；
- c) 於 2019 年 7 月 15 日或之前支付 6,000,000 港元；
- d) 於 2019 年 7 月 30 日或之前支付 6,000,000 港元；
- e) 於 2019 年 8 月 15 日或之前支付 6,000,000 港元；
- f) 於 2019 年 8 月 30 日或之前支付 6,000,000 港元；
- g) 於 2019 年 9 月 15 日或之前支付 6,000,000 港元；及
- h) 於 2019 年 9 月 30 日或之前支付 6,000,000 港元。

就於 2019 年 9 月 30 日後可換股貸款協議項下應付餘下尚未償還款項而言，倘餘下尚未償還款項並無根據本公司日期為 2018 年 1 月 5 日的公告所披露還款條款支付，本公司將另行作出公告。

Directors' Report

董事會報告

Pursuant to the circular of the Company dated 14 August 2018, the Company intends to pay the consideration in relation to the acquisition of Jennifer Convertibles on the following proposed payment schedule: (i) US\$20 million by the end of 2018; (ii) US\$10 million by 30 June 2019; and (iii) the remaining US\$5 million by the end of 2019. The Company has settled the first instalment of the consideration. However, due to the unfavorable cashflow conditions, the Company has not paid the consideration of US\$10 million by 30 June 2019 as per the aforementioned payment schedule. The Company aims to settle the remaining consideration of US\$15 million after 31 December 2019, and in any event prior to the second anniversary of 31 August 2018, being the completion date of the acquisition of Jennifer Convertibles.

APPRECIATION

I would like to take this opportunity to thank my fellow Directors, as well as the management and all employees for the contribution they have made towards the Group's continued progress, and to thank all the Shareholders, customers and business partners for their support.

On Behalf of the Board

ZOU Gebing

Chairman and Executive Director

Hong Kong, 10 July 2019

根據本公司日期為2018年8月14日的通函，本公司擬按以下建議付款時間表就收購Jennifer Convertibles支付代價：(i)於2018年底前支付20百萬美元；(ii)於2019年6月30日前支付10百萬美元；及(iii)於2019年底前支付餘款5百萬美元。本公司已支付第一期代價。然而，由於現金流量情況未如理想，本公司並無按照上述付款時間表於2019年6月30日前支付代價10百萬美元。本公司目標為於2019年12月31日後及在任何情況下於2018年8月31日(即完成收購Jennifer Convertibles當日)起計兩週年前支付代價餘款15百萬美元。

致謝

本人謹藉此機會感謝董事、管理層及全體員工對本集團持續發展所作貢獻，亦向股東、客戶及業務夥伴的鼎力支持衷心致謝。

代表董事會

主席兼執行董事

鄒格兵

香港，2019年7月10日

Independent Auditors' Report 獨立核數師報告



INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MORRIS HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Morris Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 81 to 195, which comprise the consolidated statement of financial position as at 31 December 2018, 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.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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獨立核數師報告
致慕容控股有限公司股東
(於開曼群島註冊成立之有限公司)

意見

我們已審計列載於第81至195頁的慕容控股有限公司(「**貴公司**」)及其附屬公司(統稱「**貴集團**」)的綜合財務報表，此綜合財務報表包括於2018年12月31日的綜合財務狀況表與截至該日止年度的綜合損益及其他全面收益表、綜合權益變動表和綜合現金流量表，以及綜合財務報表附註，包括主要會計政策概要。

我們認為，該等綜合財務報表已根據香港會計師公會(「**香港會計師公會**」)頒佈的香港財務報告準則(「**香港財務報告準則**」)真實而中肯地反映了貴集團於2018年12月31日的綜合財務狀況以及截至該日止年度的綜合財務表現及綜合現金流量，並已遵照香港公司條例的披露規定妥為擬備。

意見的基礎

我們已根據香港會計師公會頒佈的香港審計準則(「**香港審計準則**」)進行審計。我們在該等準則下承擔的責任已在本報告「核數師就審計綜合財務報表承擔的責任」部分中作進一步闡述。根據香港會計師公會頒佈的專業會計師道德守則(「**守則**」)，我們獨立於貴集團，並已履行守則中的其他道德責任。我們相信，我們所獲得的審計憑證能充足及適當地為我們的審計意見提供基礎。

關鍵審計事項

關鍵審計事項是根據我們的專業判斷，認為對本期綜合財務報表的審計最為重要的事項。這些事項是在對綜合財務報表整體進行審計並形成意見的背景下來進行處理的，我們不對這些事項提供單獨的意見。

Independent Auditors' Report

獨立核數師報告

KEY AUDIT MATTERS (Continued)

Key audit matters

關鍵審計事項

Provision against obsolete and slow-moving inventories

陳舊及積壓存貨撥備

Refer to Note 16 to the consolidated financial statements and accounting policies on Note 2.4 to the consolidated financial statements

茲提述綜合財務報表附註16及綜合財務報表附註2.4所載會計政策

As at 31 December 2018, the Group recorded inventories of approximately RMB217,291,000 after reversal of provision against obsolete and slow-moving inventories of RMB18,804,000, which accounted for 15% of the Group's total assets.

於2018年12月31日，貴集團於陳舊及積壓存貨撥備撥回人民幣18,804,000元後錄得存貨約人民幣217,291,000元，佔貴集團資產總值的15%。

The provision against obsolete and slow-moving inventories is estimated based on the net realisable value of the inventories with reference to the latest invoice prices and current market conditions. The Group manufactures sofas, sofa covers and other furniture products which are subject to changing consumer demands and fashion trends of the sofa industry, and this increases the level of judgement involved in estimating inventory provision. We focused on this area because significant judgement is required to assess the provision for items which may be ultimately obsolete or sold below cost as a result of a reduction in consumer demand. Such judgements include management's expectations for future sales of goods and product durability and market value of materials used in the production.

陳舊及積壓存貨撥備乃參照最新發票價格及當前市況根據存貨可變現淨值估計。貴集團為沙發、沙發套及其他傢俱產品生產商，面對沙發行業不斷變化的消費者需求及時尚趨勢，使估計存貨撥備涉及的判斷水平有所提高。我們關注該領域，此乃由於評估因消費者需求減少而可能最終過時或以低於成本價格銷售的項目撥備需要作出重大判斷。此等判斷包括管理層對日後商品銷售的期望及產品耐用性以及生產所用材料的市場價值。

We focused on this area due to the size of the balances and the judgement exercised by management in determining the obsolete and slow-moving inventories.

我們關注該領域乃由於結餘規模以及管理層於確定陳舊及積壓存貨時行使的判斷。

關鍵審計事項(續)

How our audit addressed the key audit matters

該關鍵審計事項在審計中是如何應對的

Our procedures in relation to management's impairment assessment of provision against obsolete and slow moving inventories included:

我們就管理層的陳舊及積壓存貨撥備減值評估進行的程序包括：

- Evaluating the estimates made by management and used to determine the provision obsolete and slow-moving inventories during the year and compare to the provisions made in prior year;
- 評估管理層所作出用於確定年內陳舊及積壓存貨撥備的估計，並與過往年度作出的撥備進行比較；
- Performing a recalculation, on a sample basis, of the inventory provision made on individual inventories;
- 抽樣重新計算就個別存貨作出的存貨撥備；
- Sample checking on the subsequent selling price of finished goods; and
- 抽樣檢查製成品其後售價；及
- Checking the aging profile of inventories, the historical sales and usage records of the inventories.
- 檢查存貨的賬齡情況、過往銷售及使用記錄。

Based on the procedures performed, we consider management's judgement and estimates in the assessment provision against obsolete and slow-moving inventories, to be supported by the available evidence.

根據已進行的程序，我們認為，管理層於評估陳舊及積壓存貨撥備時的判斷及估計具備可得證據支持。

Independent Auditors' Report

獨立核數師報告

KEY AUDIT MATTERS (Continued)

Key audit matters

關鍵審計事項

Expected credit loss ("ECL") assessment of trade receivables
貿易應收款項預期信貸虧損(「預期信貸虧損」)評估

Refer to Note 17 to the consolidated financial statements and accounting policies on Note 2.4 to the consolidated financial statements

茲提述綜合財務報表附註 17 及綜合財務報表附註 2.4 所載會計政策

As at 31 December 2018, the Group had trade receivables of gross carrying amount of approximately RMB633,409,000 and allowance for ECL of approximately RMB2,253,000, the net carrying amount of trade receivable account for 44.1% of the Group's total assets.

於 2018 年 12 月 31 日，貴集團的貿易應收款項賬面總值約為人民幣 633,409,000 元及預期信貸虧損撥備約為人民幣 2,253,000 元，貿易應收款項的賬面淨值佔貴集團資產總值的 44.1%。

In general, the trade receivable credit terms granted by the Group to the customers ranged between one to four months. Management performed periodic assessment on the recoverability of the trade receivables and the sufficiency of provision for impairment based on information including credit profile of different customers, ageing of the trade receivables, historical settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances, and on-going trading relationships with the relevant customers. Management also considered forward-looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the impairment assessment.

一般而言，貴集團向客戶授出的貿易應收款項信貸期介乎一至四個月。管理層根據不同客戶信貸概況、貿易應收款項賬齡、過往結算記錄、後續結算狀況、預期時間及未償還結餘變現金額等資料，以及與相關客戶的持續貿易關係，定期評估貿易應收款項的可收回性及減值撥備是否充足。管理層亦已考慮可能影響客戶償還未償還結餘能力的前瞻性資料，以估計減值評估的預期信貸虧損。

關鍵審計事項(續)

How our audit addressed the key audit matters

該關鍵審計事項在審計中是如何應對的

Our procedures in relation to management's impairment assessment included:

我們就管理層減值評估進行的程序包括：

- Understanding and evaluating the key controls that the Group has implemented to manage and monitor its credit risk, and validating the control effectiveness on a sample basis;
- 了解及評估 貴集團為管理及監察其信貸風險而實施的關鍵控制措施，並抽樣驗證控制措施的有效性；
- Checking, on a sample basis, the ageing profile of the trade receivables as at 31 December 2018 to the underlying financial records and post year-end settlements to bank receipts;
- 抽樣檢查於 2018 年 12 月 31 日的貿易應收款項賬齡與相關財務記錄，以及年末後銀行收據的結算狀況；

Independent Auditors' Report

獨立核數師報告

KEY AUDIT MATTERS (Continued)

Key audit matters

關鍵審計事項

Expected credit loss ("ECL") assessment of trade receivables (Continued)
貿易應收款項預期信貸虧損(「預期信貸虧損」)評估(續)

Refer to Note 17 to the consolidated financial statements and accounting policies on Note 2.4 to the consolidated financial statements

茲提述綜合財務報表附註17及綜合財務報表附註2.4所載會計政策

We focused on this area due to the impairment assessment of trade receivables under the expected credit losses model involved the use of significant management judgements and estimates.

我們關注該領域乃由於根據預期信貸虧損模式進行貿易應收款項減值評估涉及運用重大管理層判斷及估計。

關鍵審計事項(續)

How our audit addressed the key audit matters

該關鍵審計事項在審計中是如何應對的

- Inquiring of management for the status of each of the material trade receivables past due as at year end and corroborating explanations from management with supporting evidence, such as performing public search of credit profile of selected customers, understanding on-going business relationship with the customers based on trade records, check historical and subsequent settlement records of and other correspondence with the customers; and
- 向管理層查詢於年末逾期的各項重大貿易應收款項的狀況，並以支持證據證明管理層的有關解釋，例如對選定客戶的信貸狀況進行公開查詢、根據交易記錄了解與客戶的持續業務關係、檢查過往及其後結算記錄，以及與客戶的其他通訊；及
- Assessing the appropriateness of the expected credit loss provisioning methodology, examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the expected credit losses.
- 評估預期信貸虧損撥備方法是否適當，抽樣檢查主要輸入數據以評估其準確性及完整性，並質疑用於釐定預期信貸虧損的假設(包括過往及前瞻性資料)。

Based on the procedures performed, we consider management's judgement and estimates in the ECL assessment of trade receivable, to be supported by the available evidence.

根據已進行的程序，我們認為，管理層於貿易應收款項預期信貸虧損評估的判斷及估計具備可得證據支持。

Independent Auditors' Report

獨立核數師報告

KEY AUDIT MATTERS (Continued)

Key audit matters

關鍵審計事項

Contingent consideration receivables
應收或然代價

Refer to Note 15 to the consolidated financial statements and accounting policies on Note 2.4 to the consolidated financial statements

茲提述綜合財務報表附註15及綜合財務報表附註2.4所載會計政策

As at 31 December 2018, the Group recorded a contingent consideration receivables of RMB226,318,000 which will be received after 2020.

於2018年12月31日，貴集團錄得將於2020年後收取的應收或然代價人民幣226,318,000元。

The Group entered into the sale and purchase agreement with the vendor for the acquisition of Jennifer Convertibles Inc. and its subsidiaries, the Group recognised a contingent consideration receivables at fair value in according to the guarantee terms in the sales and agreements. These fair value measurements require management's estimation and significant judgement on post-acquisition performance of the acquired businesses and discount rates used.

貴集團與賣方就收購Jennifer Convertibles Inc.及其附屬公司訂立買賣協議，貴集團根據買賣協議的擔保條款按公允值確認應收或然代價。有關公允值計量需要管理層對所收購業務的收購後表現及所用貼現率作出估計及重大判斷。

關鍵審計事項(續)

How our audit addressed the key audit matters

該關鍵審計事項在審計中是如何應對的

Refer to Note 15 to the consolidated financial statements and accounting policies on Note 2.4 to the consolidated financial statements

茲提述綜合財務報表附註15及綜合財務報表附註2.4所載會計政策

Our procedures in relation to the fair values assessment of contingent consideration receivables included:

我們就應收或然代價公允值評估進行的程序包括：

- Understanding, evaluating and validating management's key control over the contingent consideration payables assessment process;
- 了解、評估及證實管理層對應付或然代價評估程序實施的關鍵控制措施；
- Checking the contingent consideration payables calculation prepared by management against the formula stated in the sale and purchase agreement for each of the acquired businesses;
- 將管理層所編製應付或然代價計算與各項所收購業務的買賣協議所載公式核實；

Independent Auditors' Report

獨立核數師報告

KEY AUDIT MATTERS (Continued)

Key audit matters

關鍵審計事項

Contingent consideration receivables (Continued)

應收或然代價(續)

Refer to Note 15 to the consolidated financial statements and accounting policies on Note 2.4 to the consolidated financial statements

茲提述綜合財務報表附註15及綜合財務報表附註2.4所載會計政策

Contingent consideration receivables are remeasured at fair value at each reporting date, and may be affected by changes in the estimation of post-acquisition performance of the acquired businesses. Any resulting gain or loss is recognised in the consolidated statement of profit or loss and other comprehensive income. For the year ended 31 December 2018, a fair value gain RMB2,799,000 was recognised.

於各報告日期，應收或然代價按公允值重新計量，並可能因所收購業務的收購後表現估計有變而受到影響。任何因此產生的盈虧於綜合損益及其他全面收益表確認。截至2018年12月31日止年度，已確認公允值虧損人民幣2,799,000元。

We focused on this area as the assessment made by management involved significant estimates and judgements in relation to the post-acquisition performance of individual businesses and discount rates applied, which may be affected by unexpected changes in future market or economic conditions or significant events or circumstances related to the acquired businesses.

我們關注該領域乃由於管理層就個別業務的收購後表現及所用貼現率所作評估涉及運用重大估計及判斷，並可能因未來市場或經濟狀況或與所收購業務有關的重大事件或情況出現無法預料的變動而受到影響。

關鍵審計事項(續)

How our audit addressed the key audit matters

該關鍵審計事項在審計中是如何應對的

- Evaluating performance forecasts used in the contingent consideration receivables calculation, testing the mathematical accuracy of the underlying calculation of consideration payables and agreeing them to the financial projection prepared by management for the specific financial period stipulated by the sale and purchase agreement; analysing the key assumptions adopted by management with reference to their business plan and historical actual results to assess the quality of management's financial projection;
- 評估應收或然代價計算所用表現預測，測試相關應付代價計算的算術準確性，同意管理層就買賣協議訂明的特定財政期間所編製財務預測，分析管理層所採納關鍵假設，並經參考其業務計劃及過往實際業績，以評估管理層財務預測的質量；
- Comparing the discount rates used by management against market information and internal data;
- 將管理層所用貼現率與市場資料及內部數據比較；
- Assessing the events and circumstances emerging since the last assessment which triggered the remeasurement; comparing the performance forecasts to the business plan prepared by management and obtaining evidence of those events or circumstances to support the remeasurement.
- 評估自上一次評估以來發生且可觸發重新計量的事件及情況，比較管理層所編製業務計劃的表現預測，並取得有關事件或情況的證據以支持重新計量。

Independent Auditors' Report

獨立核數師報告

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2017 were audited by another auditors who expressed an unmodified opinion on 14 March 2018.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon (the "Other Information").

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

其他事宜

貴集團截至2017年12月31日止年度的綜合財務報表由另一核數師審核，其於2018年3月14日發表無保留意見。

刊載於年報內的其他信息

董事須對其他信息負責。其他信息（「其他信息」）包括刊載於年報內的信息，但不包括綜合財務報表及我們的核數師報告。

我們對綜合財務報表的意見並不涵蓋其他信息，我們亦不對該等其他信息發表任何形式的鑒證結論。

就我們對綜合財務報表的審計而言，我們的責任是閱讀其他信息，在此過程中，考慮其他信息是否與綜合財務報表或我們在審計過程中所了解的情況存在重大抵觸或者似乎存在重大錯誤陳述的情況。基於我們已執行的工作，如果我們認為其他信息存在重大錯誤陳述，我們需要報告該事實。在這方面，我們沒有任何報告。

董事及審核委員會就綜合財務報表須承擔的責任

董事須負責根據香港會計師公會頒佈的香港財務報告準則及香港公司條例的披露規定擬備真實而中肯的綜合財務報表，並對其認為為使綜合財務報表的擬備不存在由於欺詐或錯誤而導致的重大錯誤陳述所需的內部監控負責。

在擬備綜合財務報表時，董事負責評估 貴集團持續經營的能力，並在適用情況下披露與持續經營有關的事項，以及使用持續經營為會計基礎，除非董事有意將 貴集團清盤或停止經營，或別無其他實際的替代方案。

審核委員會負責監督 貴集團的財務報告過程。

Independent Auditors' Report

獨立核數師報告

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. We report our opinion solely to you, as a body and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

核數師就審計綜合財務報表承擔的責任

我們的目標，是對綜合財務報表整體是否不存在由於欺詐或錯誤而導致的重大錯誤陳述取得合理保證，並出具包括我們意見的核數師報告。我們僅對全體股東（作為整體）報告我們的意見，除此以外，本報告並無其他用途。我們不會就核數師報告的內容向任何其他人士負上或承擔任何責任。合理保證是高水平的保證，但不能保證按照香港審計準則進行的審計，在某一重大錯誤陳述存在時總能發現。錯誤陳述可以由欺詐或錯誤引起，如果合理預期其單獨或匯總起來可能影響綜合財務報表使用者依賴綜合財務報表所作出的經濟決定，則有關的錯誤陳述可被視作重大。

在根據香港審計準則進行審計的過程中，我們運用了專業判斷，保持了專業懷疑態度。我們亦：

- 識別和評估由於欺詐或錯誤而導致綜合財務報表存在重大錯誤陳述的風險，設計及執行審計程序以應對這些風險，以及獲取充足和適當的審計憑證，作為我們意見的基礎。由於欺詐可能涉及串謀、偽造、蓄意遺漏、虛假陳述，或凌駕於內部監控之上，因此未能發現因欺詐而導致的重大錯誤陳述的風險高於未能發現因錯誤而導致的重大錯誤陳述的風險。
- 了解與審計相關的內部監控，以設計適當的審計程序，但目的並非對貴集團內部監控的有效性發表意見。
- 評價董事所採用會計政策的恰當性及作出會計估計和相關披露的合理性。

Independent Auditors' Report

獨立核數師報告

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

核數師就審計綜合財務報表承擔的責任 (續)

- 對董事採用持續經營會計基礎的恰當性作出結論。根據所獲取的審計憑證，確定是否存在與事項或情況有關的重大不確定性，從而可能導致對貴集團的持續經營能力產生重大疑慮。如果我們認為存在重大不確定性，則有必要在核數師報告中提請使用者注意綜合財務報表中的相關披露。假若有關的披露不足，則我們應當發表非無保留意見。我們的結論是基於核數師報告日止所取得的審計憑證。然而，未來事項或情況可能導致貴集團不能持續經營。
- 評價綜合財務報表的整體列報方式、結構和內容，包括披露，以及綜合財務報表是否中肯反映交易和事項。
- 就貴集團內實體或業務活動的財務信息獲取充足、適當的審計憑證，以便對綜合財務報表發表意見。我們負責貴集團審計的方向、監督和執行。我們為審計意見承擔全部責任。

除其他事項外，我們與審核委員會溝通了計劃的審計範圍、時間安排及重大審計發現等，包括我們在審計中識別出內部監控的任何重大缺陷。

我們還向審核委員會提交聲明，說明我們已符合有關獨立性的相關專業道德要求，並與彼等溝通有可能合理地被認為會影響我們獨立性的所有關係和其他事項，以及在適用的情況下，相關的防範措施。

Independent Auditors' Report 獨立核數師報告

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditors' report is Hon Koon Fai, Alex.

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

Hon Koon Fai, Alex

Practising Certificate Number: P05029

Hong Kong, 10 July 2019

核數師就審計綜合財務報表承擔的責任 (續)

從與審核委員會溝通的事項中，我們確定哪些事項對本期綜合財務報表的審計最為重要，因而構成關鍵審計事項。我們在核數師報告中描述這些事項，除非法律法規不允許公開披露這些事項，或在極端罕見的情況下，如果合理預期在我們報告中溝通某事項造成的負面後果超過產生的公眾利益，我們決定不應在報告中溝通該事項。

出具本獨立核數師報告的審計項目董事是韓冠輝。

國衛會計師事務所有限公司

執業會計師

韓冠輝

執業證書號碼：P05029

香港，2019年7月10日

Consolidated Statement of Profit or Loss and Other Comprehensive Income

綜合損益及其他全面收益表

Year ended 31 December 2018
截至2018年12月31日止年度

		Notes 附註	2018 2018年 RMB'000 人民幣千元	2017 2017年 RMB'000 人民幣千元 (Restated) (經重列)
Revenue	收入	5	1,610,043	1,416,395
Cost of sales	銷售成本		(1,181,999)	(937,864)
Gross profit	毛利		428,044	478,531
Other income and gains	其他收入及收益	5	85,791	36,949
Selling and distribution expenses	銷售及分銷開支		(207,606)	(215,286)
Administrative expenses	行政開支		(156,101)	(101,683)
Other expenses and losses	其他開支及虧損		(24,972)	(2,798)
Finance costs	融資成本	6	(24,870)	(11,670)
Profit before tax	除稅前溢利	7	100,286	184,043
Income tax expense	所得稅開支	10	(13,881)	(38,348)
Profit for the year	年內溢利		86,405	145,695
Other comprehensive income/(loss)	其他全面收益/(虧損)			
<i>Other comprehensive income/(loss) may be reclassified to profit or loss in subsequent periods:</i>	<i>於其後期間可能重新分類至損益的其他全面</i>			
Exchange differences on translation of financial statements	換算財務報表的匯兌差額		15,814	(9,103)
Total comprehensive income for the year	年內全面收益總額		102,219	136,592
Profit attributable to owners of the Company	本公司擁有人應佔溢利		86,405	145,695
Total comprehensive income attributable to owners of the Company	本公司擁有人應佔全面收益總額		102,219	136,592
Earnings per share attributable to ordinary equity holders of the Company	本公司普通權益持有人應佔每股盈利			
Basic and diluted (RMB cents)	基本及攤薄(人民幣分)	12	8.64	14.68

Consolidated Statement of Financial Position

綜合財務狀況表

As at 31 December 2018
於2018年12月31日

		Notes 附註	2018 2018年 RMB'000 人民幣千元	2017 2017年 RMB'000 人民幣千元 (Restated) (經重列)
Non-current Assets	非流動資產			
Property, plant and equipment	物業、廠房及設備	13	59,096	59,402
Prepaid land lease payments	預付土地租賃款項	14	8,074	7,054
Contingent consideration receivables	應收或然代價	15	226,318	–
Deferred tax assets	遞延稅項資產	25	6,866	1,941
Total non-current assets	非流動資產總值		300,354	68,397
Current Assets	流動資產			
Inventories	存貨	16	217,291	378,016
Trade and bills receivables	貿易應收款項及應收票據	17	634,521	372,117
Prepayments, deposits and other receivables	預付款項、按金及其他應收款項	18	62,082	114,119
Pledged deposits	已抵押存款	19	93,976	182,847
Cash and cash equivalents	現金及現金等價物	19	123,928	27,351
Total current assets	流動資產總值		1,131,798	1,074,450
Current Liabilities	流動負債			
Trade and bills payables	貿易應付款項及應付票據	20	416,766	488,458
Contract liabilities	合約負債	21	17,967	–
Other payables and accruals	其他應付款項及應計費用	21	126,331	76,983
Amount due to a shareholder	應付股東款項	22	9,978	9,801
Amount due to a related company	應付關連公司款項	22	81,959	–
Interest-bearing bank borrowings	計息銀行借款	23	142,197	149,659
Warranty provision	保修撥備	24	4,943	3,292
Derivative financial instruments	衍生金融工具	26	2,521	–
Convertible loan	可換股貸款	26	181,372	–
Income tax payables	應付所得稅		68,923	61,520
Total current liabilities	流動負債總額		1,052,957	789,713
Net current assets	流動資產淨值		78,841	284,737
Total assets less current liabilities	資產總值減流動負債		379,195	353,134

Consolidated Statement of Financial Position

綜合財務狀況表

As at 31 December 2018
於2018年12月31日

		Notes 附註	2018 2018年 RMB'000 人民幣千元	2017 2017年 RMB'000 人民幣千元 (Restated) (經重列)
Non-current liabilities	非流動負債			
Deferred tax liabilities	遞延稅項負債	25	5,845	8,942
Accruals	應計費用	21	6,029	4,033
Total non-current liabilities	非流動負債總額		11,874	12,975
Net assets	資產淨值		367,321	340,159
Equity	權益			
Equity attributable to owners of the Company	本公司擁有人應佔權益			
Share capital	股本	27	6,914	6,914
Reserves	儲備	28	360,407	333,245
Total equity	權益總額		367,321	340,159

Zou Gebing
鄒格兵
Director
董事

Wu Yueming
吳月明
Director
董事

Consolidated Statement of Changes in Equity

綜合權益變動表

Year ended 31 December 2018
截至2018年12月31日止年度

		Attributable to owners of the parent 母公司擁有人應佔						
		Share Capital	Share premium	Other reserve	Exchange fluctuation reserve	Reserve funds	Retained profits	Total
		股本	股份溢價	其他儲備	匯兌波動 儲備	儲備資金	留存溢利	總計
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
		(note 27)	(note 28(i))		(note 28(ii))	(note 28(iii))		
		(附註27)	(附註28(i))		(附註28(ii))	(附註28(iii))		
At 31 December 2016 and 1 January 2017	於2016年12月31日及 2017年1月1日	1	-	-	10,559	8,081	140,123	158,764
Effect of merger of an entity under common control	合併受共同控制實體的影響	-	-	198,462	241	-	(229,391)	(30,688)
At 1 January 2017 (Restated)	於2017年1月1日(經重列)	1	-	198,462	10,800	8,081	(89,268)	128,076
Profit for the year	年內溢利	-	-	-	-	-	145,695	145,695
Other comprehensive loss for the year: Exchange differences on translation of financial statements	年內其他全面虧損: 換算財務報表的匯兌差額	-	-	-	(9,103)	-	-	(9,103)
Total comprehensive income for the year	年內全面收益總額	-	-	-	(9,103)	-	145,695	136,592
Transfer from retained profits	轉撥自留存溢利	-	-	-	-	3,919	(3,919)	-
Issue of shares pursuant to the Listing of the Company	根據本公司上市發行股份	1,728	232,314	-	-	-	-	234,042
Capitalisation issue of shares	股份發行資本化	5,185	(5,185)	-	-	-	-	-
Expenses incurred in connection with issue of new shares	發行新股相關開支	-	(15,229)	-	-	-	-	(15,229)
Dividend paid	已派付股息	-	-	-	-	-	(143,322)	(143,322)
At 31 December 2017	於2017年12月31日	6,914	211,900*	198,462	1,697*	12,000*	(90,814)*	340,159
Adjustment on initial application of IRFS 9	於首次應用香港財務報告準則 第9號時調整	-	-	-	-	-	(493)	(493)
Restated balance at 1 January 2018	於2018年1月1日的經重列結餘	6,914	211,900	198,462	1,697	12,000	(91,307)	339,666
Profit for the year	年內溢利	-	-	-	-	-	86,405	86,405
Other comprehensive loss for the year: Exchange differences on translation of financial statements	年內其他全面虧損: 換算財務報表的匯兌差額	-	-	-	15,814	-	-	15,814
Total comprehensive income for the year	年內全面收益總額	-	-	-	15,814	-	86,405	102,219
Acquisition of an entity under common control	收購受共同控制實體	-	-	(240,853)	-	-	-	(240,853)
Effect on contingent consideration receivables	應收或然代價影響	-	-	214,507	-	-	-	214,507
Merge effect on subsidiaries	附屬公司合併影響	-	-	(731)	-	-	-	(731)
Transfer from retained profits	轉撥自留存溢利	-	-	-	-	37,290	(37,290)	-
Dividend paid	已派付股息	-	(47,487)	-	-	-	-	(47,487)
At 31 December 2018	於2018年12月31日	6,914	164,413*	171,385*	17,511*	49,290*	(42,192)*	367,321

* These reserve accounts comprise the consolidated reserves of RMB360,407,000 (2017: RMB333,245,000) in the consolidated statement of financial position.

* 該等儲備賬包括綜合財務狀況表內的綜合儲備人民幣360,407,000元(2017年: 人民幣333,245,000元)。

Consolidated Statement of Cash Flows

綜合現金流量表

Year ended 31 December 2018
截至2018年12月31日止年度

	Note	2018 2018年 RMB'000 人民幣千元	2017 2017年 RMB'000 人民幣千元 (Restated) (經重列)
Cash flows from operating activities			
Profit before tax		100,286	184,043
Adjustments for:			
Interest income	5	(2,218)	(3,656)
Depreciation	7	9,936	6,841
(Gain)/loss on disposal of items of property, plant and equipment, net	5 & 7	(3,775)	139
Loss on written off items of property, plant and equipment	7	-	655
Fair value change on contingent consideration receivables	5	(2,799)	-
Fair value change on derivative component of convertible loan	5	(27,501)	-
Recognition of prepaid land lease payments	7	159	163
Impairment on trade and bills receivables, net	7	1,826	522
Impairment on other receivables and deposits, net	7	12	66
Loss on remeasurement of liability component of convertible loan	7	24,609	-
Reversal of write-down/(write-down) of inventories at net realisable value	7	58	(1,366)
Reversal of provision against obsolete and slow-moving inventories	7	(18,804)	(7,898)
Product warranty additional provision	7	4,746	3,405
Finance costs	6	24,870	11,670
Operating cash flow before movements in working capital		111,405	194,584
Decrease/(increase) in inventories		182,184	(17,288)
Increase in trade and bills receivables		(247,569)	(149,578)
Decrease in prepayments, deposits and other receivables		51,801	129,988
Decrease in trade and bills payables		(72,924)	(111,879)
Increase/(decrease) in other payables and accruals		47,710	(19,231)
Increase in contract liabilities		17,967	-
Increase in warranty provision		(3,329)	(2,632)
Cash generated from operations		87,245	23,964
Income tax paid		(16,304)	(12,565)
Net cash flows generated from operating activities		70,941	11,399

Consolidated Statement of Cash Flows

綜合現金流量表

Year ended 31 December 2018
截至2018年12月31日止年度

		2018 2018年 RMB'000 人民幣千元	2017 2017年 RMB'000 人民幣千元 (Restated) (經重列)
	Note 附註		
Cash flows from investing activities	投資活動所得現金流量		
Payment for purchases of items of property, plant and equipment	購買物業、廠房及設備項目的付款	(10,869)	(23,773)
Proceeds from disposal of items of property, plant and equipment	出售物業、廠房及設備項目的所得款項	7,145	736
Acquisition of an entity under common control	收購受共同控制實體	(241,584)	-
Interest received	已收利息	2,218	3,656
Decrease in pledged deposits	已抵押存款減少	88,871	39,889
Net cash (used in)/generated from investing activities	投資活動(所用)/所得現金淨額	(154,219)	20,508
Cash flows from financing activities	融資活動所得現金流量		
New bank borrowings	新銀行借款	354,287	579,609
Repayment of bank borrowings	償還銀行借款	(362,814)	(704,116)
Repayment to a shareholder	向股東還款	-	(9,683)
Advance from a related party	來自關連方的墊款	99,112	-
Repayment to a related party	向關連方還款	(21,426)	-
Proceeds from issue of new shares	發行新股所得款項	-	234,042
Expenses paid in connection with the issue of shares	就發行股份已付的開支	-	(15,229)
Proceeds from issue of convertible loan	發行可換股貸款所得款項	166,192	-
Dividends paid	已派付股息	(47,487)	(143,322)
Interest paid	已付利息	(12,454)	(11,670)
Net cash flows generated from/(used in) financing activities	融資活動所得/(所用)現金流量淨額	175,410	(70,369)
Net increase/(decrease) in cash and cash equivalents	現金及現金等價物增加/(減少)淨額	92,132	(38,462)
Cash and cash equivalents at beginning of year	年初現金及現金等價物	27,351	77,501
Effect of foreign exchange rate changes, net	外幣匯率變動的影響，淨額	4,445	(11,688)
Cash and cash equivalents at end of year	年末現金及現金等價物	123,928	27,351
Analysis of balances of cash and cash equivalents	現金及現金等價物結餘分析		
Cash and bank balances	現金及銀行結餘	123,928	27,351

The accompanying notes form an integral part of these consolidated financial statements. 隨附附註構成此等綜合財務報表的一部分。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2018
截至2018年12月31日止年度

1. CORPORATE AND GROUP INFORMATION

Morris Holdings Limited (the “**Company**”, together with its subsidiaries as the “**Group**”) is an exempted company with limited liability incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is located at Unit 2001, 20/F, Citicrop Centre, 18 Whitfield Road, Causeway Bay, Hong Kong.

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 12 January 2017.

The Company is an investment holding company. During the year, the principal activities of the Group are the manufacture and sale of sofas, sofa covers and other furniture products.

In the opinion of the directors, the holding company and the ultimate holding company of the Company is Morris Capital Limited, which is incorporated in the British Virgin Islands (the “**BVI**”).

1. 公司及集團資料

慕容控股有限公司(「**本公司**」, 連同其附屬公司統稱「**本集團**」)為於開曼群島註冊成立的獲豁免有限公司。本公司的註冊辦事處地址為Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands。本公司的主要營業地點位於香港銅鑼灣威非路道18號萬國寶通中心20樓2001室。

本公司股份自2017年1月12日起在香港聯合交易所有限公司主板上市。

本公司為投資控股公司。年內本集團的主要業務為生產及銷售沙發、沙發套及其他傢俱產品。

董事認為本公司的控股公司及最終控股公司均為慕容資本有限公司, 該公司於英屬處女群島(「**英屬處女群島**」)註冊成立。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2018
截至2018年12月31日止年度

1. CORPORATE AND GROUP INFORMATION

(Continued)

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Company name 公司名稱	Place of incorporation/ registration and business 註冊成立/ 登記及營業 地點	Issued ordinary share capital/paid up registered capital 已發行 普通股本/ 繳足註冊股本	Percentage of equity attributable to the Company		Principal activities 主要業務
			Direct 本公司應佔權益 百分比 直接	Indirect 間接	
Mstar International Trading (HK) Limited 美星國際貿易(香港) 有限公司	Hong Kong/ United States 香港/美國	HK\$100 100港元	–	100%	Trading of sofas, sofa covers and other furniture products 買賣沙發、沙發套及 其他傢俱產品
Zhejiang Apollo Leather Products Co., Ltd.* (浙江阿波羅皮革製品 有限公司) (note a)	The PRC	US\$615,000	–	100%	Manufacture and sale of sofa covers
浙江阿波羅皮革製品 有限公司(附註a)	中國	615,000美元	–	100%	生產及銷售沙發套
Zhejiang Morris Fashion Home Co., Ltd.* (Formerly known as "Haining Gelin Furniture Co., Ltd.") (浙江慕容時尚家居有限公司) (前稱「海寧格林家具 有限公司」) (note b)	The PRC	US\$41,710,000	–	100%	Manufacture and sale of upholstered sofas
浙江慕容時尚家居有限公司 (前稱「海寧格林家具有限 公司」)(附註b)	中國	41,710,000美元	–	100%	生產及銷售軟體沙發

1. 公司及集團資料(續)

附屬公司資料

本公司主要附屬公司詳情如下：

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2018
截至2018年12月31日止年度

1. CORPORATE AND GROUP INFORMATION

(Continued)

Information about subsidiaries (Continued)

Company name 公司名稱	Place of incorporation/ registration and business 註冊成立/ 登記及營業 地點	Issued ordinary share capital/paid up registered capital 已發行 普通股本/ 繳足註冊股本	Percentage of equity attributable to the Company		Principal activities 主要業務
			Direct 本公司應佔權益 百分比 直接	Indirect 間接	
Masia Industries Co., Ltd.	The Kingdom of Cambodia ("Cambodia")	US\$5,000,000	-	100%	Not yet commenced operation
Masia Industries Co., Ltd.	柬埔寨王國 (「柬埔寨」)	5,000,000 美元	-	100%	尚未開始營運
Jennifer Convertibles, Inc.	The United States of America	US\$9,010	-	100%	Sales of sofas, sofa covers and other furniture products
Jennifer Convertibles, Inc.	美利堅合眾國	9,010 美元	-	100%	銷售沙發、沙發套及其他 傢俱產品

Notes:

- (a) These entities are registered as Sino-foreign equity joint ventures under the laws of the PRC.
- (b) This company is registered as a wholly-owned foreign enterprise under the laws of the PRC.
- * The English names of these entities represent management's best effort at translating their Chinese names as these entities did not register any official English names.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

1. 公司及集團資料(續)

附屬公司資料(續)

附註：

- (a) 該等實體根據中國法律註冊為中外合營企業。
- (b) 該公司根據中國法律註冊為外商獨資企業。

上表列出董事認為主要影響本集團年內業績或構成淨資產之重大部分的本公司附屬公司。董事認為，提供其他附屬公司詳情會導致資料過於冗長。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2018
截至2018年12月31日止年度

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention. These financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2018.

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

2.1 編製基準

綜合財務報表乃根據香港會計師公會(「**香港會計師公會**」)頒佈的香港財務報告準則(「**香港財務報告準則**」)(包括所有香港財務報告準則、香港會計準則(「**香港會計準則**」)及詮釋)、香港公認會計原則及香港公司條例之披露規定編製。

綜合財務報表乃按歷史成本慣例編製。除另有指明者外，本報告以人民幣(「**人民幣**」)呈列，所有數值均湊整至最接近的千位數(人民幣千元)。

綜合基準

綜合財務報表包括本集團截至2018年12月31日止年度的財務報表。

附屬公司為由本公司直接或間接控制的實體(包括結構性實體)。當本集團因參與投資對象的業務而承擔風險或有權獲得浮動回報，並有能力透過對投資對象的權力(即賦予本集團能力以主導投資對象的相關活動的既存權利)影響該等回報時，即取得控制權。

倘本公司直接或間接擁有少於投資對象的大多數投票權或類似權利，則本集團於評估其是否擁有對投資對象的權力時會考慮一切相關事實及情況，包括：

- (a) 與投資對象其他投票持有人的合約安排；
- (b) 其他合約安排所產生的權利；及
- (c) 本集團的投票權及潛在投票權。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2018
截至2018年12月31日止年度

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.1 編製基準(續)

綜合基準(續)

附屬公司的財務報表採用相同會計政策按與本公司相同的報告期間編製。附屬公司的業績自本集團取得控制權當日起綜合入賬，並繼續綜合入賬直至失去有關控制權當日為止。

損益及其他全面收益各組成部分均歸屬於本集團母公司之擁有人。本集團成員公司之間的交易產生的所有集團內資產及負債、權益、收入、支出及現金流量均在綜合賬目時全數對銷。

倘有事實及情況顯示上述三項控制因素的一項或多項出現變動，本集團會重新評估其是否控制投資對象。附屬公司在失去控制權前的所有權益變動按權益交易入賬。

倘本集團失去一家附屬公司的控制權，則其終止確認(i)該附屬公司的資產(包括商譽)及負債；(ii)任何非控制性權益的賬面值；及(iii)於權益內記錄的累計交易差額；以及確認(i)所收代價的公允值；(ii)所保留任何投資的公允值；及(iii)損益賬中任何因此產生的盈虧。先前於其他全面收益內確認的本集團應佔部分按倘本集團直接出售相關資產或負債時規定的相同基準重新分類至損益或留存溢利(如適用)。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2018
截至2018年12月31日止年度

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

During the reporting period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (the “**new and revised HKFRSs**”) issued by HKICPA which are effective for the Group’s financial year beginning on 1 January 2018. A summary of the new HKFRSs is set out as below:

HKAS 28 (Amendments)	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
HKAS 40 (Amendments)	Transfers of Investment Property
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the Related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

The above new and revised HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.2 會計政策變動及披露事項

於報告期間，本集團已首次應用以下由香港會計師公會頒佈，於本集團於2018年1月1日開始的財政年度生效的新訂及經修訂準則、修訂本及詮釋（「**新訂及經修訂香港財務報告準則**」）。新訂香港財務報告準則的概要載列如下：

香港會計準則第28號(修訂本)	作為香港財務報告準則2014年至2016年週期的年度改進的一部分
香港會計準則第40號(修訂本)	投資物業轉讓
香港財務報告準則第2號(修訂本)	以股份為基礎支付交易的分類及計量
香港財務報告準則第4號(修訂本)	與香港財務報告準則第4號「保險合約」一併應用香港財務報告準則9號「金融工具」
香港財務報告準則第9號	金融工具
香港財務報告準則第15號	客戶合約收入及相關修訂本
香港(國際財務報告詮釋委員會) – 詮釋第22號	外幣交易及墊付代價

上述新訂及經修訂香港財務報告準則已按照相應準則及修訂本的相關過渡條文予以應用，並導致下文所述會計政策、呈報金額及／或披露資料變動。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2018
截至2018年12月31日止年度

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Impact on the consolidated financial statements

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

2.2 會計政策變動及披露事項(續)

對綜合財務報表的影響

下表載列就各個別項目確認的調整。不受變動影響的項目未有包括在內。因此，不能從所提供數字重新計算已披露的小計及總計金額。以下按準則劃分詳述有關調整的詳情。

Consolidated statement of financial position (extract) 綜合財務狀況表(摘錄)		31 December			1 January
		2017	HKFRS 9	HKFRS 15	2018
		2017年	香港財務報告	香港財務報告	2018年
		12月31日	準則第9號	準則第15號	1月1日
		RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元
Current assets	流動資產				
Trade and bills receivables	貿易應收款項及應收票據	372,117	(427)	-	371,690
Prepayments, deposits and other receivables	預付款項、按金及其他應收款項	114,119	(66)	-	114,053
Current liabilities	流動負債				
Other payables and accruals	其他應付款項及應計費用	76,983	-	(14,018)	62,965
Contract liabilities	合約負債	-	-	14,018	14,018
Net current asset	流動資產淨值	284,737	(493)	-	284,244
Capital and reserves	股本及儲備				
Reserves	儲備	333,245	(493)	-	332,752
Total equity	權益總額	340,159	(493)	-	339,666

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2018
截至2018年12月31日止年度

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

HKFRS 9 Financial instruments

During the reporting period, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses (“ECL”) for financial assets and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised at 1st January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised at 1st January 2018. The difference between carrying amounts at 31st December 2017 and the carrying amounts at 1st January 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

Summary of effects arising from initial application of HKFRS 9 below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

Under the transition methods chosen, the Group recognises the cumulative effect of the initial application of HKFRS 9 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated.

2.2 會計政策變動及披露事項(續)

香港財務報告準則第9號「金融工具」

於報告期間，本集團已應用香港財務報告準則第9號「金融工具」及其他香港財務報告準則的相關相應修訂。香港財務報告準則第9號引入(1)金融資產及金融負債的分類及計量；(2)金融資產的預期信貸虧損(「預期信貸虧損」)；及(3)一般對沖會計的新規定。

本集團已根據香港財務報告準則第9號所載過渡條文應用香港財務報告準則第9號，即對於2018年1月1日(首次應用日期)尚未終止確認的工具追溯應用分類及計量規定(包括預期信貸虧損項下減值)，而不會對於2018年1月1日已終止確認的工具應用有關規定。於2017年12月31日的賬面值與於2018年1月1日的賬面值之間的差額於期初留存盈利及其他權益部分中確認，不會重列比較資料。

因此，由於比較資料乃根據香港會計準則第39號「金融工具：確認及計量」編製，故若干比較資料未必可作比較。

以下載列首次應用香港財務報告準則第9號所產生的影響概要，旨在說明於首次應用日期(2018年1月1日)根據香港財務報告準則第9號及香港會計準則第39號金融資產及金融負債以及須確認預期信貸虧損的其他項目的分類及計量(包括減值)。

根據所選用過渡方法，本集團將首次應用香港財務報告準則第9號的累計影響確認為對於2018年1月1日期初權益結餘的調整。本集團不會重列比較資料。

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2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Classification and measurement of financial assets and financial liabilities

All financial assets and liabilities continue to be measured on the same bases as were previously measured under HKAS 39.

Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. Except for those which had been determined as credit impaired under HKAS 39, the remaining balances are grouped based on past due analysis. The Group has therefore estimated the expected loss rates for the trade receivables on the same basis.

Except for those which had been determined as credit impaired under HKAS 39, ECL for other financial assets at amortised cost, including deposits, other receivables, pledged deposits and bank balances, are assessed on 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition.

All losses allowances including trade and bills receivables, deposits and other receivables as at 31 December 2017 reconciled to the opening loss allowance as at 1 January 2018 are as follows:

2.2 會計政策變動及披露事項(續)

金融資產及金融負債的分類及計量

所有金融資產及負債繼續根據先前與香港會計準則第39號相同的計量基準計量。

預期信貸虧損模式項下減值

本集團應用香港財務報告準則第9號簡化方法計量預期信貸虧損，對所有貿易應收款項使用全期預期信貸虧損。除根據香港會計準則第39號釐定為信貸減值的款項外，結餘按逾期分析分組。因此，本集團按同一基準就貿易應收款項估計預期虧損率。

除根據香港會計準則第39號釐定為信貸減值的款項外，按攤銷成本計量的其他金融資產（包括按金、其他應收款項、已抵押存款及銀行結餘）的預期信貸虧損按12個月預期信貸虧損（「12個月預期信貸虧損」）評估，原因乃自首次確認以來信貸風險並無顯著增加。

於2017年12月31日的所有虧損撥備（包括貿易應收款項及應收票據、按金及其他應收款項）與於2018年1月1日的期初虧損撥備對賬如下：

		Trade and bills receivables 貿易應收款項 及應收票據 RMB'000 人民幣千元	Deposits and other receivables 按金及其他 應收款項 RMB'000 人民幣千元
At 31 December 2017 — HKAS 39	於2017年12月31日		
	— 香港會計準則第39號	(95)	—
Amounts re-measured through opening retained earnings	透過期初留存盈利重新計量款項	(427)	(66)
At 1 January 2018 — HKFRS 9	於2018年1月1日 — 香港 財務報告準則第9號	(522)	(66)

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2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

HKFRS 15 Revenue from Contracts with Customers

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in HKFRS 15, prior period comparative figures have not been restated. In summary, the following adjustments were made to the amounts recognised in the consolidated statement of financial position at the date of initial application (1 January 2018):

2.2 會計政策變動及披露事項(續)

香港財務報告準則第15號「客戶合約收入」

本集團自2018年1月1日起採納香港財務報告準則第15號「客戶合約收入」，導致會計政策變動及財務報表已確認款項有所調整。根據香港財務報告準則第15號的過渡條文，不會重列過往期間比較數字。總括而言，於首次應用日期(2018年1月1日)綜合財務狀況表內已確認金額已作出以下調整：

		HKAS 18 carrying amounts at 31 December 2017	Reclassification	HKFRS 15 carrying amounts at 1 January 2018
	香港會計準則 第18號 於2017年 12月31日的 賬面值 RMB'000 人民幣千元		重新分類 RMB'000 人民幣千元	香港財務 報告準則 第15號 於2018年 1月1日的 賬面值 RMB'000 人民幣千元
Contract liabilities (Note a)	合約負債(附註a)	-	14,018	14,018
Other payables and accruals	其他應付款項及應計費用	76,983	(14,018)	62,965

Note a:

Contract liabilities in relation to sales of finished goods were previously included in receipt in advance of approximately RMB14,018,000 as at 1 January 2018.

The entire amount of contract liabilities at 1 January 2018 is all recognised as revenue during current year.

Presentation of assets and liabilities related to contracts with customers

The Group has also changed the presentation of the following amounts in the consolidated statement of financial position to reflect the terminology of HKFRS 15:

- Contract liabilities in relation to sales of finished goods were previously included in receipts in advance (approximately RMB14,018,000 as at 1 January 2018).

附註a:

於2018年1月1日，有關銷售製成品的合約負債過往計入預收款項約人民幣14,018,000元。

於2018年1月1日的全數合約負債均於本年度確認為收入。

與客戶合約有關的資產及負債呈列

本集團亦已更改下列款項於綜合財務狀況表的呈列，以符合香港財務報告準則第15號的術語：

- 有關銷售製成品的合約負債過往計入預收款項(於2018年1月1日約人民幣14,018,000元)。

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2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

Other than stated above, the adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKAS 1 and HKAS 8 (Amendments)	Definition of Material ³
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement ¹
HKAS 28 (Amendments)	Long-term interests in Associates and Joint Ventures ¹
HKFRS (Amendments)	Annual Improvements to HKFRSs 2015–2017 Cycle ¹
HKFRS 3 (Amendments)	Definition of a business ²
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation ¹
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
HKFRS 16	Leases ¹
HKFRS 17	Insurance Contracts ⁴
HK (IFRIC)-Int 23	Uncertainty over Income Tax Treatments ¹

- ¹ Effective for annual periods beginning on or after 1 January 2019.
² Effective for business combination and assets acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
³ Effective for annual periods beginning on or after 1 January 2020.
⁴ Effective for annual periods beginning on or after 1 January 2021.
⁵ Effective for annual periods beginning on or after a date to be determined.

2.3 已頒佈但尚未生效的香港財務報告準則

除上述者外，採納此等新訂及經修訂香港財務報告準則並無導致本集團會計政策、本集團財務報表的呈列方式以及本年度及過往年度的呈報金額出現重大變動。

本集團並無提早應用下列已頒佈但尚未生效的新訂及經修訂香港財務報告準則：

香港會計準則第1號及香港會計準則第8號(修訂本)	重大的定義 ³
香港會計準則第19號(修訂本)	計劃修訂、縮減或結算 ¹
香港會計準則第28號(修訂本)	於聯營公司或合營企業的長期權益 ¹
香港財務報告準則(修訂本)	香港財務報告準則2015年至2017年週期的年度改進 ¹
香港財務報告準則第3號(修訂本)	業務的定義 ²
香港財務報告準則第9號(修訂本)	具有負補償的提早還款特性 ¹
香港財務報告準則第10號及香港會計準則第28號(修訂本)	投資者與其聯營公司或合營企業之間的資產出售或注資 ⁵
香港財務報告準則第16號	租賃 ¹
香港財務報告準則第17號	保險合約 ⁴
香港(國際財務報告詮釋委員會)—詮釋第23號	所得稅處理的不確定性 ¹

- ¹ 於2019年1月1日或之後開始的年度期間生效。
² 對收購日期在2020年1月1日或之後開始的首個年度期間開始時或之後的業務合併及資產收購生效。
³ 於2020年1月1日或之後開始的年度期間生效。
⁴ 於2021年1月1日或之後開始的年度期間生效。
⁵ 於有待釐定的日期或之後開始的年度期間生效。

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

(Continued)

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

2.3 已頒佈但尚未生效的香港財務報告準則(續)

香港財務報告準則第16號「租賃」

香港財務報告準則第16號為識別出租人及承租人的租賃安排及會計處理引入一個綜合模式。香港財務報告準則第16號於生效後將取代香港會計準則第17號「租賃」及相關詮釋。

香港財務報告準則第16號根據所識別資產是否由客戶控制來區分租賃及服務合約。此外，香港財務報告準則第16號規定售後租回交易根據香港財務報告準則第15號有關轉讓相關資產是否應作為銷售入賬的規定而釐定。香港財務報告準則第16號亦包括有關分租及租賃修訂的規定。

除短期租賃及低值資產租賃外，經營租賃及融資租賃的差異自承租人會計處理中撤銷，並由承租人須就所有租賃確認使用權資產及相應負債的模式替代。

使用權資產初步按成本計量，其後按成本(若干例外情況除外)減累計折舊及減值虧損計量，並就租賃負債的任何重新計量作出調整。租賃負債初步按該日尚未支付的租賃付款的現值計量。隨後，租賃負債將就(其中包括)利息及租賃付款以及租賃修訂的影響作出調整。就現金流量的分類而言，本集團目前將與自用租賃土地有關的提前預付租賃付款列作投資現金流量，而其他經營租賃付款則列作經營現金流量。於應用香港財務報告準則第16號後，與租賃負債有關的租賃付款將劃入本金及利息部分，並將由本集團列作融資現金流量。

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2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

(Continued)

HKFRS 16 Leases (Continued)

Furthermore, extensive disclosures are required by HKFRS 16.

At 31 December 2018, the Group has non-cancellable operating lease commitments of approximately RMB249,266,000 as disclosed in note 31 to the consolidated financial statements. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained earnings without restating comparative information.

Except disclosed above, the directors of the Company do not anticipate that the application of other new and revised HKFRSs will have a material impact on the Group's financial performance and financial positions.

2.3 已頒佈但尚未生效的香港財務報告準則(續)

香港財務報告準則第16號「租賃」(續)

此外，香港財務報告準則第16號亦要求較廣泛的披露。

於2018年12月31日，本集團擁有不可撤銷經營租賃承諾人民幣249,266,000元(於綜合財務報表附註31披露)。初步評估顯示，該等安排符合租賃定義。應用香港財務報告準則第16號後，本集團將就所有該等租賃確認使用權資產及相應負債，除非該等安排符合低價值或短期租賃的定義則作別論。

應用新規定可能導致上述計量、呈列及披露發生變動。本集團擬選擇採用經修訂追溯法應用香港財務報告準則第16號，並將確認首次應用對期初留存溢利的累計影響，而並無重列比較資料。

除上述披露者外，本公司董事並不預期應用其他新訂及經修訂香港財務報告準則將會對本集團的財務表現及財務狀況造成重大影響。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2.2)

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group’s right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group’s unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

2.4 主要會計政策概要

收入確認

客戶合約收入 (根據附註2.2的過渡條文應用香港財務報告準則第15號後)

根據香港財務報告準則第15號，本集團於完成履約責任時確認收入，即於與特定履約責任相關之貨品或服務之「控制權」轉讓予客戶時。

履約責任指一項明確的貨品及服務(或一批貨品或服務)或一系列大致相同且明確的貨品或服務。

控制權隨時間轉移，而倘符合其中一項以下標準，則收入乃參照完成相關履約責任的進度按時間確認：

- 客戶於本集團履約時同時取得並耗用本集團履約所提供的利益；
- 本集團的履約創建或增強客戶於本集團履約時控制的資產；或
- 本集團的履約並未產生對本集團有替代用途的資產，且本集團有強制執行權以收取迄今已履約部分的款項。

否則，收入於客戶獲得明確的貨品或服務的控制權時確認。

合約資產指本集團就向客戶換取本集團已轉讓的商品或服務收取代價的權利(尚未成為無條件)，並根據香港財務報告準則第9號評估減值。相反，應收款項指本集團收取代價的無條件權利，即只需待時間過去代價即須到期支付。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2.2) (Continued)

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

For contracts that contain more than one performance obligation, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

Revenue is measured at the fair value of the consideration received or receivable. Revenue represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Sale of goods

Revenue from sales of sofa, sofa covers and other furniture products are recognised at a point in time when control of the goods has transferred, which generally coincides with the time when the products are delivered to customers and title is passed.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and
- (b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

2.4 主要會計政策概要(續)

收入確認(續)

客戶合約收入(根據附註2.2的過渡條文應用香港財務報告準則第15號後)(續)

合約負債指本集團因已自客戶收取代價(或到期收取的代價),而須向客戶轉讓商品或服務的責任。有關相同合約的合約資產及合約負債按淨額入賬及列示。

對於包含一項以上履約責任的合約,本集團以相對獨立的銷售價格基準將交易價格分配至各項履約責任。

收入乃按已收或應收代價之公允值計量。收入指在一般業務過程中已售貨品之應收款項,扣除折讓及銷售相關稅項。

銷售貨品

銷售沙發、沙發套及其他傢俱產品的收入於貨品控制權轉移的某一時間點確認,一般與向客戶交付貨品及轉移擁有權的時間吻合。

收益確認

收益於可能為本集團帶來經濟利益及能可靠地計量時確認,基準如下:

- (a) 對於貨品銷售收益,當擁有權的重大風險及回報已轉移至買家,而本集團參與管理的程度並不足以附帶擁有權,亦無實際控制已售出貨品時確認;及
- (b) 利息收入採用將金融工具的估計未來現金按預計年期或較短期間(如適用)完全貼現至金融資產賬面淨值的利率,按應計基準使用實際利率法確認。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

2.4 主要會計政策概要(續)

公允值計量

公允值為市場參與者於計量日期在有序交易中出售資產所收取的價格或轉讓負債所支付的價格。公允值計量乃根據假設出售資產或轉讓負債的交易於資產或負債主要市場或(在無主要市場情況下)資產或負債最具優勢市場進行而作出。主要或最具優勢市場須為本集團可進入的市場。資產或負債的公允值乃按假設市場參與者對資產或負債定價時會以最佳經濟利益行事計量。

非金融資產的公允值計量須計及市場參與者能自最大限度使用該資產達致最佳用途，或將該資產出售予將最大限度使用該資產達致最佳用途的其他市場參與者所產生的經濟利益。

本集團採納適用於不同情況且具備充分數據以供計量公允值的估值方法，以盡量使用相關可觀察輸入數據及盡量減少使用不可觀察輸入數據。

所有其公允值於財務報表計量或披露的資產及負債乃按下述公允值層級分類，分類乃基於對公允值計量整體而言屬重大的最低層輸入數據進行：

- 第1級 — 基於相同資產或負債於活躍市場的報價(未經調整)
- 第2級 — 基於對公允值計量而言屬重大的可觀察(直接或間接)最低層輸入數據的估值方法
- 第3級 — 基於對公允值計量而言屬重大的不可觀察最低層輸入數據的估值方法

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

2.4 主要會計政策概要(續)

公允值計量(續)

就按經常性基準於財務報表確認的資產及負債而言，本集團透過於各報告期末重新評估分類(基於對公允值計量整體而言屬重大的最低層輸入數據)確定是否發生不同層級轉移。

非金融資產減值

倘一項資產(存貨及金融資產除外)存在減值跡象，或需要進行年度減值測試，則會估計資產的可收回金額。資產可收回金額按該資產或現金產生單位的使用價值及公允值減出售成本兩者中的較高金額計算，並按個別資產釐定，除非該資產所產生的現金流入不能基本上獨立於其他資產或資產組別所產生的現金流入，在此情況下，可收回金額將按該資產所屬現金產生單位釐定。

減值虧損僅於資產賬面值超過其可收回金額時方會確認。在評估使用價值時，估計未來現金流量採用反映當前市場對資金時間價值及資產特定風險的評估的稅前貼現率貼現至其現值。減值虧損於其產生期間的損益賬內在與減值資產功能一致的相關開支類別中扣除。

本集團會於各報告期末評估是否有跡象顯示先前確認的減值虧損不再存在或可能已減少。倘有該等跡象存在，則會估計可收回金額。先前就資產(商譽除外)確認的減值虧損，僅於用以釐定該資產的可收回金額的估計有變時予以撥回，但撥回金額不得高於假設過往年度並無就該資產確認減值虧損而應有的賬面值(扣除任何折舊/攤銷)。撥回的減值虧損於其產生期間計入損益賬。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group; or
- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 主要會計政策概要(續)

關連方

於下列情況下，以下人士將被視為與本集團有關連：

- (a) 該人士為下列人士或下列人士的近親：
 - (i) 控制或共同控制本集團；
 - (ii) 對本集團有重大影響力；或
 - (iii) 為本集團或本集團母公司的主要管理人員；或
- (b) 該人士為符合下列任何條件的實體：
 - (i) 該實體與本集團屬同一集團的成員公司；
 - (ii) 該實體為另一實體(或另一實體的母公司、附屬公司或同系附屬公司)的聯繫人或合營企業；
 - (iii) 該實體與本集團為同一第三方的合營企業；
 - (iv) 該實體為第三方實體的合營企業，而另一實體為該第三方實體的聯繫人；
 - (v) 該實體為本集團或與本集團有關連的實體就僱員利益設立的離職後福利計劃；
 - (vi) 該實體由第(a)項所列人士控制或共同控制；
 - (vii) 第(a)(i)項所列人士對該實體具有重大影響力或為該實體(或該實體的母公司)的主要管理人員；及
 - (viii) 該實體或其所屬集團的任何成員公司為本集團或本集團的母公司提供主要管理人員服務。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties (Continued)

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that person in their dealing with the entity.

A transaction is considered to be a related party transaction when there is a transfer of resources, or obligation between the Group and a related party, regardless of whether a price is charged.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	5%
Leasehold improvements	Over the shorter of the lease terms and 33.3%
Plant and machinery	10% to 20%
Furniture, fixtures and office equipment	20% to 33.3%
Motor vehicles	20% to 33.3%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

2.4 主要會計政策概要(續)

關連方(續)

一名人士的近親成員指與該實體交易時預期可影響該名人士或受該人士影響的家庭成員。

當本集團與關連方之間存在資源或責任轉讓時(不論是否收取費用),則交易被視為關聯方交易。

物業、廠房及設備以及折舊

物業、廠房及設備(在建工程除外)按成本減累計折舊及任何減值虧損列賬。物業、廠房及設備項目的成本包括其購買價及將資產運抵指定地點並使其達到預定可使用狀態的任何直接應佔成本。

物業、廠房及設備項目投入運作後產生的維修及保養等開支,一般於產生期間計入損益表。於符合確認條件後,大型檢測開支計入資產賬面值,作為重置資本。倘物業、廠房及設備的重要部分須定期替換,則本集團確認該等部分為具特定使用年期的個別資產,並計提相應折舊。

折舊乃以直線法在估計使用年期內將各物業、廠房及設備項目的成本撇銷至其剩餘價值計算。就此使用的主要年率如下:

建築物	5%
租賃物業裝修	租期及33.3% (以較短者為準)
廠房及機器	10%至20%
傢俱、傢俬及辦公設備	20%至33.3%
汽車	20%至33.3%

倘物業、廠房及設備項目的各部分有不同的使用年期,該項目的成本將在各部分之間作合理分配,而每部分將個別計提折舊。剩餘價值、使用年期及折舊方法至少於各財政年結日檢討,並於適當時調整。

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building, plant and machinery and other items of property, plant and equipment under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction and capitalized borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Research and development costs

All research costs are charged to profit or loss as incurred. Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

2.4 主要會計政策概要(續)

物業、廠房及設備以及折舊(續)

首次確認的物業、廠房及設備項目(包括任何重要部分)於出售或預期使用或出售不會產生未來經濟利益時終止確認。於資產終止確認年度在損益表確認的任何出售或報廢盈虧，乃有關資產出售所得款項淨額與賬面值的差額。

在建工程指興建中的建築物、廠房及機器以及物業、廠房及設備的其他項目，按成本減任何減值虧損列賬，且不計提折舊。成本包括建設期間的直接建設成本及相關借入資金的資本化借款成本。在建工程於落成可用時按適當類別重新分類至物業、廠房及設備。

租賃

出租人仍保留資產擁有權的絕大部分回報及風險的租賃列作經營租賃。倘本集團為承租人，根據經營租賃的應付租金扣除從出租人收取的任何優惠後按租賃年期以直線法自損益中扣除。

經營租賃下的預付土地租賃款項首次按成本入賬，隨後於租期內按直線法確認。

研究及開發成本

所有研究成本均於產生時自損益中扣除。新產品開發項目產生的開支僅於本集團證明在技術上能夠完成無形資產供使用或出售、有意完成及有能力使用或出售該資產、該資產將帶來日後經濟利益、具有完成項目所需的資源且能夠可靠地計量開發期間的支出時，方會撥充資本並以遞延方式入賬。未能符合該等條件的產品開發支出概於產生時列作開支。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest and dividend income which are derived from the financial assets and shareholders' rights are presented as other revenue and other income.

2.4 主要會計政策概要(續)

金融工具

金融資產及金融負債於集團實體成為工具合約條文之一方時予以確認。以常規方式購買或出售的金融資產均按交易日基準確認或終止確認。以常規方式購買或出售是指要求在相關市場中的規則或慣例通常約定的時間內交付資產的金融資產買賣。

金融資產及金融負債初步按公允值計算，惟源自客戶合約的貿易應收款項除外，其自2018年1月1日起按照香港財務報告準則第15號初步計量。而直接歸屬於購置或發行金融資產及金融負債之交易成本(按公允值計入損益之金融資產除外)乃於首次確認時加入或自金融資產或金融負債之公允值扣除(如適用)。直接歸屬於收購按公允值計入損益之金融資產之交易成本即時於損益中確認。

實際利率法乃計算金融資產或金融負債之攤銷成本及按有關期間攤分利息收入之方法。實際利率乃將估計日後現金收入及付款(包括所有已支付或已收取而構成整體實際利率一部分之費用及點數、交易成本及其他所有溢價或折讓)按金融資產或金融負債之預期使用年期，或較短期間(倘合適)準確貼現至首次確認之賬面淨值之利率。

金融資產及股東權利的利息及股息收入呈列為其他收益及其他收入。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets

Classification and subsequent measurement of financial assets
(upon application of HKFRS 9)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in OCI if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

2.4 主要會計政策概要(續)

金融工具

金融資產

金融資產的分類及其後計量(應用香港財務報告準則第9號後)

符合以下條件的金融資產其後按攤銷成本計量：

- 金融資產於目的為收取合約現金流量的商業模式內而持有；及
- 合約條款於特定日期產生僅為支付本金及未償還本金利息的現金流量。

符合以下條件的金融資產其後按公允值計入其他全面收益計量：

- 金融資產於目的為收取合約現金流量及出售的商業模式內而持有；及
- 合約條款於特定日期產生僅為支付本金及未償還本金利息的現金流量。

所有其他金融資產其後按公允值計入損益計量，但在初步採用／首次確認金融資產之日，倘該股本投資並非持作買賣，亦非由於收購方在香港財務報告準則第3號「業務合併」所適用的業務合併中確認的或然代價，本集團可能不可撤銷地選擇於其他全面收益呈列股本投資的其後公允值變動。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (upon application of HKFRS 9) (Continued)

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

2.4 主要會計政策概要(續)

金融工具(續)

金融資產(續)

金融資產的分類及其後計量(應用香港財務報告準則第9號後)(續)

金融資產分類為持作買賣，倘：

- 收購該資產主要目的為短期內出售；或
- 於首次確認時，該資產是本集團集中管理之可識別金融工具組合的一部分，且近期有實質短期出售獲利；或
- 該資產並非指定為有效對沖工具及無實際對沖效果之衍生工具。

此外，本集團可能不可撤銷地指定須按攤銷成本計量或按公允值計入其他全面收益的金融資產為按公允值計入損益(倘若此舉可消除或顯著減少會計錯配)。

攤銷成本及利息收入

就其後按攤銷成本計量之金融資產，利息收入使用實際利率法確認。利息收入使用實際利率按金融資產賬面總值計算，惟其後已信貸減值的金融資產除外(見下文)。就其後已信貸減值的金融資產而言，利息收入乃自下一個報告期間起使用實際利率按金融資產的攤銷成本確認。倘信貸減值金融工具的信貸風險改善，金融資產不再信貸減值，則利息收入自釐定資產不再信貸減值後的報告期初起使用實際利率按金融資產的賬面總值確認。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (upon application of HKFRS 9) (Continued)

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other revenue and other income" line item.

Impairment of financial assets (upon application of HKFRS 9 in accordance with transition in note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, deposit paid, other receivables, loan receivables, time deposits, loan to director and cash and bank balances). The amount of ECL is updated at each reporting period to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting period. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting period as well as the forecast of future conditions.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

2.4 主要會計政策概要(續)

金融工具(續)

金融資產(續)

金融資產的分類及其後計量(應用香港財務報告準則第9號後)(續)

按公允值計入損益的金融資產

金融資產如不符合按攤銷成本計量或按公允值計入其他全面收益的方式計量或指定為按公允值計入其他全面收益的條件，則按公允值計入損益的方式計量。

於各報告期末，按公允值計入損益之金融資產按公允值計量，而任何公允值收益或虧損於損益表中確認。於損益確認的收益或虧損淨額不包括就金融資產所賺取的任何股息或利息，並計入損益表的「其他收益及收入」項目內。

金融資產減值(根據附註2的過渡條文應用香港財務報告準則第9號後)

本集團就根據香港財務報告準則第9號面臨減值的金融資產(包括貿易應收款項、已付按金、其他應收款項、應收貸款、定期存款、董事貸款以及現金及銀行結餘)的預期信貸虧損確認虧損撥備。預期信貸虧損金額於各報告期間更新，以反映自首次確認起的信貸風險變動。

全期預期信貸虧損指於相關工具預期年期內發生所有可能的違約事件而導致的預期信貸虧損。相反，十二個月預期信貸虧損則指預期於報告期間後十二個月內可能發生的違約事件而導致的部分全期預期信貸虧損。評估乃根據本集團過往信貸虧損經驗進行，並根據債務人特定因素、一般經濟狀況及於報告期間對當前狀況及未來狀況預測的評估而作出調整。

就所有其他工具而言，本集團按相當於十二個月預期信貸虧損計量虧損撥備，除非首次確認後的信貸風險顯著增加，則本集團確認全期預期信貸虧損。評估是否應該確認全期預期信貸虧損乃基於首次確認後違約發生的機會或風險有否顯著上升。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application of HKFRS 9 in accordance with transition in note 2) (Continued)

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting period with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

2.4 主要會計政策概要(續)

金融工具(續)

金融資產(續)

金融資產減值(根據附註2的過渡條文應用香港財務報告準則第9號後)(續)

信貸風險大幅增加

於評估信貸風險是否自首次確認以來已大幅增加時，本集團比較金融工具於報告期間出現違約的風險與該金融工具於首次確認日期出現違約的風險。作此評估時，本集團均會考慮合理及有依據的定量及定性資料，包括過往經驗及毋須花費不必要成本或努力即可獲得的前瞻性資料。

尤其是，評估信貸風險是否大幅增加時會考慮下列資料：

- 金融工具外部(如有)或內部信貸評級的實際或預期重大惡化；
- 信貸風險的外界市場指標的重大惡化，例如信貸息差大幅增加、債務人的信貸違約掉期價；
- 業務、財務或經濟狀況的現有或預測不利變動，預期將導致債務人履行其債務責任的能力大幅下降；
- 債務人經營業績的實際或預期重大惡化；
- 債務人監管、經濟或技術環境有實際或預期的重大不利變動，導致債務人履行其債務責任的能力大幅下降。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application of HKFRS 9 in accordance with transition in note 2) (Continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

2.4 主要會計政策概要(續)

金融工具(續)

金融資產(續)

金融資產減值(根據附註2的過渡條文應用香港財務報告準則第9號後)(續)

不論上述評估結果，倘合約付款逾期超過30日，本集團假定信貸風險自首次確認以來已大幅增加，惟本集團有合理並有理據之資料顯示情況並非如此。

本集團定期監控用於識別信貸風險是否顯著增加的標準是否有效及適時修訂該等標準，以確保有關標準能於款項逾期前識別信貸風險的顯著增加。

違約之定義

就內部信貸風險管理，本集團認為，倘內部制定或自外部來源取得的資料顯示債務人不可能悉數(不計及本集團所持任何抵押品)償還其債權人(包括本集團)，則視作發生違約事件。

除上述者外，本集團認為，倘金融資產逾期超過90日，則違約事件已經發生，惟本集團擁有合理及有理據資料顯示一項更寬鬆的違約標準更為合適，則另作別論。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application of HKFRS 9 in accordance with transition in note 2) (Continued)

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over 1 year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognized in profit or loss.

2.4 主要會計政策概要(續)

金融工具(續)

金融資產(續)

金融資產減值(根據附註2的過渡條文應用香港財務報告準則第9號後)(續)

金融資產信貸減值

當發生一項或多項對金融資產估計未來現金流量有不利影響之違約事件時，金融資產出現信貸減值。金融資產信貸減值之證據包括以下事件的可觀察數據：

- (a) 發行人或借款人陷入重大財務困難；
- (b) 違反合約，如違約或逾期事件；
- (c) 借款人之放款人因與借款人出現財務困難有關之經濟或合約理由而給予借款人在一般情況下放款人不予考慮之優惠條件；
- (d) 借款人有可能破產或進行其他財務重組；或
- (e) 由於財務困難致使金融資產之活躍市場消失。

撇銷政策

當有資料顯示對手方處於嚴重財務困難，且並無實際收回機會時(例如對手方正在清盤或進入破產程序)，或就貿易應收款項而言，有關金額逾期超過一年(以較早發生者為準)本集團則撇銷金融資產。已撇銷的金融資產仍可根據本集團的收回程序進行法律行動，惟需於適當時候聽取法律意見。撇銷構成終止確認事件。任何其後收回於損益中確認。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application of HKFRS 9 in accordance with transition in note 2) (Continued)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables and amounts due from customers are each assessed as a separate group. Loans to related parties are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

2.4 主要會計政策概要(續)

金融工具(續)

金融資產(續)

金融資產減值(根據附註2的過渡條文應用香港財務報告準則第9號後)(續)

預期信貸虧損的計量及確認

預期信貸虧損的計量為違約概率、違約損失率(即違約時的損失程度)及違約風險的函數。違約概率及違約損失率的評估根據經前瞻性資料調整的過往數據而作出。預期信貸虧損的估計反映無偏頗及概率加權的數額，其乃根據加權的相應違約風險釐定。

一般而言，預期信貸虧損按根據合約應付本集團的所有合約現金流量與本集團預期將收取的現金流量按首次確認時釐定的實際利率貼現的差額估計。

倘預期信貸虧損按集體基準計量或迎合個別工具水平證據未必存在的情況，則金融工具按以下基準歸類：

- 金融工具性質(即本集團貿易及其他應收款項、應收客戶款項各自評為獨立組別。關連方貸款按個別基準進行預期信貸虧損評估)；
- 逾期狀況；
- 債務人的性質、規模及行業；及
- 外部信貸評級(如有)。

歸類工作經管理層定期檢討，以確保各組別成份繼續分擔類似信貸風險特性。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application of HKFRS 9 in accordance with transition in note 2) (Continued)

Measurement and recognition of ECL (Continued)

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognized through a loss allowance account.

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in other expenses and losses.

2.4 主要會計政策概要(續)

金融工具(續)

金融資產(續)

金融資產減值(根據附註2的過渡條文應用香港財務報告準則第9號後)(續)

預期信貸虧損的計量及確認(續)

利息收入按金融資產的賬面總值計算，除非金融資產出現信貸減值，在此情況下，利息收入按金融資產的攤銷成本計算。

本集團透過調整賬面值於損益確認所有金融工具的減值盈虧，惟貿易應收款項除外，其相關調整乃透過虧損撥備賬予以確認。

金融資產的分類及其後計量(於2018年1月1日應用香港財務報告準則第9號前)

首次確認及計量

金融資產於首次確認時分類為貸款及應收款項(如適用)。金融資產於首次確認時按公允值加收購金融資產應佔交易成本計量。

金融資產的所有常規買賣乃於交易日期(即本集團承諾購買或出售該資產之日)確認。常規買賣指需要在一般由法規或市場慣例確定的期間內移交資產的金融資產買賣。

貸款及應收款項

貸款及應收款項指有固定或可確定款項且在活躍市場並無報價的非衍生金融資產。於初始計量後，該等資產其後採用實際利率法以攤銷成本減任何減值撥備計量。於計算攤銷成本時已計及任何收購折讓或溢價，以及作為實際利率組成部分的費用或成本。實際利率攤銷計入損益的其他收入及收益。減值產生的虧損於損益的其他開支及虧損確認。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 主要會計政策概要(續)

終止確認金融資產

於出現下列情況時，金融資產(或(如適用)部分金融資產或一組同類金融資產的一部分)主要終止確認(即自本集團綜合財務狀況表移除)：

- 從資產收取現金流量的權利屆滿時；或
- 本集團已根據「過手」安排轉讓從資產收取現金流量的權利，或已承擔向第三方無重大延誤全額支付所收現金流量的責任；及(a)本集團已轉讓資產的絕大部分風險及回報，或(b)本集團並無轉讓亦無保留資產的絕大部分風險及回報，但已轉讓資產的控制權。

倘本集團已轉讓從資產收取現金流量的權利或訂立過手安排，則評估有否保留資產擁有權的風險及回報以及保留程度。倘本集團並無轉讓或保留資產的絕大部分風險及回報，亦無轉讓資產控制權，本集團將以本集團持續參與程度為限繼續確認所轉讓資產。在此情況下，本集團亦確認相關負債。已轉讓資產及相關負債根據反映本集團所保留權利及責任的基準計量。

以擔保方式持續參與所轉讓資產的程度，乃按該資產的原賬面值及本集團可被要求償還的代價最高金額兩者中的較低者計量。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed item of financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

2.4 主要會計政策概要(續)

金融資產減值

本集團於各報告期末評估有否客觀證據顯示一項或一組金融資產出現減值。倘資產首次確認後出現一宗或多宗事件而對能可靠估計的金融資產或一組金融資產的估計未來現金流量有影響，則說明已發生減值。減值證據可能包括一名或一組債務人陷入重大財務困難、拖欠利息或本金付款、可能破產或進行其他財務重組，以及可觀察數據顯示估計未來現金流量出現可計量減少，例如與拖欠有關的欠款或經濟狀況變動。

按攤銷成本入賬的金融資產

對於按攤銷成本入賬的金融資產，本集團首先個別評估單項重大或共同評估單項非重大的金融資產有否減值。倘本集團釐定個別評估的金融資產項目並無客觀減值證據，則不論重大與否均須將該資產歸入一組具有相似信貸風險特徵的金融資產，以共同評估有否減值。已個別評估減值並已確認或將繼續確認減值虧損的資產不會進行共同減值評估。

任何已識別減值虧損金額以資產賬面值與估計未來現金流量現值(不包括尚未產生的未來信貸虧損)的差額計量。估計未來現金流量現值按金融資產的原實際利率(即首次確認時計算採用的實際利率)貼現。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Financial assets carried at amortised cost (Continued)

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses and losses in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings and are recognised initially at fair value and net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables, and interest-bearing bank borrowings.

2.4 主要會計政策概要(續)

金融資產減值(續)

按攤銷成本入賬的金融資產(續)

資產賬面值透過使用撥備賬扣減，而虧損則於損益確認。利息收入持續按已扣減賬面值累計，所用利率為計量減值虧損時貼現未來現金流量所使用的貼現率。倘不可能於未來實現收回且所有抵押品已變現或轉移至本集團，則貸款及應收款項連同任何相關撥備可予撇銷。

倘其後期間於確認減值後發生的事件導致估計減值虧損增加或減少，則先前確認的減值虧損透過調整撥備賬增加或減少。倘撇銷於日後收回，則收回款項計入損益的其他開支及虧損。

金融負債

首次確認及計量

於首次確認時，金融負債分類為貸款及借款，且初步按公允值確認，並扣除直接應佔交易成本。

本集團的金融負債包括貿易應付款項及應付票據、其他應付款項以及計息銀行借款。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

2.4 主要會計政策概要(續)

金融負債(續)

其後計量

金融負債其後按類別以下列方法計量：

貸款及借款

於首次確認後，貸款及借款其後以實際利率法按攤銷成本計量，倘貼現影響不大，則按成本列賬。收益及虧損於負債終止確認時透過實際利率攤銷程序於損益確認。

於計算攤銷成本時已計及任何收購折讓或溢價，以及作為實際利率組成部分的費用或成本。實際利率攤銷計入損益的融資成本。

衍生金融工具

衍生工具初步按訂立衍生工具合約當日的公允值確認，其後則按報告期末的公允值重新計量。所產生收益或虧損於損益中確認。

終止確認

本集團僅在獲取金融資產所產生現金流量的合約權利到期，或將金融資產及該資產擁有權絕大部分風險及回報轉讓予另一實體時，方會終止確認金融資產。倘本集團既無轉讓亦無保留該擁有權的絕大部分風險及回報並繼續控制所轉讓資產，則本集團會確認其於該資產的保留權益及就其或須支付的款項確認相關負債。倘本集團保留所轉讓金融資產擁有權的絕大部分風險及回報，本集團繼續確認金融資產，亦就已收取的所得款項確認有抵押借款。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition (Continued)

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognised in the profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

2.4 主要會計政策概要(續)

終止確認(續)

終止確認按攤銷成本計量的金融資產時，該資產的賬面值與已收及應收代價的總和之間的差額於損益中確認。

本集團僅於其責任獲解除、註銷或已到期時，方會終止確認金融負債。已終止確認金融負債的賬面值與已付及應付代價之間的差額於損益中確認。

抵銷金融工具

倘現時有可執行的合法權利抵銷已確認金額且有意按淨額基準結算，或同時變現資產及結算負債，則金融資產與金融負債可抵銷且淨額於財務狀況表呈報。

存貨

存貨以成本與可變現淨值兩者中的較低者列賬。成本按加權平均基準釐定，在製品及製成品的成本包括直接材料、直接勞工及適當比例間接費用。可變現淨值按估計售價減任何完成及出售所需估計成本釐定。

現金及現金等價物

綜合現金流量表的現金及現金等價物包括手頭現金與活期存款，以及可隨時轉換為已知金額現金、價值變動風險不大且購買時一般具有不超過三個月短暫有效期的短期高流通投資，再扣除須於要求時償還且構成本集團現金管理一部分的銀行透支。

綜合財務狀況表的現金及現金等價物包括不限用途的手頭現金及銀行現金(包括定期存款及等同現金資產)。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Provisions for product warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present value as appropriate.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.4 主要會計政策概要(續)

撥備

倘因過往事件而須承擔現時責任(法定或推定)，而履行該責任可能導致未來資源外流，且該責任所涉金額能夠可靠估計，則確認撥備。

倘貼現影響重大，則確認撥備的金額為預期履行責任所需未來開支於各報告期末的現值。貼現現值隨時間增加的金額計入損益中的融資成本。

本集團以銷量和過往的維修和退貨水準貼現至現值(如適用)為基準，就若干產品的保養期確認撥備。

所得稅

所得稅包括即期及遞延稅項。並非於損益確認的項目的相關所得稅不會於損益確認，而於其他全面收益或直接於權益確認。

即期稅項資產及負債根據截至各報告期末已頒佈或實際已頒佈的稅率(及稅法)，並考慮到本集團經營所在國家現行的詮釋及慣例，按預計可自稅務機關收回或應付稅務機關的金額計量。

編製財務報告時，遞延稅項以負債法就報告期末資產及負債的稅基與其賬面值之間的所有暫時差額作撥備。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 主要會計政策概要(續)

所得稅(續)

除下列情況外，就所有應課稅暫時差額確認遞延稅項負債：

- 倘遞延稅項負債來自首次確認的商譽或非業務合併交易中的資產或負債，且於交易時不影響會計溢利及應課稅溢利或虧損；及
- 對於與投資附屬公司有關的應課稅暫時差額，倘能夠控制撥回暫時差額的時間，且於可見將來可能不會撥回暫時差額。

遞延稅項資產就所有可扣減暫時差額、結轉的未動用稅項抵免及未動用稅項虧損確認。倘有可用以抵銷可動用可扣減暫時差額、結轉的未動用稅項抵免及未動用稅項虧損的應課稅溢利，則會確認遞延稅項資產，惟以下情況除外：

- 因於一宗並非業務合併的交易中首次確認的資產或負債且於交易時並不影響會計溢利或應課稅溢利或虧損而產生可扣減暫時差額的遞延稅項資產；及
- 就與附屬公司投資有關的可扣減暫時差額而言，僅於暫時差額可能於可見將來撥回及將有應課稅溢利抵銷可動用暫時差額的情況下，方會確認遞延稅項資產。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

2.4 主要會計政策概要(續)

所得稅(續)

遞延稅項資產的賬面值於各報告期末檢討，倘不可能有足夠應課稅溢利以動用全部或部分遞延稅項資產，則相應調減。未確認的遞延稅項資產於各報告期末重新評估，如可能有足夠應課稅溢利以收回全部或部分遞延稅項資產，則確認相關的金額。

遞延稅項資產及負債根據於各報告期末已頒佈或實際已頒佈的稅率(及稅法)，按預期適用於變現資產或償還負債期間的稅率計量。

倘且僅倘本集團有法定可執行權利抵銷即期稅項資產與即期稅項負債，且遞延稅項資產及遞延稅項負債與相同稅務機關就相同納稅實體或不同納稅實體(而該等實體在預期清償或收回大筆款項的遞延稅項負債或資產的每段未來期間內，有意按淨額基準結算即期稅項負債與資產或同時變現資產及結算負債)徵收的所得稅相關，則可抵銷遞延稅項資產與遞延稅項負債。

政府補助

倘能合理確定將可收取政府補助並符合所有附帶條件，則按公允值確認政府補助。倘補助與開支項目有關，則會有系統地在擬補貼成本的相應期間確認補助為收益。

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “**MPF Scheme**”) in Hong Kong under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees’ basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group’s operations in Mainland China are required to participate in central pension schemes operated by the local municipal governments, the assets of which are held separately from those of the Group. Contributions are made by the Group based on a percentage of the participating employees’ salaries and are charged to profit or loss as they become payable in accordance with the rules of the central pension schemes. The Group’s employer contributions vest fully once made.

Borrowing costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs are expensed in the period in which they are incurred.

Dividends

Final dividends and special dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company’s memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 主要會計政策概要(續)

僱員福利

退休金計劃

本集團遵照強制性公積金計劃條例為合資格參與強制性公積金計劃(「**強積金計劃**」)的僱員在香港設立一項定額供款強積金退休福利計劃。供款按僱員基本薪酬的某一百分比計算，並於根據強積金計劃規則規定需要支付時自損益扣除。強積金計劃資產與本集團資產分開以獨立管理基金持有。本集團按強積金計劃作出的僱主供款全數歸屬於僱員。

本集團於中國內地業務的僱員須參加由當地市政府營辦的中央退休金計劃，該等計劃的資產與本集團資產分開持有。供款乃由本集團根據中央退休金計劃的規則按參與僱員薪金的某一百分比計算，並於應付時自損益扣除。本集團的僱主供款於其作出供款時即全面歸屬。

借款成本

借款成本包括一家實體在借入資金時所產生的利息及其他成本。借款成本於其產生期間內列作開支。

股息

末期股息及特別股息於獲股東大會批准時確認為一項負債。擬派末期股息於財務報表附註中披露。

由於本公司的組織章程大綱及細則授權董事宣派中期股息，故中期股息同時擬派及宣派。因此，中期股息在擬派及宣派時直接確認為負債。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

The comparative amounts in the consolidated financial statements are presented as if the businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various line of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2.4 主要會計政策概要(續)

涉及受共同控制實體的業務合併的合併會計法

綜合財務報表包括共同控制合併項下合併業務的財務報表項目，猶如其於合併業務首次受控制方控制當日起已合併。

合併業務的淨資產從控制方的角度按現有賬面值綜合入賬。概無於共同控制合併時就商譽或議價購買收益確認金額。

綜合損益及其他全面收益表載有由最早呈列日期或自合併業務首次受共同控制當日(以較短期間為準)起各合併業務的業績。

綜合財務報表呈列比較金額，猶如業務已於上一報告期末或其首次受共同控制時(以較短者為準)合併。

分部報告

經營分部及綜合財務報表所呈報各分部項目金額，乃根據就分配資源予本集團各項業務及地區分部並評估其表現而定期向本集團最高級行政管理人員提供的財務資料確定。

就財務報告而言，除非分部具備相似經濟特徵以及在產品及服務性質、生產工序性質、客戶類型或類別、用作分配產品或提供服務的方法及監管環境性質方面相似，否則個別重大經營分部不予合併計算。倘個別非重大的經營分部符合上述大部分標準，則可合併計算。

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綜合財務報表附註

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

The Company's functional currency is the United States dollar ("US\$"). Because most of the subsidiaries' functional currencies are RMB, the consolidated financial statements are presented in RMB. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of the Company and certain subsidiaries are currencies other than RMB. As at the end of each reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of each reporting period and their profit or loss are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular operation is not recognised in profit or loss.

2.4 主要會計政策概要(續)

外幣

本公司的功能貨幣為美元(「美元」)。由於大多數附屬公司的功能貨幣為人民幣，故綜合財務報表以人民幣呈列。本集團各實體自行釐定其各自的功能貨幣，而各實體的綜合財務報表項目乃以該功能貨幣計量。本集團實體錄得的外幣交易初步按交易當日適用的各功能貨幣匯率入賬。以外幣計值的貨幣資產及負債，按有關功能貨幣於各報告期末的適用匯率換算。結算或換算貨幣項目產生的差額在損益確認。

以外幣按歷史成本計量的非貨幣項目，採用初步交易日期的匯率換算。以外幣按公允值計量的非貨幣項目，採用計量公允值當日的匯率換算。換算按公允值計量的非貨幣項目而產生的收益或虧損，按與確認該項目的公允值變動的收益或虧損一致的方法處理(即公允值收益或虧損於其他全面收益或損益確認的項目的換算差額亦分別於其他全面收益或損益確認)。

本公司及若干附屬公司的功能貨幣為人民幣以外的貨幣。於各報告期末，該等實體的資產及負債以各報告期末的適用匯率換算為人民幣，其收益或虧損以年內加權平均匯率換算為人民幣。所產生的匯兌差額於其他全面收益內確認，並於匯兌波動儲備內累計。出售該業務時，與該項業務有關的其他全面收益部分不於損益確認。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

For the purpose of the consolidated statements of cash flows, the cash flows of subsidiaries with functional currencies other than RMB are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of these subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

2.4 主要會計政策概要(續)

外幣(續)

就綜合現金流量表而言，功能貨幣為人民幣以外的附屬公司的現金流量按現金流量日期適用的匯率換算為人民幣。該等附屬公司於年內經常產生的現金流量按該年度加權平均匯率換算為人民幣。

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

The major judgements, estimates and assumptions that have the most significant effect on the amounts recognised in the consolidated financial statements and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

Impairment of receivables under HKAS 39

The Group records impairment of receivables based on assessment of the recoverability of receivables. The identification of impairment of receivables requires management's judgement and estimates. Where the actual outcome or expectation in the future is different from the original estimates, such differences will have an impact on the carrying value of receivables and doubtful debt expenses/write-back of doubtful debts in the reporting period in which such estimate is changed.

Provision against obsolete and slow-moving inventories

The Group reviews an ageing analysis of its inventories and the condition of its inventories at the end of each reporting period, and makes provision against obsolete and slow-moving inventory items which are identified as no longer suitable for sale or use in the production. Management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions.

The provision against obsolete and slow-moving inventories requires the use of judgements and estimates. Where the actual outcome or expectation in the future is different from the original estimates, such differences will have an impact on the carrying value of inventories and the write-down of inventories recognised in the reporting period in which such estimate is changed.

3. 重大會計判斷及估計

編製本集團綜合財務報表需要管理層作出判斷、估計及假設，而該等判斷、估計及假設影響收入、開支、資產及負債的呈報金額及相關披露，以及或然負債的披露。此等假設及估計的不明朗因素可引致日後需對受影響的資產或負債的賬面值作出重大調整。

對綜合財務報表所確認金額具有最重大影響及具有導致資產及負債賬面值於下一個財政年度出現重大調整的重大風險的主要判斷、估計及假設載列如下：

根據香港會計準則第39號應收款項減值

本集團根據對應收款項可收回程度的評估記錄應收款項的減值。識別應收款項減值需要管理層作出判斷及估計。倘實際結果或未來預期有別於初始估計，則有關差額將影響相關估計發生變動的報告期間的應收款項賬面值及呆賬支出／呆賬撥回。

陳舊及積壓存貨撥備

本集團於各報告期末審查其存貨的賬齡分析及存貨狀況，並對確定為不再適合銷售或用作生產的陳舊及積壓存貨項目作出撥備。管理層主要根據最新發票價格及當前市況估計該等存貨的可變現淨值。

陳舊及積壓存貨撥備需要採用判斷及估計。倘實際結果或未來預期與原定估計不同，該差額會對存貨的賬面值及有關估計出現變動的報告期間確認的存貨撇減造成影響。

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Allowance for expected credit loss for financial assets under HKFRS 9

The Group makes loss allowance on receivables including trade and bills receivables, deposit and other receivables based on various factors including the aging of the receivables, historical write-off experience and forward looking information. The identification of impairment of receivables requires the use of judgement and estimates. Where the expectations are different from the original estimates, such differences will impact the carrying amounts of receivables and the allowance for credit losses on receivables is recognised in the years in which such estimates have been changed. See note 17 for further discussion.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of advances to suppliers under HKAS 39

The Group assesses whether there are any indicators of impairment for advances to suppliers at the end of each reporting period. Advances to suppliers are tested for impairment when there are indicators that the carrying amounts may not be recoverable. The identification of impairment of advances to suppliers requires management's judgement and estimates. Where the actual outcome or expectation in the future is different from the original estimates, such differences will have an impact on the carrying value of advances to suppliers and impairment/write-back of impairment in the reporting period in which such estimate is changed.

3. 重大會計判斷及估計(續)

根據香港財務報告準則第9號金融資產的預期信貸虧損撥備

本集團根據應收款項賬齡、過往撇銷經驗及前瞻性資料等多項因素，就應收款項(包括貿易應收款項及應收票據、存款及其他應收款項)計提虧損撥備。確定應收款項減值需要運用判斷及估計。倘預期與原先估計有別，則有關差額將影響應收款項賬面值，而應收款項信貸虧損撥備於該等估計出現變動的年度確認。有關進一步討論，請參閱附註17。

非金融資產減值

於各報告期末，本集團評估所有非金融資產是否有任何減值跡象。當有跡象表明賬面值未必可收回時，本集團會對非金融資產進行減值測試。當資產或現金產生單位的賬面值超過其可收回金額(即公允值減出售成本及使用價值兩者中的較高者)時，則存在減值。公允值減出售成本乃根據按公平原則進行具有約束力的類似資產出售交易所獲得的數據或可觀察市場價格減去出售資產的增量成本而計算。當計算使用價值時，管理層必須估計預期未來來自資產或現金產生單位的現金流量，同時選擇適當的貼現率計算該等現金流量的現值。

根據香港會計準則第39號預付供應商款項減值

於各報告期末，本集團評估預付供應商款項是否存在任何減值跡象。當有跡象表明賬面值未必可收回時，本集團會對預付供應商款項進行減值測試。識別預付供應商款項減值需要管理層作出判斷及估計。倘實際結果或未來預期有別於初始估計，則有關差額將於相關估計發生變動的報告期間影響預付供應商款項賬面值及其減值/減值撥回。

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Current tax and deferred tax

The Group is subject to income taxes in Hong Kong and Mainland China. The Group carefully evaluates tax implications of its transactions in accordance with prevailing tax regulations and makes tax provision accordingly. However, judgement is required in determining the Group's provision for income taxes as there are many transactions and calculations of which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, the differences will impact on the income tax and deferred tax provision in the periods in which the determination is made. The carrying amounts of current tax payables and deferred tax assets and liabilities are set out in the consolidated statement of financial position and note 25 to the consolidated financial statements.

Derecognition of factored trade receivables and discounted/endorsed bills receivable

The Group has entered into arrangements with its bankers in respect of the factoring of trade receivables and discounting of bills receivable, or endorsed certain of its bills receivable accepted by banks to certain of its suppliers in order to settle the trade payables due to such suppliers. Based on an evaluation of the terms and conditions of the arrangements and the credit quality and settlement pattern of the factored trade receivables and discounted/endorsed bills receivable, management has to determine whether the Group has retained substantially the risks and rewards of certain receivables, which include default risks relating to such receivables. Details of the transfers of financial assets are included in note 35 to the financial statements.

3. 重大會計判斷及估計(續)

即期稅項及遞延稅項

本集團於香港及中國內地須繳納所得稅。本集團根據現行稅務法規謹慎評估其交易的稅務影響，並相應地計提稅項撥備。然而，在釐定本集團的所得稅撥備時須作出判斷，乃因於日常業務過程中未能準確釐定最終須繳納稅項的交易及計算相當繁多。若有關事項的最終稅項與原先的入賬金額不同，該差額將影響釐定稅項期間的所得稅及遞延稅項撥備。應付即期稅項的賬面值以及遞延稅項資產及負債載於綜合財務狀況表及綜合財務報表附註25。

終止確認保理貿易應收款項及已貼現／已背書應收票據

本集團已就保理貿易應收款項及貼現應收票據與銀行訂立安排，或將銀行收取的若干應收票據背書予本集團若干供應商，以結算結欠該等供應商的貿易應付款項。根據對上述安排的條款及條件，以及已保理貿易應收款項及已貼現／已背書應收票據的信貨質素及結算方式作出的評估，管理層須釐定本集團是否已保留若干應收款項的絕大部分風險及回報，包括與該等應收款項有關的違約風險。金融資產轉移詳情載於財務報表附註35。

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Warranty provision

As further explained in note 24 to the consolidated financial statements, the Group makes provisions for the warranties it gives on the sale of its products taking into account the Group's current sales levels and past experience of the level of repairs and returns. As the Group is continually upgrading its product designs and launching new models, it is possible that the past experience of the level of repairs and returns is not indicative of future claims that it will receive in respect of past sales. Any increase or decrease in the actual claims would affect profit or loss in future years.

4. SEGMENT INFORMATION

Information reported to the Board, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. This is also the basis upon which the Group is organised and managed.

Specifically, the Group's reportable segments under HKFRS 8 are as follows:

- a. Retail segment
- b. Manufacturing segment

3. 重大會計判斷及估計(續)

保修撥備

如綜合財務報表附註24所進一步詳述，本集團經考慮本集團的當前銷售水準以及過往維修及退回情況後，就其所售貨品計提保修撥備。由於本集團不斷改善產品設計及推出新型號，過往維修及退回情況可能並非本集團日後就過往銷售所蒙受索償的指標。實際索償的任何增減將會影響日後年度的損益。

4. 分部資料

向董事會(即主要營運決策者)就資源分配及分部表現評估而報告的資料集中於所交付或提供的貨品或服務種類，亦是本集團組織及管理依據的基準。

具體而言，本集團根據香港財務報告準則第8號劃分的可呈報分部如下：

- a. 零售分部
- b. 生產分部

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綜合財務報表附註

For the year ended 31 December 2018
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4. SEGMENT INFORMATION (Continued)

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segments:

4. 分部資料(續)

分部收益及業績

以下為本集團按可呈報經營分部劃分的收入及業績分析：

	Retail segment		Manufacturing segment		Elimination of intersegment sales		Total		
	零售分部	2017	生產分部	2017	分部間銷售對銷	2017	總計	2017	
	2018	2017	2018	2017	2018	2017	2018	2017	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	
		(Restated)		(Restated)		(Restated)		(Restated)	
		(經重列)		(經重列)		(經重列)		(經重列)	
Segment revenues	分部收入								
External sales	外部銷售	222,448	243,933	1,387,595	1,172,462	-	-	1,610,043	1,416,395
Internal sales	內部銷售	-	-	20,838	28,028	(20,838)	(28,028)	-	-
		222,448	243,933	1,408,433	1,200,490	(20,838)	(28,028)	1,610,043	1,416,395
Segment (loss)/profit	分部(虧損)/溢利	(60,991)	(20,695)	176,173	204,085	13	(66)	115,195	183,324
Interest income	利息收入							2,218	3,656
Fair value change on derivative component convertible loan	可換股貸款衍生部分的公允值變動							27,501	-
Fair value change on contingent consideration receivables	應收或然代價的公允值變動							2,799	-
Loss on remeasurement of liability component of convertible loan	重新計量可換股貸款負債部分的虧損							(24,609)	-
Unallocated corporate expenses	未分配公司開支							(7,658)	(2,937)
Unallocated finance costs	未分配融資成本							(15,160)	-
Profit before taxation	除稅前溢利							100,286	184,043

Notes to the Consolidated Financial Statements

綜合財務報表附註

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4. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

Segment profit/(loss) represents the (loss from)/profit earned by each segment without allocation of interests income, fair value change on derivative component of convertible loan, fair value change on contingent consideration receivables, loss on remeasurement of liability component of convertible loan, unallocated corporate expenses, and unallocated finance costs. This is the measure reported to the Board for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

Segment assets and liabilities

4. 分部資料(續)

分部收益及業績(續)

分部溢利/(虧損)指各分部(所產生虧損)/所賺取溢利,而並無分配利息收入、可換股貸款衍生部分的公允值變動、應收或然代價的公允值變動、重新計量可換股貸款負債部分的虧損、未分配公司開支及未分配融資成本。此乃向董事會呈報資料的方式,以便分配資源及評估表現。

分部間銷售按現行市場收費計算。

分部資產及負債

		Retail segment 零售分部		Manufacturing segment 生產分部		Consolidated 綜合	
		2018 2018年 RMB'000 人民幣千元	2017 2017年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元	2017 2017年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元	2017 2017年 RMB'000 人民幣千元
			(Restated) (經重列)		(Restated) (經重列)		(Restated) (經重列)
Segment assets	分部資產	91,490	77,612	1,098,492	1,036,471	1,189,982	1,114,083
Unallocated corporate assets	未分配公司資產					242,170	28,764
Consolidated assets	綜合資產					1,432,152	1,142,847
Segment liabilities	分部負債	60,527	82,568	714,994	696,815	775,521	779,383
Unallocated corporate liabilities	未分配公司負債					289,310	23,305
Consolidated liabilities	綜合負債					1,064,831	802,688

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綜合財務報表附註

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4. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

For the purpose of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than unallocated corporate assets (mainly comprising contingent consideration receivables and other unallocated corporate assets); and
- all liabilities are allocated to operating segments other than unallocated corporate liabilities (mainly comprising amount due to a related company, derivative financial instruments, convertible loan and other unallocated corporate liabilities).

Other segment information

4. 分部資料(續)

分部資產及負債(續)

為監察分部表現及於各分部之間分配資源：

- 除未分配公司資產(主要包括應收或然代價及其他未分配公司資產)外，所有資產均分配至經營分部；及
- 除未分配公司負債(主要包括應付關連公司款項、衍生金融工具、可換股貸款及其他未分配公司負債)外，所有負債均分配至經營分部。

其他分部資料

	Retail segment		Manufacturing segment		Unallocated		Total	
	零售分部	2017	生產分部	2017	未分配	2017	總計	2017
	2018	2017	2018	2017	2018	2017	2018	2017
	2018年	2017年	2018年	2017年	2018年	2017年	2018年	2017年
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
		(Restated)		(Restated)		(Restated)		(Restated)
		(經重列)		(經重列)		(經重列)		(經重列)
Addition of property, plant and equipment	4,340	7,814	6,529	15,959	-	-	10,869	23,773
Depreciation of property, plant and equipment	2,917	1,266	7,019	5,575	-	-	9,936	6,841
Amortisation of prepaid lease payments	-	-	-	-	159	163	159	163
Impairment loss on trade and bill receivables	4	1	1,822	521	-	-	1,826	522
Impairment loss on prepayments, deposits and other receivables	7	20	5	44	-	2	12	66
Finance costs	1,582	1,765	8,128	9,905	15,160	-	24,870	11,670

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綜合財務報表附註

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4. SEGMENT INFORMATION (Continued)

Geographical information

(a) Revenue from external customers

Geographical information in respect of revenue from external customers is not presented since most of the Group's revenue from external customers, based on the locations of the products delivered to the customers, is generated in the United States of America (the "U.S."). Accordingly, in the opinion of the Directors, the presentation of geographical information would provide no additional useful information to the users of the consolidated financial statements.

(b) Non-current assets

The People's Republic of China (including Hong Kong)	中華人民共和國(包括香港)
Cambodia	柬埔寨
The U.S.	美國

The non-current asset information above is based on the locations of the assets and excludes deferred tax assets and contingent consideration receivables.

4. 分部資料(續)

地區資料

(a) 外部客戶收入

由於按照向客戶交付產品的位置所劃分的本集團大部分外部客戶收入於美利堅合眾國(「美國」)產生，故概無呈列與外部客戶收入有關的地區資料。因此，董事認為，呈列地區資料將不會為綜合財務資料使用者提供額外有用資料。

(b) 非流動資產

	2018 2018年 RMB'000 人民幣千元	2017 2017年 RMB'000 人民幣千元 (Restated) (經重列)
	21,073	22,214
	42,345	42,316
	3,752	1,926
	67,170	66,456

以上非流動資產資料乃根據資產的位置呈列，不包括遞延稅項資產及應收或然代價。

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4. SEGMENT INFORMATION (Continued)

Information about major customers

Revenue from major customers which did not consist any related parties of the corresponding year contributing over 10% of the total revenue of the Group is as follows:

4. 分部資料(續)

有關主要客戶的資料

於相關年度佔本集團總收入10%以上的主要客戶(不包括任何關連方)收入如下:

		2018 2018年 RMB'000 人民幣千元	2017 2017年 RMB'000 人民幣千元 (Restated) (經重列)
Customer 1	客戶1	239,207	224,824
Customer 2	客戶2	180,591	126,362
Customer 3	客戶3	164,276	221,818
Customer 4	客戶4	164,046	N/A 不適用*
Customer 5	客戶5	N/A 不適用*	156,363

* Revenue from the customer is less than 10% of the total revenue of the Group.

* 客戶收入佔本集團總收入少於10%。

Notes to the Consolidated Financial Statements

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5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns, trade discounts and value-added tax.

An analysis of revenue, other income and gains is as follows:

5. 收入、其他收入及收益

收入指所銷售貨品扣除退貨、貿易折扣及增值稅撥備後的發票淨值。

收入、其他收入及收益分析如下：

		2018 2018年 RMB'000 人民幣千元	2017 2017年 RMB'000 人民幣千元 (Restated) (經重列)
Revenue	收入		
<i>Recognised at point of time:</i>	<i>於某一時間點確認：</i>		
Manufacture and sales of sofas, sofa cover and other furniture products	生產及銷售沙發、沙發套及其他傢俱產品	1,610,043	1,416,395
Other income and gains	其他收入及收益		
Interest income	利息收入	2,218	3,656
Exchange gains, net	匯兌收益，淨額	8,213	-
Government subsidies [#]	政府補貼 [#]	2,312	8,269
Gain on disposal of property, plant and equipment	出售物業、廠房及設備的收益	3,775	-
Rental income	租金收入	1,084	-
Fair value change on derivative component of convertible loan	可換股貸款衍生部分的公允值變動	27,501	-
Sales of raw materials	銷售原材料	9,327	-
Sales of scrap materials	銷售廢料	-	1,410
Repair service income	維修服務收入	9,129	11,170
Compensation on factory relocation	廠房搬遷補償	15,846	-
Lease termination income	租賃終止收入	-	8,042
Fair value change on contingent consideration receivables	應收或然代價的公允值變動	2,799	-
Others	其他	3,587	4,402
		85,791	36,949

[#] Subsidies have been received from the local governments in Zhejiang Province in respect of successful listing in Hong Kong and the Group's contribution to sofa industry. There were no unfulfilled conditions or contingencies relating to these subsidies as at 31 December 2018 (2017: Nil).

[#] 浙江省地方政府就於香港成功上市及本集團對沙發產業的貢獻授出的補助。於2018年12月31日，概無有關該等補貼的未達成條件或或然事項(2017年：無)。

As at 31 December 2018, according to HKFRS 15 the aggregate amount of the transaction price allocated to the remaining performance obligation under the Group's existing manufacture and sales of sofa, sofa covers and other furniture products is approximately RMB17,967,000 and the Group will recognised this revenue in 2019.

於2018年12月31日，根據香港財務報告準則第15號，分配至本集團現有生產及銷售沙發、沙發套及其他傢俱產品項下餘下履約責任的交易價總額約為人民幣17,967,000元，而本集團將於2019年確認此項收入。

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6. FINANCE COSTS

6. 融資成本

		2018	2017
		2018年	2017年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
			(Restated)
			(經重列)
Interest on bank loans	銀行貸款利息	9,793	9,909
Interest on discount trade bills	貼現貿易票據利息	-	1,761
Interest on convertible loan	可換股貸款利息	15,077	-
		24,870	11,670

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7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/
(crediting):

7. 除稅前溢利

本集團的除稅前溢利乃經扣除／(計入)下列各項：

		Notes 附註	2018 2018年 RMB'000 人民幣千元	2017 2017年 RMB'000 人民幣千元 (Restated) (經重列)
Cost of inventories sold	已售存貨成本		1,200,745	947,128
Depreciation	折舊	13	9,936	6,841
Recognition of prepaid land lease payments	預付土地租賃款項確認	14	159	163
Loss on disposal of items of property, plant and equipment, net ***	出售物業、廠房及設備項目的虧損，淨額***		-	139
Loss on written off items of property, plant and equipment	撤銷物業、廠房及設備項目的虧損		-	655
Minimum lease payments under operating leases	經營租賃項下的最低租賃付款		67,271	67,755
Auditors' remuneration:	核數師酬金：			
Audit and audit related services	審計及審計相關服務		3,608	1,440
Non-audit services	非審計服務		1,271	799
			4,879	2,239
Employee benefit expense (excluding directors' and Chief executives remuneration (note 8)):	僱員福利開支(不包括董事及主要行政人員酬金(附註8))：			
Salaries, wages and benefits in kind	薪金、工資及實物利益		175,312	179,146
Pension scheme contributions*	退休計劃供款*		9,610	8,876
			184,922	188,022
Reversal of provision against obsolete and slow-moving inventories**	陳舊及積壓存貨撥備撥回**		(18,804)	(7,898)
Write-down/(Reversal of write-down) of inventories to net realisable value**	存貨撇減／(撇減撥回)至可變現淨值**		58	(1,366)
Impairment loss on trade and bills receivables, net	貿易應收款項及應收票據減值虧損，淨額		1,826	522
Impairment loss on other receivables and deposits, net	其他應收款項及按金減值虧損，淨額		12	66
Product warranty additional provision	產品保修額外撥備	24	4,746	3,405
Loss on remeasurement of liability component of convertible loan***	重新計量可換股貸款負債部分的虧損***		24,609	-
Foreign exchange differences, net	匯兌差額，淨額		(8,213)	6,959
Listing expenses	上市開支		-	1,943

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綜合財務報表附註

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7. PROFIT BEFORE TAX (Continued)

- * At 31 December 2018, the Group had no forfeited contributions available to reduce its contributions to pension schemes in future years (2017: Nil).
- ** The above items are included in "Cost of sales" on the face of the consolidated statement of profit or loss and other comprehensive income.
- *** This item is included in "Other expenses and losses" on the face of the consolidated statement of profit or loss and other comprehensive income.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

7. 除稅前溢利(續)

- * 於2018年12月31日，本集團並無已沒收供款可供扣減其未來年度的退休計劃供款(2017年：無)。
- ** 以上項目計入綜合損益及其他全面收益表的「銷售成本」內。
- *** 該項目計入綜合損益及其他全面收益表的「其他開支及虧損」內。

8. 董事及主要行政人員酬金

根據聯交所證券上市規則(「上市規則」)、香港公司條例第383(1)(a)、(b)、(c)及(f)條以及公司(披露董事利益資料)規則第2部，該年度董事及主要行政人員酬金披露如下：

		2018 2018年 RMB'000 人民幣千元	2017 2017年 RMB'000 人民幣千元
Fees	袍金	3,528	3,227
Other emoluments:	其他薪酬：		
Salaries, allowances and benefits in kind	薪金、津貼及實物利益	1,811	1,713
Discretionary bonuses	酌情花紅	2,062	1,043
Pension scheme contributions	退休計劃供款	125	105
		3,998	2,861
		7,526	6,088

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8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

		2018 2018年 RMB'000 人民幣千元	2017 2017年 RMB'000 人民幣千元
Mr. Huang Wenli	黃文禮先生	134	101
Mr. Shao Shaomin	邵少敏先生	134	101
Mr. Liu Haifeng	劉海峰先生	134	51
Ms. Zhang Bingbing	張冰冰女士	-	42
		402	295

(i) Ms. Zhang Bingbing, Mr. Huang Wenli and Mr. Shao Shaomin were appointed as independent non-executive directors of the Company on 10 December 2016.

(ii) Mr. Liu Haifeng was appointed as an independent non-executive director of the Company on 6 July 2017.

(iii) Ms. Zhang Bingbing resigned as an independent non-executive director on 31 May 2017.

Mr. Shao Shaomin resigned as an independent non-executive director on 29 March 2019.

Mr. Huang Wenli resigned as an independent non-executive director on 28 May 2019.

Mr. Pang Wing Hong was appointed as an independent non-executive director on 12 April 2019.

Mr. Chu Guodi was appointed as an independent non-executive director on 28 May 2019.

(iv) There were no other emoluments payable to the independent non-executive directors during the year (2017: Nil).

8. 董事及主要行政人員酬金(續)

(a) 獨立非執行董事

年內支付予獨立非執行董事的袍金載列如下：

	2018 2018年 RMB'000 人民幣千元	2017 2017年 RMB'000 人民幣千元
張冰冰女士、黃文禮先生及邵少敏先生於2016年12月10日獲委任為本公司獨立非執行董事。	134	101
劉海峰先生於2017年7月6日獲委任為本公司獨立非執行董事。	134	51
張冰冰女士於2017年5月31日辭任獨立非執行董事。	-	42
邵少敏先生於2019年3月29日辭任獨立非執行董事。	402	295
黃文禮先生於2019年5月28日辭任獨立非執行董事。		
彭永康先生於2019年4月12日獲委任為獨立非執行董事。		
褚國弟先生於2019年5月28日獲委任為獨立非執行董事。		
(iv) 概無其他年內應付獨立非執行董事之薪酬(2017年：無)。		

(i) 張冰冰女士、黃文禮先生及邵少敏先生於2016年12月10日獲委任為本公司獨立非執行董事。

(ii) 劉海峰先生於2017年7月6日獲委任為本公司獨立非執行董事。

(iii) 張冰冰女士於2017年5月31日辭任獨立非執行董事。

邵少敏先生於2019年3月29日辭任獨立非執行董事。

黃文禮先生於2019年5月28日辭任獨立非執行董事。

彭永康先生於2019年4月12日獲委任為獨立非執行董事。

褚國弟先生於2019年5月28日獲委任為獨立非執行董事。

(iv) 概無其他年內應付獨立非執行董事之薪酬(2017年：無)。

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8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(b) The chief executive officer, and executive directors

The remuneration of each of these executive directors is set out below:

8. 董事及主要行政人員酬金 (續)

(b) 行政總裁及執行董事

該等執行董事各自的酬金載列如下：

		Salaries, allowances, and benefits	Discretionary bonuses	Pension scheme contributions	Total remuneration	
	Fees	in kind				
	袍金	薪金、津貼 及實物利益	酌情花紅	退休計劃 供款	酬金總額	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	
Year ended 31 December 2018	截至2018年12月31日止年度					
Executive Directors:	執行董事：					
Mr. Zou	鄧先生	2,185	1,218	882	32	4,317
Mr. Chen Guohua	陳國華先生	146	87	-	32	265
Mr. Zeng Jin	曾金先生	440	177	250	32	899
Mr. Wu Yuming	吳月明先生	244	130	530	11	915
Mr. Shen Zhidong	沈志東先生	110	200	400	18	728
		3,125	1,812	2,062	125	7,124

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8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(b) The chief executive officer, and executive directors (Continued)

	Fees	Salaries, allowances, and benefits in kind	Discretionary bonuses	Pension scheme contributions	Total remuneration
	袍金	薪金、津貼及實物利益	酌情花紅	退休計劃供款	酬金總額
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
Year ended 31 December 2017	截至2017年12月31日止年度				
Executive Directors:	執行董事：				
Mr. Zou	1,691	1,220	520	29	3,460
Mr. Chen Guohua	441	172	200	29	842
Mr. Zeng Jin	441	172	200	29	842
Mr. Wang Ming	138	68	25	4	235
Mr. Shen Zhidong	221	81	98	14	414
	2,932	1,713	1,043	105	5,793

Mr. Wu Yuming was appointed as executive director of the Company on 6 Jun 2018. Mr. Shen Zhidong was appointed as executive director of the Company on 6 July 2017.

Mr. Chen Guohua was appointed as an executive director on 17 May 2018. Mr. Wang Ming resigned as an executive director on 31 May 2017.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2017: Nil).

吳月明先生於2018年6月6日獲委任為本公司執行董事。沈志東先生於2017年7月6日獲委任為本公司執行董事。

陳國華先生於2018年5月17日獲委任為執行董事。王銘先生於2017年5月31日辭任執行董事。

概無任何董事或主要行政人員於年內放棄或同意放棄酬金的安排(2017年：無)。

8. 董事及主要行政人員酬金(續)

(b) 行政總裁及執行董事(續)

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9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included 1 director (2017: 1), details of whose remuneration are set out in note 8 above. The emoluments of Mr. Chen Guohao disclosed in note 8 only included the portion of his emoluments during the year when he held the directorship position. Details of the remuneration of the five highest paid employees are as follows:

		2018 2018年 RMB'000 人民幣千元	2017 2017年 RMB'000 人民幣千元 (Restated) (經重列)
Fees	袍金	2,185	1,691
Salaries, allowances and benefits in kind	薪金、津貼及實物利益	6,828	6,392
Discretionary bonuses	酌情花紅	882	520
Pension Scheme contributions	退休計劃供款	32	29
		9,927	8,632

The number of highest paid employees whose remuneration fell within the following bands is as follows:

薪酬介乎下列範圍的最高薪僱員數目如下：

		2018 2018年	2017 2017年 (Restated) (經重列)
Nil to HK\$1,000,000	零至1,000,000港元	2	2
HK\$1,000,001 to HK\$1,500,000	1,000,001港元至1,500,000港元	-	1
HK\$1,500,001 to HK\$2,000,000	1,500,001港元至2,000,000港元	1	-
HK\$2,000,001 to HK\$2,500,000	2,000,001港元至2,500,000港元	1	1
HK\$3,000,001 to HK\$3,500,000	3,000,001港元至3,500,000港元	-	1
HK\$4,000,001 to HK\$4,500,000	4,000,001港元至4,500,000港元	1	-
		5	5

During the year, no remuneration was paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office (2017: Nil).

於年內，本集團概無向五名最高薪僱員支付酬金，作為吸引其加入本集團或加入本集團時的獎勵或作為離職補償(2017年：無)。

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10. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the “BVI”), the Group is not subject to any income tax in the Cayman Islands and the BVI.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5% (2017: 16.5%).

PRC subsidiaries are subject to the PRC Enterprise Income Tax at 25% during the year (2017: 25%). Pursuant to the relevant laws and regulations in the PRC, Zhejiang Morris Fashion Home Co., Ltd. (“Fashion Home”) and Zhejiang Apollo Leather Products Co., Ltd. (“Apollo”), which qualified as High and New Technology Enterprises (“HNTE”) in 30 November 2018, were entitled to a reduced enterprise income tax rate of 15%. During the year ended 31 December 2018, Fashion Home and Apollo applied the qualification of HNTE and are entitled to the reduced tax rate of 15% until the year ended 30 November 2021.

The U.S. corporate tax rate is 21% for the year ended 31 December 2018 in accordance to the Tax Cuts and Jobs Act. The U.S. income tax includes (a) federal income tax calculated at a fixed rate of 21% for the year ended 31 December 2018 (2017: a progressive rate of 15% to 35%) on the estimated U.S. federal taxable income and (b) state income tax calculated at various state income tax rates for both periods on the estimated state taxable income for the respective states. The income subject to tax in a specific state (i.e. state taxable income) is calculated based on the federal taxable income with state tax adjustments, which is then allocated or apportioned to the respective states (i.e. percentage of taxable income that should be apportioned or specially allocated to the respective states in which the Group operates) based on the apportionment factors provided from the state tax returns in previous year.

10. 所得稅

根據開曼群島及英屬處女群島(「英屬處女群島」)的規則及規例，本集團毋須於開曼群島及英屬處女群島繳納任何所得稅。

於2018年3月21日，香港立法會通過《2017年稅務(修訂)(第7號)條例草案》(「該條例草案」)引入利得稅兩級制。該條例草案於2018年3月28日經簽署生效，並於翌日在憲報刊登。根據兩級制利得稅率制度，合資格集團實體首2,000,000港元的溢利將按8.25%的稅率徵稅，而超過2,000,000港元的溢利則按16.5%的稅率徵稅。不符合兩級制利得稅率制度資格的集團實體的溢利將繼續按16.5%(2017年：16.5%)的固定稅率徵稅。

年內，中國附屬公司須按25%(2017年：25%)稅率繳納中國企業所得稅。根據中國相關法律及法規，於2018年11月30日符合高新技術企業(「高新技術企業」)資格的浙江慕容時尚家居有限公司(「時尚家居」)及浙江阿波羅皮革製品有限公司(「阿波羅」)，有權享有減免企業所得稅稅率15%。截至2018年12月31日止年度，時尚家居及阿波羅已申請高新技術企業資格，並有權享有減免稅率15%，直至截至2021年11月30日止年度為止。

根據減稅與就業法案，截至2018年12月31日止年度的美國企業稅率為21%。美國所得稅包括(a)就估計美國聯邦所得稅收入按截至2018年12月31日止年度21%的固定稅率(2017年：15%至35%的累進稅率)計算的聯邦所得稅及(b)於兩個期間內就各州的估計州應課稅收入，按不同州所得稅率計算的州所得稅。特定州份的應課稅收入(即州應課稅收入)按經作出州份稅項調整(其後分配或按比例分派至各州)的聯邦應課稅收入(即按比例分派或特別分配至本集團經營所在相關州份的應課稅收入百分比)，根據先前年度的州報稅表提供的分配因素而計算得出。

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10. INCOME TAX (Continued)

Taxes on profits assessable in elsewhere have been calculated at the rate of tax prevailing in the jurisdictions in which the Group operates.

10. 所得稅(續)

於其他地區的應課利得稅乃按本集團經營所在司法權區的現行稅率計算。

		2018	2017
		2018年	2017年
		RMB'000	RMB'000
		人民幣千元	人民幣千元 (Restated) (經重列)
Current — PRC	即期 — 中國		
— Charge for the year	— 年內支出	12,720	20,027
— Overprovision in prior year	— 過往年度超額撥備	(7,810)	(5,564)
Current — Hong Kong	即期 — 香港	17,450	17,631
Current — U.S.	即期 — 美國		
— Charge for the year	— 年內支出	52	147
— Over-provision in prior year	— 過往年度超額撥備	(520)	—
Current — Other	即期 — 其他	11	—
Deferred (note 25)	遞延(附註25)	(8,022)	6,107
Tax charge for the year	年內稅項支出	13,881	38,348

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10. INCOME TAX (Continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the majority of the Company's subsidiaries are domiciled to the tax expense at the Group's effective tax rate is as follows:

10. 所得稅(續)

按本公司大部分附屬公司註冊成立司法權區的法定稅率計算的除稅前溢利適用的稅項開支與按本集團實際稅率計算的稅項開支對賬如下：

		2018 2018年 RMB'000 人民幣千元	2017 2017年 RMB'000 人民幣千元 (Restated) (經重列)
Profit before tax	除稅前溢利	100,286	184,043
Tax calculated at domestic tax rates applicable to profit in the respective jurisdiction	按有關司法權區溢利適用本地稅率計算的稅項	22,388	37,522
Adjustments in respect of current tax of previous periods	就過往期間即期稅項的調整	(8,330)	(5,564)
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	本集團中國附屬公司可分配溢利徵收10%預扣稅的影響	(3,097)	5,062
Expenses not deductible for tax	不可扣稅開支	13,587	2,238
Super-deduction of eligible research and development expenditure	合資格研發開支超額抵扣	(11,757)	(7,683)
Tax effect of deductible temporary different	可扣減暫時差額的稅務影響	(3,507)	-
Income tax on concessionary rate	按優惠稅率計算的所得稅	(8,480)	-
Income not subject to tax	毋須課稅收入	(6,207)	(228)
Tax losses utilized from previous years	過往年度已動用稅項虧損	-	(737)
Tax losses not recognised	未確認稅項虧損	19,284	7,738
Tax charge for the year	年內稅項支出	13,881	38,348

The weighted average applicable tax rate was 12.1% (2017: 18.4%). The change in the weighted average applicable tax rate was caused by a change in the profitability of certain subsidiaries of the Company in the respective jurisdictions.

加權平均適用稅率為12.1%(2017年: 18.4%)。加權平均適用稅率變動乃由於本公司若干附屬公司於相關司法權區的盈利能力發生變動所致。

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11. DIVIDEND

11. 股息

		2018 2018年 RMB'000 人民幣千元	2017 2017年 RMB'000 人民幣千元
Interim dividend paid	已付中期股息		
— HK1.8 cents (2017: HK1.5 cents) per ordinary share	— 每股普通股 1.8 港仙 (2017年：1.5 港仙)	15,213	12,868
Interim special dividend paid	已付中期特別股息		
— Nil (2017: HK4.5 cents) per ordinary share	— 每股普通股零 (2017年：4.5 港仙)	-	38,604
Final dividend proposed	建議末期股息		
— HK1.3 cents (2017: HK3.8 cents) per ordinary share	— 每股普通股 1.3 港仙 (2017年：3.8 港仙)	10,709	30,632
		25,922	82,104

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

12 本公司普通權益持有人應佔每股盈利

The calculation of basic earnings per share amount for the year ended 31 December 2018 was based on the profit for the year attributable to ordinary equity holders of the Company of RMB86,405,000 (2017: RMB145,695,000), and the weighted average number of ordinary shares of 1,000,000,000 (2017: 992,465,753) in issue during the year.

截至2018年12月31日止年度，每股基本盈利乃根據本年度本公司普通權益持有人應佔溢利人民幣86,405,000元(2017年：人民幣145,695,000元)以及年內已發行普通股的加權平均數1,000,000,000股(2017年：992,465,753股)計算。

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2018 and 2017 as the Group had anti-dilutive ordinary shares in issue during year ended 31 December 2018 (2017: no potentially dilutive ordinary shares in issue).

由於本集團於截至2018年12月31日止年度有具反攤薄效應的已發行普通股(2017年：並無潛在攤薄已發行普通股)，故並無就截至2018年及2017年12月31日止年度呈列的每股基本盈利金額作出調整。

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13. PROPERTY, PLANT AND EQUIPMENT

13. 物業、廠房及設備

		Buildings	Leasehold Improve- ments	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	Total
		建築物	租賃 物業裝修	廠房及 機器	傢俱、 傢俬及 辦公設備	汽車	總計
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	附註	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
31 December 2018	2018年12月31日						
At 31 December 2017 and 1 January 2018 (Restated)	於2017年12月31日及 2018年1月1日(經重列)						
Cost	成本	34,395	20,390	18,130	20,608	2,464	95,987
Accumulated depreciation	累計折舊	-	(11,373)	(10,163)	(14,020)	(1,029)	(36,585)
Net carrying amount	賬面淨值	34,395	9,017	7,967	6,588	1,435	59,402
At 1 January 2018, net of accumulated depreciation	於2018年1月1日， 扣除累計折舊	34,395	9,017	7,967	6,588	1,435	59,402
Additions	添置	1,208	4,706	3,150	1,560	245	10,869
Disposal/write-off	出售/撇銷	-	(394)	(40)	(2,918)	(18)	(3,370)
Transfer	轉讓	-	-	-	-	-	-
Depreciation	折舊	(3,502)	(3,392)	(1,678)	(896)	(468)	(9,936)
Exchange realignment	匯兌調整	1,733	280	2	116	-	2,131
At 31 December 2018, net of accumulated depreciation	於2018年12月31日， 扣除累計折舊	33,834	10,217	9,401	4,450	1,194	59,096
At 31 December 2018:	於2018年12月31日：						
Cost	成本	37,481	22,737	21,037	15,585	2,348	99,188
Accumulated depreciation	累計折舊	(3,647)	(12,520)	(11,636)	(11,135)	(1,154)	(40,092)
Net carrying amount	賬面淨值	33,834	10,217	9,401	4,450	1,194	59,096

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13. PROPERTY, PLANT AND EQUIPMENT

(Continued)

13. 物業、廠房及設備(續)

		Buildings	Leasehold Improve- ments 租賃 物業裝修	Plant and machinery 廠房及 機器	Furniture, fixtures and office equipment 傢俱、傢俬 及辦公設備	Motor vehicles 汽車	Construction in progress 在建工程	Total 總計
Note	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元
附註	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
31 December 2017	2017年12月31日							
At 31 December 2016 and 1 January 2017 (Restated)	於2016年12月31日及 2017年1月1日(經重列)							
Cost	成本	-	17,831	15,520	18,510	1,295	34,204	87,360
Accumulated depreciation	累計折舊	-	(15,009)	(9,666)	(15,765)	(542)	-	(40,982)
Net carrying amount	賬面淨值	-	2,822	5,854	2,745	753	34,204	46,378
At 1 January 2017, net of accumulated depreciation (Restated)	於2017年1月1日， 扣除累計折舊(經重列)	-	2,822	5,854	2,745	753	34,204	46,378
Additions	添置	-	8,159	4,010	8,122	1,231	2,251	23,773
Disposal/write-off	出售/撇銷	-	(495)	(861)	(167)	(7)	-	(1,530)
Transfer	轉讓	35,572	-	-	-	-	(35,572)	-
Depreciation	折舊	7	(1,404)	(887)	(4,008)	(542)	-	(6,841)
Exchange realignment	匯兌調整	(1,177)	(65)	(149)	(104)	-	(883)	(2,378)
At 31 December 2017, net of accumulated depreciation	於2017年12月31日， 扣除累計折舊	34,395	9,017	7,967	6,588	1,435	-	59,402
At 31 December 2017 (Restated):	於2017年12月31日(經重列)：							
Cost	成本	34,395	20,390	18,130	20,608	2,464	-	95,987
Accumulated depreciation	累計折舊	-	(11,373)	(10,163)	(14,020)	(1,029)	-	(36,585)
Net carrying amount	賬面淨值	34,395	9,017	7,967	6,588	1,435	-	59,402

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14. PREPAID LAND LEASE PAYMENTS

14. 預付土地租賃款項

		Note	2018	2017
		附註	2018年	2017年
			RMB'000	RMB'000
			人民幣千元	人民幣千元
Carrying amount at beginning of the year	年初的賬面值		7,212	7,808
Addition	添置		994	-
Amortisation	攤銷	7	(159)	(163)
Exchange realignment	匯兌調整		207	(433)
Carrying amount at end of the year	年末的賬面值		8,254	7,212
Current portion included in prepayments, deposits and other receivables	已計入預付款項、按金及其他應收款項的流動部分		(180)	(158)
Non-current portion	非流動部分		8,074	7,054

As at 31 December 2018, the title certificate with respect to the land with a carrying amount of RMB8,254,000 (2017: RMB7,212,000) in Cambodia leased by Masia Industries Co., Ltd., the Group's subsidiary, from the Sihanoukville Special Economy Zone Co., Ltd., was not registered in the name of Masia Industries Co., Ltd. Notwithstanding, the directors are of the opinion that Masia Industries Co., Ltd. is entitled to the lawful and valid occupation and use of the buildings and land to which the above-mentioned land use rights relate based on the lease agreement and the subsequent assignment.

於2018年12月31日，本集團的附屬公司Masia Industries Co., Ltd.向西哈努克港經濟特區有限公司租賃賬面值為人民幣8,254,000元(2017年：人民幣7,212,000元)的柬埔寨土地的所有權證書並無以Masia Industries Co., Ltd.的名義登記。儘管如此，董事認為，Masia Industries Co., Ltd.有權根據租賃協議及後續出讓依法有效佔用並使用上述土地使用權涉及的建築物及土地。

15. CONTINGENT CONSIDERATION RECEIVABLES

15. 應收或然代價

The amount represents the fair value of receivable if the audited net profits of Jennifer Convertibles Inc. and its subsidiaries cannot achieve the respective base profit target for the year ending 31 December 2019 and 2020. For detailed information, please refer to the Company's announcement dated 14 August 2018.

有關款項指在Jennifer Convertibles Inc.及其附屬公司於截至2019年及2020年12月31日止年度的經審核純利無法達到相關基本溢利目標的情況下應收款項的公允值。有關詳細資料，請參閱本公司日期為2018年8月14日的公告。

The fair value of contingent consideration receivables as at 31 December 2018 was determined based on the valuation performed by an independent professional valuer not connected with the Group.

於2018年12月31日應收或然代價的公允值乃按與本集團並無關連的獨立專業估值師所進行估值釐定。

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16. INVENTORIES

16. 存貨

		2018	2017
		2018年	2017年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
			(Restated)
			(經重列)
Raw materials	原材料	29,055	285,085
Work in progress	在製品	43,968	22,727
Finished goods	製成品	144,268	70,204
		217,291	378,016

17. TRADE AND BILLS RECEIVABLES

17. 貿易應收款項及應收票據

		2018	2017
		2018年	2017年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
			(Restated)
			(經重列)
Trade receivables from third parties	來自第三方的貿易應收款項	633,409	367,330
Less: Impairment of trade receivables	減：貿易應收款項減值	(2,253)	(92)
Trade receivables, net	貿易應收款項，淨額	631,156	367,238
Bills receivable arising from intra-group sales	應收票據 — 來自集團內銷售	3,365	4,879
		634,521	372,117

The Group's trading terms with its customers are mainly on credit. The credit period for customers of the manufacturing segment is generally one to two months, extending up to three to six months for major customers, the credit period for customers of the retail segment is within one month. The Group does not hold any collateral over its trade and bills receivable balances. Trade and bills receivables are non-interest bearing.

本集團與其客戶的貿易賬期以信貸為主。生產分部客戶的信貸期一般為一至兩個月，主要客戶的信貸期延長至最多三至六個月，而零售分部客戶的信貸期則為一個月內。本集團並無就其貿易應收款項及應收票據結餘持有任何抵押品。貿易應收款項及應收票據為不計息。

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17. TRADE AND BILLS RECEIVABLES (Continued)

An ageing analysis of trade and bills receivables as at the end of the reporting period, based on the invoice date and net of provision, is as follows:

		2018	2017
		2018年	2017年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
			(Restated)
			(經重列)
Within 3 months	3個月內	596,928	349,884
4 to 6 months	4至6個月	36,983	14,187
7 to 12 months	7至12個月	610	8,046
		634,521	372,117

The ageing analysis of trade and bills receivables that are not individually nor collectively considered to be impaired is as follows:

		2017
		2017年
		RMB'000
		人民幣千元
		(Restated)
		(經重列)
Neither past due nor impaired	既未逾期亦無減值	342,180
Less than 3 months past due	逾期3個月以下	29,759
3 to 6 months past due	逾期3至6個月	178
		372,117

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

17. 貿易應收款項及應收票據(續)

於本報告期末，按發票日期和扣除撥備呈列的貿易應收款項及應收票據的賬齡分析如下：

概無個別或共同被視為減值的貿易應收款項及應收票據的賬齡分析如下：

既未逾期亦無減值的應收款項涉及大量近期並無拖欠記錄的分散客戶。

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17. TRADE AND BILLS RECEIVABLES (Continued)

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The movements in provision for impairment of trade receivables are as follows:

		2017 2017年 RMB'000 人民幣千元
At beginning of year	年初	159
Impairment losses recognised (note 7)	已確認減值虧損(附註7)	95
Amount written off as uncollectable	由於不可收回而撇銷的金額	(159)
Exchange realignment	匯兌調整	(3)
At end of year	年末	92

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB92,000 with the same amounts as carrying amounts as at 31 December 2018.

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in principal payments and the receivables are not expected to be recovered.

Details of the ECL assessment was set out in Note 37.

17. 貿易應收款項及應收票據(續)

已逾期但無減值的應收款項涉及於本集團擁有良好往績記錄的多名獨立客戶。基於過往經驗，本公司董事認為，毋須就有關結餘作出減值撥備，原因是信貸質素並無重大變動及結餘仍被視為可全數收回。

貿易應收款項減值撥備變動如下：

	2017 2017年 RMB'000 人民幣千元
At beginning of year	159
Impairment losses recognised (note 7)	95
Amount written off as uncollectable	(159)
Exchange realignment	(3)
At end of year	92

上述貿易應收款項減值撥備包括於2018年12月31日金額相等於賬面值的個別減值貿易應收款項撥備人民幣92,000元。

個別減值的貿易應收款項涉及陷入財務困難或拖欠本金且預計無法收回應收款項的客戶。

有關預期信貸虧損評估詳情載於附註37。

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18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		2018	2017
		2018年	2017年
		RMB'000	RMB'000
		人民幣千元	人民幣千元 (Restated) (經重列)
Advances to suppliers	預付供應商款項	2,081	9,218
Other prepayments	其他預付款項	7,550	33,578
Deposits and other receivables	按金及其他應收款項	52,271	71,165
Current portion of prepaid land lease payments (note 14)	預付土地租賃款項的流動部分 (附註14)	180	158
		62,082	114,119

None of the above assets were either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

18. 預付款項、按金及其他應收款項

上述資產概無逾期亦無減值。計入上述結餘的金融資產與近期並無拖欠記錄的應收款項有關。

19. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

		2018	2017
		2018年	2017年
		RMB'000	RMB'000
		人民幣千元	人民幣千元 (Restated) (經重列)
Cash and bank balances	現金及銀行結餘	217,904	210,198
Less: Pledged deposits for bills payment (note 20)	減：應付票據的已抵押存款 (附註20)	(92,935)	(181,861)
Less: Pledged deposits for letter of credit	減：信用證的已抵押存款	(1,041)	(986)
Total pledged deposits	已抵押存款總額	(93,976)	(182,847)
Cash and cash equivalents	現金及現金等價物	123,928	27,351
Cash and bank balances denominated in:	現金及銀行結餘按以下貨幣計值：		
RMB	人民幣	108,447	186,422
Hong Kong dollars ("HK\$")	港元(「港元」)	1,368	1,722
US\$	美元	108,089	22,054
		217,904	210,198

19. 現金及現金等價物以及已抵押存款

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19. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS (Continued)

As at the end of the reporting period, the cash and bank balances denominated in RMB amounted to RMB108,447,000 (2017: RMB186,422,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

19. 現金及現金等價物以及已抵押存款 (續)

於報告期末，以人民幣計值的現金及銀行結餘為人民幣108,447,000元(2017年：人民幣186,422,000元)。人民幣不可自由兌換為其他貨幣，然而，根據中國內地外匯管制法規及結匯、售匯及付匯管理規定，本集團獲准透過獲授權開展外匯業務的銀行將人民幣兌換為其他貨幣。

銀行存款根據每日銀行存款利率按浮動利率計息。銀行結餘存放於近期無違約記錄且信譽良好的銀行。

20. TRADE AND BILLS PAYABLES

20. 貿易應付款項及應付票據

		2018	2017
		2018年	2017年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
			(Restated)
			(經重列)
Trade payables to third party	應付第三方的貿易款項	209,275	228,378
Bills payables	應付票據		
— arising from intra-group purchases	— 來自集團內部公司購買	19,173	119,674
— arising from third purchases	— 來自第三方購買	188,318	140,406
		416,766	488,458

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20. TRADE AND BILLS PAYABLES (Continued)

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

		2018	2017
		2018年	2017年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
			(Restated)
			(經重列)
Within 1 month	1個月內	143,706	211,316
2 to 3 months	2至3個月	80,087	115,136
4 to 6 months	4至6個月	148,617	154,714
Over 6 months	超過6個月	44,356	7,292
		416,766	488,458

The trade and bills payables are non-interest-bearing. Trade payables are normally settled on terms of 30 to 180 days while bills payable are settled on a term of 90 to 180 days.

Certain bills payable were secured by pledged deposits with aggregate carrying amounts as listed below:

		2018	2017
		2018年	2017年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Pledged deposits of the Group (note 19)	本集團的已抵押存款(附註19)	92,935	181,861

As at 31 December 2017 and 2018, certain bills payables were secured by corporate guarantees provided by independent third parties.

20. 貿易應付款項及應付票據(續)

於報告期末，按發票日期呈列的貿易應付款項及應付票據的賬齡分析如下：

	2018	2017
	2018年	2017年
	RMB'000	RMB'000
	人民幣千元	人民幣千元
		(Restated)
		(經重列)
Within 1 month	143,706	211,316
2 to 3 months	80,087	115,136
4 to 6 months	148,617	154,714
Over 6 months	44,356	7,292
	416,766	488,458

貿易應付款項及應付票據為不計息。貿易應付款項通常於30至180日內結算，而應付票據則於90至180日內結算。

若干應付票據由已抵押存款作抵押，其總賬面值載列如下：

	2018	2017
	2018年	2017年
	RMB'000	RMB'000
	人民幣千元	人民幣千元
Pledged deposits of the Group (note 19)	92,935	181,861

於2017年及2018年12月31日，若干應付票據由獨立第三方提供的公司擔保作抵押。

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21. OTHER PAYABLES AND ACCRUALS/ CONTRACT LIABILITIES

21. 其他應付款項及應計費用／合約負債

		2018	2017
		2018年	2017年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
			(Restated)
			(經重列)
Other payables	其他應付款項	70,232	42,602
Accruals	應計費用	56,099	20,363
Receipt in advance (Note a)	預收款項(附註a)	-	14,018
		126,331	76,983
Contract liabilities (Note a)	合約負債(附註a)	17,967	-
Non-current portion: Accruals (Note b)	非流動部分： 應計費用(附註b)	6,029	4,033

Note:

- a. Contract liabilities in relation to sales of finished goods were previously included in receipts in advance of approximately RMB14,018,000 as at 1 January 2018.
- b. The non-current portion of accruals represented the deferred rent-free period benefits to be recognized over 1 year.

Other payables and accruals are non-interest-bearing and are normally repayable on demand.

The entire amount of contract liabilities at 1 January 2018 is all recognised as revenue during current year.

附註：

- a. 於2018年1月1日，有關銷售製成品的合約負債過往計入預收款項約人民幣14,018,000元。
- b. 應計費用非流動部分指將於1年以上確認的遞延免租期優惠。

其他應付款項及應計費用為免息及通常須按
要求償還。

於2018年1月1日的全數合約負債均於本年度
確認為收入。

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22. AMOUNT DUE TO A SHAREHOLDER/A RELATED COMPANY

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

22. 應付股東／關連公司款項

應付股東及關連公司款項為無抵押、免息及須按要求償還。

23. INTEREST-BEARING BANK BORROWINGS

23. 計息銀行借款

		2018 2018年			2017 2017年		
		Effective interest Rate 實際利率	Maturity 到期	RMB'000 人民幣千元	Effective interest rate 實際利率	Maturity 到期	RMB'000 人民幣千元
Current — secured	即期－已抵押						
Bank loans	銀行貸款	2.7%–6.5%	On demand 按要求	107,197	2.1%–6.5%	On demand 按要求	80,695
Bank loans	銀行貸款	4.3%–5.8%	2019 2019年	35,000	4.6%–4.7%	2018 2018年	35,000
Factoring loans with recourse	附追索權的保理貸款	-	-	-	3.3%–3.7%	2018 2018年	33,964
				142,197			149,659

		2018 2018年 RMB'000 人民幣千元		2017 2017年 RMB'000 人民幣千元
Analysed into:	分析為以下各項：			
Bank borrowings repayable within one year or on demand	於一年內或按要求償還的 銀行借款	142,197		149,659

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23. INTEREST-BEARING BANK BORROWINGS

(Continued)

Notes:

- (a) Certain of the Group's secured bank loans are secured by:
- (i) pledges of certain parcels of land and buildings which were provided by Morris PRC as at 31 December 2018 and 2017;
 - (ii) personal guarantees provided by the Controlling Shareholders as at 31 December 2018 and 2017;
 - (iii) corporate guarantees provided by Morris PRC as at 31 December 2018;
 - (iv) corporate guarantees provided by Morris Real Estate, a company controlled by the Controlling Shareholders as at 31 December 2018;
 - (v) corporate guarantees provided by independent third parties as at 31 December 2018 and 2017; and
 - (vi) pledges of certain properties which were provided by Morris Real Estate, a company controlled by the Controlling Shareholders as at 31 December 2018 and 2017.
- (b) The Group's bank borrowings were denominated in the following currencies:

23. 計息銀行借款(續)

附註：

- (a) 本集團的若干已抵押銀行貸款以下列各項作抵押：
- (i) 於2018年及2017年12月31日，以慕容中國提供的若干幅土地及建築物作抵押；
 - (ii) 控股股東於2018年及2017年12月31日提供的個人擔保；
 - (iii) 慕容中國於2018年12月31日提供的公司擔保；
 - (iv) 控股股東控制的公司慕容地產於2018年12月31日提供的公司擔保；
 - (v) 獨立第三方於2018年及2017年12月31日提供的公司擔保；及
 - (vi) 以控股股東控制的公司慕容地產於2018年及2017年12月31日提供的若干物業作抵押。
- (b) 本集團的銀行借款按下列貨幣計值：

		2018	2017
		2018年	2017年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
RMB	人民幣	122,116	75,000
US\$	美元	13,492	62,061
HK\$	港元	6,589	12,598
		142,197	149,659

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24. WARRANTY PROVISION

		2018	2017
		2018年	2017年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
At beginning of year	年初	3,292	2,790
Additional provision (note 7)	額外撥備(附註7)	4,746	3,405
Amount utilized during the year	年內已動用款項	(3,329)	(2,632)
Exchange realignment	匯兌調整	234	(271)
At end of year	年末	4,943	3,292

The Group provides one-year warranties to certain customers on its products, under which faulty products are repaired or replaced. The amount of the provision for the warranties is estimated based on sales volumes and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

24. 保修撥備

本集團向若干客戶提供一年的產品保修服務，據此有缺陷的產品將獲得維修或更換。保修撥備金額將根據銷量及過往維修及退貨水平進行估計。本集團將持續檢討估算基準，並適時作出修訂。

25. DEFERRED TAX

Deferred tax assets

		Unrealised profit arising from intra-group transactions	Impairment losses on inventories and receivables	Total
		集團內部交易產生的未變現溢利	存貨及應收款項減值虧損	總計
		RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元
At 1 January 2017	於2017年1月1日	2,986	-	2,986
Charged to profit or loss	自損益扣除	(1,045)	-	(1,045)
At 31 December 2017	於2017年12月31日	1,941	-	1,941
Credited/(Charged) to profit or loss	計入損益/(自損益扣除)	(270)	5,195	4,925
At 31 December 2018	於2018年12月31日	1,671	5,195	6,866

25. 遞延稅項

遞延稅項資產

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25. DEFERRED TAX (Continued)

Deferred tax assets (Continued)

The Group has tax losses arising in Mainland China of RMB20,688,000 (2017: RMB3,347,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Deferred tax liabilities

At beginning of year	年初		
(Credited)/Charged to profit or loss during the year	年內(計入損益)/自損益扣除		
At end of year	年末		

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. For the Group, during the year ended 31 December 2018 the applicable rate is 5%(2017:10%). The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

25. 遞延稅項(續)

遞延稅項資產(續)

本集團源自中國內地的稅項虧損為人民幣20,688,000元(2017年：人民幣3,347,000元)於一至五年內到期，可用於抵銷未來應課稅溢利。由於產生遞延稅項資產的附屬公司已虧損一段時間，而應課稅溢利被認為不可能用以抵銷稅項虧損，故概無就該等虧損確認遞延稅項資產。

遞延稅項負債

		2018 2018年 RMB'000 人民幣千元	2017 2017年 RMB'000 人民幣千元
At beginning of year	年初	8,942	3,880
(Credited)/Charged to profit or loss during the year	年內(計入損益)/自損益扣除	(3,097)	5,062
At end of year	年末	5,845	8,942

根據中國企業所得稅法，於中國成立的外國投資企業向外國投資者分派股息，需按10%的稅率繳納預扣稅。該規定自2008年1月1日起生效，並適用於2007年12月31日之後產生的盈利。倘中國與外國投資者所在司法權區訂有相關稅務協議，則可採用較低的預扣稅率。就本集團而言，截至2018年12月31日止年度的適用稅率為5%(2017年：10%)。因此，本集團須就中國內地成立的該等附屬公司就2008年1月1日起產生的盈利分派的股息繳納預扣稅。

本公司向其股東派付股息不會產生所得稅後果。

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26. CONVERTIBLE LOAN/DERIVATIVE FINANCIAL INSTRUMENTS

26. 可換股貸款／衍生金融工具

		2018 2018年 RMB'000 人民幣千元	2017 2017年 RMB'000 人民幣千元
Liability component of the Convertible loan	可換股貸款的負債部分	181,372	-
Derivative financial instruments	衍生金融工具	2,521	-

On 5 January 2018, the Company entered into a convertible loan (the “**Convertible Loan**”) agreement (the “**Convertible Loan Agreement**”) with International Finance Corporation (“**IFC**”), pursuant to which IFC agreed to lend, and the Company agreed to borrow, the Convertible Loan in an aggregate principal amount of HK\$200,000,000. IFC has the right to convert all or any part of the outstanding principal amount of the Convertible Loan into shares of the Company at an initial conversion price of HK\$2.22 per conversion share (subject to adjustments as set out in the Convertible Loan Agreement). The outstanding principal of the Convertible Loan bears interest at a rate of 1.25% per annum above 6 months HIBOR. Interest period of the Convertible Loan shall be a period of six months in each case beginning on an interest payment date and ending on the day immediately before the next following interest payment date.

Unless previously converted, the Company shall repay 50% of the non-converted portion of the Convertible Loan outstanding as at fourth anniversary of the date of the Convertible Loan (the “**First Repayment Instalment Date**”).

Subject to any repayment to be made on the First Repayment Instalment Date as set out above, the outstanding amount of the non-converted portion of the Convertible Loan shall be repaid on the fifth anniversary of the date of the Convertible Loan (the “**Maturity Date**”) together with a redemption premium (the “**Redemption Premium**”) which is an amount equal to 3.25% per annum of such portion of the principal amount of the Convertible Loan to be repaid or prepaid in respect of the period beginning on the date of the disbursement and ending on the day immediately before the date of repayment or prepayment. Any amount of the Convertible Loan which is redeemed by the Company will forthwith be cancelled.

於2018年1月5日，本公司與國際金融公司（「**國際金融公司**」）訂立一份可換股貸款（「**可換股貸款**」）協議（「**可換股貸款協議**」），根據該協議，國際金融公司同意出借及本公司同意借入本金總額為200,000,000港元的可換股貸款。國際金融公司有權按每股換股股份2.22港元的初始換股價將全部或部分可換股貸款未償還本金額轉換成本公司股份（可根據可換股貸款協議所載作出調整）。可換股貸款未償還本金額按年利率1.25%（高於六個月香港銀行同業拆息）計息。於各種情況下，可換股貸款的利息期為六個月，自付息日期起至緊接下一個付息日期前一日止。

除先前轉換外，本公司須償還於可換股貸款日期滿四週年當日（「**首次分期還款日**」）未轉換可換股貸款的50%未轉換部分。

根據上文所載首次分期還款日作出的任何還款，可換股貸款未轉換部分的未償還金額連同贖回溢價（「**贖回溢價**」）（就於發放之日起計至緊接還款或提前還款日期前一日止期間將予還款或提前還款的可換股貸款本金額有關部分每年3.25%的等值金額）須於可換股貸款日期滿五週年當日（「**到期日**」）償還。本公司贖回的任何金額的可換股貸款將立即註銷。

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26. CONVERTIBLE LOAN/DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

The Convertible Loan recognised in the consolidated statement of financial position of the Group is bifurcated into two components for accounting purpose, namely the liability component and the derivative component, and the movements of these components during the reporting period are as follows:

		Liability component	Derivative financial instrument	Total
		負債部分	衍生金融工具	總計
		RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元
As 1 January 2018	於2018年1月1日	-	-	-
Issue of Convertible Loan	發放可換股貸款	136,702	29,490	166,192
Amortisation of liability component of the Convertible loan	可換股貸款負債部分的攤銷	15,077	-	15,077
Accrual interest	應計利息	(4,361)	-	(4,361)
Fair value change	公允值變動	-	(27,501)	(27,501)
Loss on remeasurement of liability component	重新計量負債部分的虧損	24,609	-	24,609
Exchange difference	匯兌差額	9,345	532	9,877
At 31 December 2018	於2018年12月31日	181,372*	2,521	183,893

* During the year ended 31 December 2018, the Group had suspended from trading the shares, as a result the convertible loan become repayable on demand of the holder due to breach of cross default term in the convertible loan agreement. The outstanding principal amount of the convertible loan was reclassified to current liabilities and remeasured to the amount repayable on demand plus redemption premium.

26. 可換股貸款／衍生金融工具(續)

於本集團綜合財務狀況表確認的可換股貸款分為兩個會計部分，即負債部分和衍生部分，於報告期間的該等部分變動如下：

* 截至2018年12月31日止年度，本集團暫停股份買賣，以致可換股貸款因違反可換股貸款協議的交叉違約條款而須按持有人要求償還。可換股貸款尚未償還本金額重新分類為流動負債，並重新計量為按要求償還款項加贖回溢價。

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27. SHARE CAPITAL

27. 股本

		2018 2018年		2017 2017年	
		US\$'000 千美元	RMB'000 人民幣千元 Equivalent 等值	US\$'000 千美元	RMB'000 人民幣千元 equivalent 等值
Authorised: 10,000,000,000 ordinary shares of US\$0.001 each (2017: 10,000,000,000, ordinary shares of US\$0.001 each)	法定： 10,000,000,000 股每股面值 0.001 美元的普通股 (2017年：10,000,000,000 股 每股面值 0.001 美元 的普通股)	10,000		10,000	
Issued and fully paid: 1,000,000,000 ordinary shares of US\$0.001 each (2017: 1,000,000,000 ordinary shares of US\$0.001 each)	已發行及繳足： 1,000,000,000 股每股面值 0.001 美元的普通股 (2017年：1,000,000,000 股 每股面值 0.001 美元 的普通股)	1,000	6,914	1,000	6,914

The movements in the Company's issued share capital during the year are as follows:

本公司於本年度內的已發行股本變動如下：

		Number of ordinary shares in issue 已發行普通股 數目	Issued capital RMB'000 人民幣千元
At 1 January 2017 and at 31 December 2018	於 2017 年 1 月 1 日及 2018 年 12 月 31 日	Notes 附註	
		1,000,000,000	6,914

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28. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(i) Share premium

Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, share premium of the Company is available for paying distributions and dividends to shareholders subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the distributions or dividend payments, the Company is able to pay its debts as

(ii) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all relevant exchange differences arising from the translation of the financial statements of the Company and subsidiaries with functional currencies other than RMB.

(iii) Reserve funds

The transfers from retained profits to the reserve funds were made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries established in the PRC.

28. 儲備

本集團於本年度及過往年度的儲備及變動數額呈列於綜合權益變動表。

(i) 股份溢價

根據開曼群島公司法(經修訂)第22章,須按組織章程大綱及細則的規定將公司股份溢價用作向股東支付分派及股息,及前提條件是緊隨分派或股息付款後,本公司能夠支付其常規業務過程中到期的債務。

(ii) 匯兌波動儲備

匯兌波動儲備包括換算本公司及附屬公司財務報表內人民幣以外的功能貨幣產生的所有相關匯兌差額。

(iii) 儲備資金

本公司根據有關中國規則及法規以及本公司於中國成立的附屬公司的組織章程細則將留存溢利轉撥為儲備資金。

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29. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Change in liabilities arising from financing activities:

2018

		Convertible loan	Interest- bearing bank borrowings	Total
		RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元
At beginning of the year	年初	-	149,659	149,659
New bank borrowings made during the year	年內作出的新銀行借款	-	354,287	354,287
Issue of Convertible loan	發放可換股貸款	166,192	-	166,192
Interest charged	所收取利息	15,077	9,793	24,870
Derivative portion	衍生工具部分	(29,490)	-	(29,490)
Loss on remeasurement of liability component	重新計量負債部分的虧損	24,609	-	24,609
Repayment during the year	年內還款	-	(362,814)	(362,814)
Interest paid and payable	已付及應付利息	(4,361)	(9,793)	(14,154)
Exchange realignment	匯兌調整	9,345	1,065	10,410
At end of the year	年末	181,372	142,197	323,569

2017

29. 融資活動所產生的負債對賬

融資活動所產生的負債變動：

2018年

		Convertible loan	Interest- bearing bank borrowings	Total
		RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元
At beginning of the year	年初	-	149,659	149,659
New bank borrowings made during the year	年內作出的新銀行借款	-	354,287	354,287
Issue of Convertible loan	發放可換股貸款	166,192	-	166,192
Interest charged	所收取利息	15,077	9,793	24,870
Derivative portion	衍生工具部分	(29,490)	-	(29,490)
Loss on remeasurement of liability component	重新計量負債部分的虧損	24,609	-	24,609
Repayment during the year	年內還款	-	(362,814)	(362,814)
Interest paid and payable	已付及應付利息	(4,361)	(9,793)	(14,154)
Exchange realignment	匯兌調整	9,345	1,065	10,410
At end of the year	年末	181,372	142,197	323,569

2017年

		Interest- bearing bank borrowings	Total
		RMB'000	RMB'000
		人民幣千元	人民幣千元
At beginning of the year	年初	277,183	277,183
New bank borrowings made during the year	年內作出的新銀行借款	579,609	579,609
Repayment during the year	年內還款	(704,116)	(704,116)
Exchange realignment	匯兌調整	(3,017)	(3,017)
At end of the year	年末	149,659	149,659

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30. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at the end of the reporting period.

31. OPERATING LEASE ARRANGEMENTS — AS LESSEE

The Group leases an office property, showrooms and factory premises under operating lease arrangements. The leases for these properties are negotiated for terms ranging from 1 to 10 years. (2017: 2 to 10 years)

At 31 December 2018, the Group had total future minimum lease payments during under non-cancellable operating leases falling due as follows:

30. 或然負債

本集團於本報告期末並無任何重大或然負債。

31. 經營租賃安排 — 作為承租人

本集團根據經營租賃安排租賃辦公物業、展廳及廠房。該等物業的租賃按1至10年期磋商。(2017年：2至10年)。

於2018年12月31日，本集團根據不可撤銷經營租約而須於下列限期支付的未來最低租賃付款總額如下：

		2018 2018年 RMB'000 人民幣千元	2017 2017年 RMB'000 人民幣千元 (Restated) (經重列)
Within one year	一年內	42,826	30,684
In the second to fifth years, inclusive	第二年至第五年，包括首尾兩年	126,460	77,491
Over five years	超過五年	79,980	37,683
		249,266	145,858

32. COMMITMENTS

In addition to the operating lease commitments detailed in note 31 above, the Group had the following capital commitments at the end of the reporting period:

32. 承擔

除上述附註31詳述的經營租賃承擔外，本集團於本報告期末擁有以下資本承擔：

		2018 2018年 RMB'000 人民幣千元	2017 2017年 RMB'000 人民幣千元
Contracted, but not provided for:	已訂約但未撥備：		
Buildings	建築物	-	712

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33. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in the financial statements, the Group had the following significant transactions with related parties during the year:

33. 關連方交易

- (a) 除財務報表其他部分詳述的交易外，本集團於本年度與關連方進行以下重大交易：

		2018 2018年 RMB'000 人民幣千元	2017 2017年 RMB'000 人民幣千元 (Restated) (經重列)
Morris PRC	慕容中國		
Purchases of electricity	購買電力	1,208	794
Rental expenses (note 1)	租金開支(附註1)	14,249	11,733
Compensation on factory relocation	廠房搬遷補償	(15,846)	-
Jennifer Convertibles Inc.	Jennifer Convertibles Inc.		
Sales of finished goods (note 1, 2)	銷售製成品(附註1、2)	7,457	27,009

The above related parties are companies controlled by the Controlling Shareholders. The transactions were conducted on terms and conditions mutually agreed between the relevant parties.

上述關連方均為由控股股東控制的公司。該等交易乃根據相關訂約方相互協定的條款及條件進行。

Note:

- These related party transactions also constitute non-exempt continuing connected transactions as defined under Chapter 14A of the Listing Rules.
- The Group completed the acquisition of Jennifer Convertibles Inc. on 31 August 2018. Jennifer Convertibles Inc. ceased to be a connected party to the Group under Chapter 14A of the Listing Rules. The amount represents the transaction with Jennifer Convertibles Inc. up to 31 August 2018. Please refer to note 39 for the details of the acquisition.

附註：

- 該等關連方交易亦構成上市規則第14A章定義的不獲豁免持續關連交易。
- 本集團於2018年8月31日完成收購Jennifer Convertibles Inc.。根據上市規則第14A章，Jennifer Convertibles Inc.不再為本集團的關連方。有關款項指截至2018年8月31日與Jennifer Convertibles Inc.進行的交易。有關收購事項的詳情，請參閱附註39。

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33. RELATED PARTY TRANSACTIONS (Continued)

(b) Compensation of key management personnel of the Group

		2018	2017
		2018年	2017年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Fees	袍金	3,528	2,861
Salaries, allowances and benefits in kind	薪金、津貼及實物福利	3,134	3,143
Discretionary bonuses	酌情花紅	2,524	1,256
Pension scheme contributions	退休計劃供款	192	145
Total compensation paid to key management personnel	支付予主要管理人員的薪酬總額	9,378	7,405

Further details of directors' emoluments are included in note 8 to the financial statements.

33. 關連方交易(續)

(b) 本集團主要管理人員的薪酬

董事酬金的進一步詳情載於財務報表附註8。

34. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2018 Financial assets

		2018	2017
		2018年	2017年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Trade and bills receivables	貿易應收款項及應收票據	634,521	372,117
Financial assets included in prepayments, deposits and other receivables	計入預付款項、按金及其他應收款項的金融資產	52,271	71,165
Pledged deposits	已抵押存款	93,976	182,847
Cash and cash equivalents	現金及現金等價物	123,928	27,351
		904,696	653,480

34. 按類別劃分的金融工具

各類金融工具於報告期末的賬面值載列如下：

2018年 金融資產

Loans and receivables 貸款及應收款項

2018
2018年
RMB'000
人民幣千元

2017
2017年
RMB'000
人民幣千元
(Restated)
(經重列)

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34. FINANCIAL INSTRUMENTS BY CATEGORY

(Continued)

Financial liabilities

		Financial liabilities at amortised cost 按攤銷成本計量的金融負債	
		2018 2018年 RMB'000 人民幣千元	2017 2017年 RMB'000 人民幣千元 (Restated) (經重列)
Trade and bills payables	貿易應付款項及應付票據	416,766	488,458
Financial liabilities included in other payables and accruals	計入其他應付款項及應計費用 的金融負債	126,331	62,965
Amount due to a related party	應付關連方款項	81,959	–
Amount due to a shareholder	應付股東款項	9,978	9,801
Derivative financial instruments	衍生金融工具	2,521	–
Convertible loan	可換股貸款	181,372	–
Interest-bearing bank borrowings	計息銀行借款	142,197	149,659
		961,124	710,883

35. TRANSFERS OF FINANCIAL ASSETS

Transferred financial assets that are not derecognized in their entirety

- (a) At 31 December 2018, the Group endorsed certain bills receivable accepted by banks in Mainland China to certain of its suppliers in order to settle the trade payables due to such suppliers. In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks of certain issuing banks after the endorsement, and accordingly, the Group continued to recognise the full carrying amounts of the endorsed bills receivable from such issuing banks (the “**Endorsed Bills**”) and the associated trade payables settled. Subsequent to the endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. As at 31 December 2018, the aggregate carrying amounts of the Endorsed Bills were RMB3,365,000 (2017: RMB4,842,000).

34. 按類別劃分的金融工具(續)

金融負債

35. 轉讓金融資產

未完全終止確認的已轉讓金融資產

- (a) 於2018年12月31日，本集團將獲中國內地銀行接納的若干應收票據背書予若干供應商，以清償應付該等供應商的貿易應付款項。董事認為，本集團已保留絕大部分風險及回報，其中包括背書後若干發行銀行的違約風險，故本集團持續確認該等發行銀行的應收背書票據（「**背書票據**」）及相關已清償的貿易應付款項的全部賬面值。於背書後，本集團不會保留任何使用背書票據的權利，包括向任何其他第三方出售、轉讓或抵押背書票據。於2018年12月31日，背書票據的賬面值總額為人民幣3,365,000元。（2017年：人民幣4,842,000元）。

35. TRANSFERS OF FINANCIAL ASSETS (Continued)

Transferred financial assets that are not derecognized in their entirety (Continued)

- (b) As part of its normal business, the Group entered into trade receivable factoring arrangements (the **"Factoring Arrangements"**) with recourse and transferred certain trade receivables to banks. Under the Factoring Arrangements, the Group was exposed to the default risk of the trade debtors after the transfer. The aggregate carrying amount of the trade receivables transferred under the Factoring Arrangements that has not been settled and continued to be recognised by the Group as at 31 December 2018 was Nil (2017: RMB33,964,000).

At 31 December 2018, the Group discounted and endorsed certain bills receivable accepted by banks in Mainland China (the **"Derecognised Bills"**) to certain banks in order to obtain additional financing or certain of its suppliers in order to settle the trade payables due to such suppliers with carrying amount in aggregate of RMB141,953,000 (2017: RMB117,327,000). The Derecognised Bills had a maturity of one to six months (2017: one to six months) at 31 December 2018. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the **"Continuing Involvement"**). The Derecognised Bills were honoured by reputable banks in the PRC, such as China Merchants Bank, Industrial and Commercial Bank of China and other reputable banks rating at AAA by national credit rating agencies. In the opinion of the directors, these banks have good reputation and credit quality, and the risk of default of these bills receivable on maturity is remote, and therefore, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills since after the transfer the Group's exposure to the variability in the amounts of the net cash flows of the transferred asset is not significant. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated liabilities. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

35. 轉讓金融資產(續)

未完全終止確認的已轉讓金融資產(續)

- (b) 作為其正常業務的一部分，本集團已訂立附追索權的貿易應收款項保理安排（「保理安排」），將若干貿易應收款項轉讓予銀行。根據保理安排，本集團承受於轉讓後貿易債務人的違約風險。於2018年12月31日，本集團繼續確認根據保理安排轉讓而尚未清償的貿易應收款項的賬面值總額為零。（2017年：人民幣33,964,000元）。

於2018年12月31日，本集團向若干銀行或其若干供應商貼現及背書中國內地銀行接納的若干賬面值總額分別為人民幣141,953,000元（2017年：人民幣117,327,000元）的應收票據（「終止確認票據」），以獲得額外融資或結算應付該等供應商的貿易應付款項。終止確認票據於2018年12月31日起計一至六個月（2017年：一至六個月）到期。根據中華人民共和國票據法，倘各中國銀行違約，終止確認票據持有人有權向本集團追索（「繼續參與」）。終止確認票據乃由中國的知名銀行承兌，如招商銀行、中國工商銀行及國家信貸評級機構給予AAA評級的其他知名銀行。董事認為，該等銀行聲譽及信貸質素俱佳，且該等應收票據的到期違約風險甚微，故本集團已轉移終止確認票據相關的絕大部分風險及回報，而自此轉移後，本集團所承受已轉讓資產淨現金流量數額變動的風險並不重大，故終止確認終止確認票據及相關負債的全部賬面值。本集團繼續參與終止確認票據所面臨最大損失風險以及購回該等終止確認票據的未貼現現金流量相等於其賬面值。董事認為，本集團繼續參與終止確認票據的公允值並不重大。

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35. TRANSFERS OF FINANCIAL ASSETS (Continued)

During the year ended 31 December 2018, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The discounting and endorsement has been made evenly throughout the year.

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments reasonably approximate to fair values.

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and bills receivables, financial assets included in prepayments, deposits and other receivables, trade and bills payables, financial liabilities included in other payables and accruals, the current portion of interest-bearing bank borrowings and amounts due from/to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

During the year, there was no transfer of fair value measurement between Level 1 and Level 2 and no transfer into or out of Level 3 for both financial assets and financial liabilities (2017: Nil).

35. 轉讓金融資產(續)

截至2018年12月31日止年度，本集團並無確認終止確認票據於轉讓當日的任何損益。於年內或後續期間，並無確認來自繼續參與的損益。於年內已作出貼現及背書。

36. 金融工具的公允值及公允值層級

本集團金融工具的賬面值及公允值與公允值合理相若。

管理層已評估現金及現金等價物、已抵押存款、貿易應收款項及應收票據、計入預付款項、按金及其他應收款項的金融資產、貿易應付款項及應付票據、計入其他應付款項及應計費用的金融負債、計息銀行借款的即期部分及應收／應付關連方款項的公允值與其賬面值相若，主要由於該等工具的到期日較短。

本集團旗下由財務經理帶領的企業融資團隊負責就金融工具的公允值計量制定政策及程序。企業融資團隊直接向首席財務官匯報。於各報告日期，企業融資團隊分析金融工具價值變動及釐定應用於估值的主要輸入數據。估值已由首席財務官審閱及批准。

金融資產及負債的公允值以自願交易方(強迫或清盤出售者除外)當前交易中該工具的可交易金額入賬。

年內金融資產及金融負債第1級及第2級公允值計量之間並無轉移，亦無轉入或轉出第3級的情況(2017年：無)。

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36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

36. 金融工具的公允值及公允值層級(續)

下表提供有關初始確認後按公允值計量並根據公允值的可觀察程度分類為第1至3級的金融工具分析。

- 第1級公允值計量基於相同資產或負債於活躍市場的報價(未經調整)得出。
- 第2級公允值計量基於直接(即價格)或間接(即自價格計算得出)輸入數據(第1級所包括有關資產或負債的可觀察報價除外)得出。
- 第3級公允值計量乃自估值技術計算得出，其中包括有關資產或負債並非基於可觀察市場數據(不可觀察輸入數據)的輸入數據。

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36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Financial asset and liabilities measured at fair value

		2018 2018年			
		Level 1 第1級	Level 2 第2級	Level 3 第3級	Total 總計
		RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元
Assets	資產				
Contingent consideration receivables	應收或然代價	-	-	226,318	226,318
Liabilities	負債				
Derivative financial instruments	衍生金融工具	-	-	2,521	2,521

Fair value of financial liabilities that are not measured at fair value (but fair value disclosure are required):

並非按公允值計量(惟須作出公允值披露)的金融負債公允值:

		2018 2018年			
		Level 1 第1級	Level 2 第2級	Level 3 第3級	Total 總計
		RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元
Convertible loan	可換股貸款	-	-	149,559	149,559

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36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Information about Level 3 fair value measurements

The fair value of the contingent consideration relating to the acquisition of Jennifer Convertibles Inc. is determined based on the expected payment, discounted to present value using a risk-adjusted discount rate of 2.52%.

The fair value of contingent consideration is determined by an independent external valuer based on the latest financial forecast of the acquired subsidiaries and other relevant information.

The movement during the year in the balance of Level 3 fair value measurement is as follows:

36. 金融工具的公允值及公允值層級(續)

有關第3級公允值計量的資料

有關收購 Jennifer Convertibles Inc. 的或然代價公允值乃使用風險調整貼現率 2.52% 將預期付款貼現至現值釐定。

或然代價公允值乃由獨立外部估值師根據所收購附屬公司的最新財務預測及其他相關資料釐定。

年內第3級公允值計量結餘的變動如下：

		2018 2018年 RMB'000 人民幣千元
Contingent consideration	或然代價	
At 1 January	於1月1日	-
Fair value change on contingent consideration	或然代價公允值變動	2,799
Acquisition of subsidiary	收購附屬公司	214,507
Exchange realignment	匯兌調整	9,012
At 31 December	於12月31日	226,318

The fair value change on contingent consideration is included in "Other income and gains" in the consolidated statement of profit or loss and other comprehensive income for asset held at the end of reporting period.

就於報告期末所持資產而言，或然代價公允值變動計入綜合損益及其他全面收益表的「其他收入及收益」內。

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36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Information about Level 3 fair value measurements (Continued)

As at 31 December 2018, the fair value of derivative financial instruments of approximately RMB2,521,000. The fair value of derivative and liability component of convertible loan was valued by an independent valuer. It was calculated by discounting the future cashflow at market rate and including some unobservable inputs. See note 26 for the detailed information and the movement of the fair value of derivative financial instruments.

Below is a summary of the valuation technique used and the key inputs to the valuation of derivative financial instruments:

36. 金融工具的公允值及公允值層級(續)

有關第3級公允值計量的資料(續)

於2018年12月31日，衍生金融工具公允值約為人民幣2,521,000元。可換股貸款衍生及負債部分的公允值由獨立估值師估值，乃透過按市場利率及計入部分不可觀察輸入數據貼現未來現金流量計算。有關衍生金融工具的詳情及公允值變動，請參閱附註26。

以下概述衍生金融工具估值所用估值技術及主要輸入數據：

	Valuation technique 估值技術	Significant unobservable inputs 重大不可觀察輸入數據	2018 2018年
Derivative financial Instruments and Convertible loan 衍生金融工具及可換股貸款	Discounted cash flow method 貼現現金流量法	Risk-free rate 無風險利率	1.76%
		Volatility 波幅	43.59%
		Discount rate 貼現率	13.13%

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings, cash and cash equivalents and pledged deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarized below.

37. 財務風險管理目標及政策

本集團的主要金融工具包括計息銀行借款、現金及現金等價物及已抵押存款。該等金融工具的主要目的是為本集團的營運籌措資金。本集團有多種直接自其業務營運產生的其他金融資產及負債，如貿易應收款項及應收票據以及貿易應付款項及應付票據。

本集團金融工具產生的主要風險為利率風險、外匯風險、信貸風險及流動資金風險。董事檢討及議定管理各項風險的政策，有關政策概述如下。

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk

Interest rate risk exposure refers to the risk that the fair value or future cash flows of the Group's bank loans will fluctuate because of changes in market interest rates. As at 31 December 2018, if interest rates at that date had been 10 basis points higher with all other variables held constant, profit for the year ended 31 December 2018 would have been RMB81,000 (2017: RMB55,000) and RMB40,000 (2017: RMB25,000) higher arising as a result of a decrease in the fair value of fixed and floating rate bank loans respectively. If interest rates at that date had been 10 basis points lower with all other variables held constant, profit for the year ended 31 December 2018 would have been RMB81,000 (2017: RMB55,000) and RMB40,000 (2017: RMB25,000) lower arising as a result of an increase in the fair value of fixed and floating rate bank loans respectively.

Foreign currency risk

Foreign currency risk means the risk on the fluctuation of fair value or future cash flows of financial instruments which arose from changes in exchange rates.

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies.

The following table demonstrates the sensitivity to a reasonably possible change in the exchange rates of currencies other than the functional currencies of the relevant operating units, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities). There is no material impact on other components of the Group's equity.

37. 財務風險管理目標及政策(續)

利率風險

利率風險指本集團銀行貸款的公允值或未來現金流量將因市場利率變動而波動的風險。於2018年12月31日，在所有其他變數維持不變的情況下，倘該日利率高出10個基點，截至2018年12月31日止年度的溢利為人民幣81,000元(2017年：人民幣55,000元)及人民幣40,000元(2017年：人民幣25,000元)，乃由於固定及浮動利率銀行貸款的公允值下降而分別有所增加。在所有其他變數維持不變的情況下，倘該日利率降低10個基點，截至2018年12月31日止年度的溢利為人民幣81,000元(2017年：人民幣55,000元)及人民幣40,000元(2017年：人民幣25,000元)，乃由於固定及浮動利率銀行貸款的公允值增加而分別有所下降。

外匯風險

外匯風險指金融工具的公允值或未來現金流量因匯率變動而波動的風險。

本集團承受交易貨幣風險。該等風險乃因經營單位以單位的功能貨幣以外的貨幣進行買賣而產生。

下表闡述在所有其他變量保持不變的情況下，貨幣(相關經營單位的功能貨幣除外)匯率的合理可能變動對本集團除稅前溢利(基於貨幣資產及負債的公允值變動)的敏感度分析。本集團權益的其他部分並無受到重大影響。

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37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk (Continued)

2018

If RMB weakens against US\$
If RMB strengthens against US\$

2018年

倘人民幣兌美元貶值
倘人民幣兌美元升值

2017

If RMB weakens against US\$
If RMB strengthens against US\$

2017年

倘人民幣兌美元貶值
倘人民幣兌美元升值

Increase/ (decrease) In exchange Rates 匯率上升/ (下跌) %	Increase/ (decrease) in profit before tax 除稅前溢利 增加/(減少) RMB'000 人民幣千元
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5	18,855
(5)	(18,855)

5	9,388
(5)	(9,388)

Credit risk

The credit risk of the Group mainly arises from bank balances and deposits, trade receivables, deposit and other receivables. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets.

In respect of cash deposited at banks, the credit risk is considered to be low as the counterparties are reputable banks. The existing counterparties do not have defaults in the past. Therefore, expected credit loss rate of cash at bank is assessed to be close to zero and no provision was made as of 31 December 2018.

信貸風險

本集團的信貸風險主要來自銀行結餘及存款、貿易應收款項、按金及其他應收款項。該等結餘的賬面值乃本集團就金融資產承擔的最大信貸風險。

就存置於銀行的現金方面，信貸風險被認為相當低，原因為對手方乃信譽良好的銀行。現有對手方過往並無違約。因此，銀行現金的估計信貸虧損率被評為近乎零，故於2018年12月31日並無計提撥備。

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected credit loss for all trade receivables and general model provision for all deposits and other receivables. To measure the expected credit losses by applied simplified approach, trade receivables have been grouped based on shared credit risk characteristics. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit loss. For the deposits and other receivables, the Group assessed the expected loss rate by applying general model. The expected credit loss rate under general model was determined by referencing of the market credit rating data and the probability of default rate. It considers available reasonable and supportive forwarding-looking information.

As at 31 December 2018, trade receivables that are individually significant have been separately assessed for impairment. The Group makes periodic assessments on the recoverability of the receivables based on the background and reputation of the customers, historical settlement records and past experience.

Majority of the Group's revenue is received from individual customers in relation to manufacture and sales of sofa, sofa covers and other furniture products and are transacted in cash or credit. The Group's trade receivables arise from manufacture and sales of sofa, sofa covers. As at the end of the year, the top five debtors and the largest debtor accounted for approximately of 67.7% and 27.0% (2017: 85.8% and 60.5%) of the Group's trade receivables balance. In view of the history of business dealings with the debtors and the sound collection history of the receivables due from them, management believes that there is no material credit risk inherent in the Group's outstanding receivable balance due from these debtors saved for the debtor related to the impaired trade receivable disclosed in the below. Management makes periodic assessment on the recoverability of the trade and other receivables based on historical payment records, the length of overdue period, the financial strength of the debtors and whether there are any disputes with the debtors.

37. 財務風險管理目標及政策(續)

信貸風險(續)

本集團按香港財務報告準則第9號規定應用簡化法計提預期信貸虧損撥備，該準則規定就所有貿易應收款項使用全期預期信貸虧損及就所有按金及其他應收款項使用一般模式撥備。貿易應收款項已根據共同信貸風險特徵進行分類，以應用簡化法計量預期信貸虧損。本集團已進行歷史分析並識別影響信貸風險及預期信貸虧損的主要經濟變量。就按金及其他應收款項方面，本集團應用一般模式評估預期虧損率。一般模式項下預期信貸虧損率乃參考市場信貸評級數據及違約率概率後釐定。其考慮可取得的合理有理據前瞻性資料。

於2018年12月31日，個別重大的貿易應收款項已作獨立減值評估。本集團根據客戶的背景及信譽、過往付款紀錄及過往經驗，對應收款項的可收回性進行定期評估。

本集團大部分收益來自與生產及銷售沙發有關的個別客戶。沙發套及其他傢俱產品以現金或信貸進行交易。本集團的貿易應收款項產生自生產及銷售沙發及沙發套。於年末，五大債務人及最大債務人佔本集團貿易應收款項結餘分別約67.7%及27.0% (2017年：85.8%及60.5%)。鑑於與債務人的過往商業交易及應收彼等的款項的穩健收回紀錄，管理層相信本集團應收該等債務人的未償還應收款項結餘並無重大既有信貸風險，惟與下文所披露已減值貿易應收款項有關的債務人除外。管理層根據債務人的過往付款紀錄、逾期時長、財務實力及與債務人之間是否存在任何糾紛，就貿易及其他應收款項的可收回性進行定期評估。

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37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 to 120 days from the date of billing.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

Provision of ECL on trade receivables

On that basis, the provision of trade receivables as at 31 December 2018 and 1 January 2018 (on adoption of IFRS 9) was determined as follows:

		No past due	More than 1 day But less than 1 year past due 逾期超過 1日但 少於1年	More than 1 year past due 逾期超過1年	Total
		未逾期			總計
31 December 2018					
2018年12月31日					
Expected credit loss rate	預期信貸虧損率	0.06%	1.14%	100%	
Gross carrying amount (RMB'000)	賬面總值 (人民幣千元)				
— Trade receivables	— 貿易應收款項	489,609	143,482	318	633,409
Provision for life time ECL	全期預期信貸虧損撥備	(304)	(1,631)	(318)	(2,253)

37. 財務風險管理目標及政策 (續)

信貸風險 (續)

本集團對所有需要超過一定金額的信貸的客戶進行信貸評估。該等評估專注於客戶到期付款的過往紀錄及現時的支付能力，並考慮有關客戶及客戶經營所在經濟環境有關的特定資料。貿易應收款項於發票日期起計30至120日內到期。

本集團按相等於全期預期信貸虧損的金額計量貿易應收款項的虧損撥備，有關金額使用撥備矩陣計算。由於本集團的過往信貸虧損經驗並無顯示不同客戶分部的虧損模式有重大差異，故根據逾期情況劃分的虧損撥備並無按本集團不同客戶基礎作進一步區分。

貿易應收款項預期信貸虧損撥備

按該基準，於2018年12月31日及2018年1月1日(採納國際財務報告準則第9號時)的貿易應收款項撥備釐定如下：

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37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

Provision of ECL on trade receivables (Continued)

		No past due	More than 1 day But less than 1 year past due 逾期超過 1日 但少於1年	More than 1 year past due 逾期 超過1年	Total
		未逾期			總計
1 January 2018					
2018年1月1日					
Expected credit loss rate	預期信貸虧損率	0.04%	1.12%	100%	
Gross carrying amount (RMB'000)	賬面總值 (人民幣千元)				
— Trade receivables	— 貿易應收款項	342,179	25,059	92	367,330
Provision for life time ECL	全期預期信貸虧損 撥備	(147)	(280)	(92)	(519)

The provision of ECL for trade receivables as at 31 December 2017 reconciles to the opening provision on 1 January 2018 and to closing provision as at 31 December 2018 was as follows:

37. 財務風險管理目標及政策(續)

信貸風險(續)

貿易應收款項預期信貸虧損撥備(續)

於2017年12月31日的貿易應收款項預期信貸虧損撥備與2018年1月1日的期初撥備及2018年12月31日的期終撥備的對賬如下：

		RMB'000 人民幣千元
As at 31 December 2017	於2017年12月31日	92
Adjustment — initial application of HKFRS 9	調整 — 首次應用香港財務報告準則第9號	427
As at 1 January 2018	於2018年1月1日	519
Provision for the year	年度撥備	1,826
Written off for the year	年度撇銷	(92)
As at 31 December 2018	於2018年12月31日	2,253

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37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

Provision of ECL on Deposits and other receivables

The provision for deposits and other receivables as at 31 December 2017 reconciles to the opening provision on 1 January 2018 and to closing provision as at 31 December 2018 was as follows:

		RMB'000 人民幣千元
As at 31 December 2017	於2017年12月31日	-
Adjustment — initial application of HKFRS 9	調整 — 首次應用香港財務報告準則第9號	66
As at 1 January 2018	於2018年1月1日	66
Provision for the year	年度撥備	12
As at 31 December 2018	於2018年12月31日	78

Deposit and other receivables

Other receivables relating to accounts that are long overdue with significant amounts, known insolvencies or non-response to collection activities, they are assessed individually for impairment allowance. The Group recognised the provision for expected credit losses by assessing the credit risk characteristics of debtor, discount rate and the likelihood of recovery and considering the prevailing economic conditions.

Liquidity risk

The Group's objectives are to maintain a prudent financial policy, to monitor liquidity ratios against risk limits and to maintain a contingency plan for funding to ensure that the Group maintains sufficient cash to meet its liquidity requirements.

37. 財務風險管理目標及政策(續)

信貸風險(續)

按金及其他應收款項預期信貸虧損撥備

於2017年12月31日的按金及其他應收款項撥備與2018年1月1日的期初撥備及2018年12月31日的期終撥備的對賬如下：

按金及其他應收款項

與長期逾期的重大款項、已知無力償債或未對收回行動作出回應的賬戶有關的其他應收款項，將單獨評估減值撥備。本集團透過評估債務人的信貸風險特徵、貼現率及收回的可能性並考慮當時的經濟狀況，確認預期信貸虧損撥備。

流動資金風險

本集團的目標為保持審慎的財務政策，以根據風險限額監控流動資金比率及維持資金應急計劃，從而確保本集團有充足現金達到其流動資金要求。

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37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

The following table details the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates and based on rates at the end of the reporting period) and the earliest date that the Group could be required to repay:

		Within 1 year or on demand	
		於1年內或按要求	
		2018	2017
		2018年	2017年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
		(Restated)	
		(經重列)	
Trade and bills payables	貿易應付款項及應付票據	416,766	488,458
Financial liabilities included in other payables and accruals	計入其他應付款項及應計費用的金融負債	126,331	62,965
Amount due to a related company	應付關連公司款項	81,959	-
Amount due to a shareholder	應付股東款項	9,978	9,801
Derivative financial instruments	衍生金融工具	2,521	-
Convertible loan	可換股貸款	181,372	-
Interest-bearing bank borrowings	計息銀行借款	142,197	149,659
		961,124	710,883

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2018 and 2017.

37. 財務風險管理目標及政策(續)

流動資金風險(續)

下表詳列本集團的金融負債於報告期末的餘下合約到期情況，此乃根據合約未貼現現金流量(包括使用合約利率及根據報告期末的利率計算的利息支出)及本集團可被要求付款的最早日期而得出：

資金管理

本集團資金管理的主要目標為保障本集團的持續經營能力，以及維持穩健的資金比率，以支持其業務。

本集團根據經濟環境的變化來管理和調整資本架構。為維持或調整資本架構，本集團可能對派發予股東的股息作出調整、向股東返還資本或發行新股份。截至2018年及2017年12月31日止年度，管理資本的目標、政策或程序概無任何變動。

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37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management (Continued)

The Group monitors capital using a gearing ratio, which is the total interest-bearing bank borrowings divided by the total equity. Total equity refers to equity attributable to owners of the Company. The gearing ratios as at the end of the reporting periods were as follows:

		2018 2018年 RMB'000 人民幣千元	2017 2017年 RMB'000 人民幣千元 (Restated) (經重列)
Interest-bearing bank borrowings (note 23)	計息銀行借款(附註23)	142,197	149,659
Equity attributable to owners of the Company	本公司擁有人應佔權益	367,321	340,159
Gearing ratio	資產負債比率	38.7%	44.0%

38. EVENTS AFTER THE REPORTING PERIOD

On 22 February 2019, the Group entered into an agreement (the "Agreement") with 海寧自然資源和規劃局 (Haining Planning and Land Resources Administration*) for the acquisition of the land use right for a parcel of land in Haining, PRC for a total consideration of RMB26,550,000 which has been fully settled in accordance with the terms of the Agreement.

Pursuant to the suspension in trading of shares since 28 March 2019, the carrying amount of liability component of the convertible loan was adjusted to the principal amount and the non-current liabilities portion of the loan was reallocated to current liabilities in order to reflect such continuance.

According to the circular of the Company dated 14 August 2018, the Company intends to pay the outstanding of US\$15million consideration in relation to the acquisition of Jennifer Convertibles before the year ended 31 December 2019. However, due to the unfavorable cashflow conditions, the Company aims to settle the remaining consideration of US\$15 million after 31 December 2019, and in any event prior to the second anniversary of 31 August 2018, being the completion date of the acquisition of Jennifer Convertibles.

37. 財務風險管理目標及政策(續)

資金管理(續)

本集團以資產負債比率監察其資本，即計息銀行借款總額除以權益總額。權益總額指本公司擁有人應佔權益。於各報告期末的資產負債比率如下：

38. 報告期後事項

於2019年2月22日，本集團與海寧自然資源和規劃局訂立協議(「該協議」)，以收購中國海寧一幅土地的土地使用權，總代價為人民幣26,550,000元，有關代價已根據該協議條款全數結清。

由於股份自2019年3月28日起暫停買賣，可換股貸款負債部分的賬面值已調整至本金額，而貸款非流動負債部分則重新分配至流動負債，以反映有關持續暫停買賣。

根據本公司日期為2018年8月14日的通函，本公司擬於截至2019年12月31日止年度前就收購Jennifer Convertibles支付尚未支付的代價15,000,000美元。然而，由於現金流量情況未如理想，本公司目標為於2019年12月31日後及在任何情況下於2018年8月31日(即完成收購Jennifer Convertibles當日)起計兩週年前支付代價餘款15,000,000美元。

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38. EVENTS AFTER THE REPORTING PERIOD

(Continued)

On 5 January 2018, the Company entered into a convertible loan (the “**Convertible Loan**”) agreement (the “**Convertible Loan Agreement**”) with International Finance Corporation (“**IFC**”), pursuant to which IFC agreed to lend, and the Company agreed to borrow, the Convertible Loan in an aggregate principal amount of HK\$200,000,000. IFC has the right to convert all or any part of the outstanding principal amount of the Convertible Loan into shares of the Company at an initial conversion price of HK\$2.22 per conversion share (subject to adjustments as set out in the Convertible Loan Agreement). On the assumption that the Convertible Loan would be converted into conversion shares in full at the conversion price of HK\$2.22 per conversion share, the aggregate principal amount of the Convertible Loan of HK\$200,000,000 is convertible into approximately 90,090,090 conversion shares, which represent approximately 9.01% of the issued share capital of the Company as at 31 December 2017 and approximately 8.26% of the issued share capital of the Company as enlarged by the allotment and issue of the conversion shares.

39. APPLICATION OF MERGER ACCOUNTING

During the year ended 31 December 2018, the Company entered into the sale and purchase agreement with Morris Group Co., Ltd. which is owned as to 85% by Mr. Zou and 15% by Ms. Wu. Mr. Zou, the chairman, the chief executive officer and an executive Director of the Company, and Ms. Wu, the spouse of Mr. Zou, are each a controlling Shareholder and are therefore each a connected person of the Company Upon the completion of which Group will have acquired 100% interest in Jennifer Convertibles, Inc. The consideration for the acquisition is to be satisfied by the payment of US\$35million by instalment. The acquisition was completed on 31 August 2018. The Group has applied the merger accounting method in accordance with the Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA in the preparation of financial statements. The comparative amounts have been restated accordingly as if the business of the Company had always been carried out by the Group.

38. 報告期後事項(續)

於2018年1月5日，本公司與國際金融公司(「國際金融公司」)訂立可換股貸款(「可換股貸款」)協議(「可換股貸款協議」)，據此，國際金融公司同意借出而本公司同意借入本金總額為200,000,000港元的可換股貸款。國際金融公司有權將可換股貸款的全部或任何部分未償還本金額按初始轉換價每股轉換股份2.22港元(可按可換股貸款協議所載進行調整)轉換為本公司股份。假設可換股貸款將按轉換價每股轉換股份2.22港元悉數轉換為轉換股份，可換股貸款本金總額200,000,000港元可轉換為約90,090,090股轉換股份，相當於2017年12月31日本公司已發行股本約9.01%以及本公司經配發及發行轉換股份擴大的已發行股本約8.26%。

39. 應用合併會計法

截至2018年12月31日止年度，本公司與慕容集團有限公司(由鄒先生及鄒女士分別擁有85%及15%權益)訂立買賣協議。鄒先生(本公司主席、行政總裁及執行董事)及鄒女士(鄒先生的配偶)均為控股股東，因此各自為本公司的關連人士。完成後，本集團將收購 Jennifer Convertibles, Inc. 的100%權益。收購事項代價將由分期支付35百萬美元償付。收購事項於2018年8月31日完成。本集團於編製財務報表時已根據香港會計師公會頒佈的會計指引第5號「共同控制合併的合併會計法」應用合併會計方法。比較金額已予相應重列，猶如本公司業務一直由本集團經營。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2018
截至2018年12月31日止年度

39. APPLICATION OF MERGER ACCOUNTING

(Continued)

The effects of the application of merger accounting on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017 are as follows:

39. 應用合併會計法(續)

應用合併會計法對截至2017年12月31日止年度綜合損益及其他全面收益表的影響如下：

		For the year ended 31 December 2017 as previously reported 截至2017年 12月31日 止年度 (按原先呈報)	Adjustment for the combination using merger accounting 應用合併 會計法合併 列賬的調整	For the year ended 31 December 2017 as restated 截至2017年 12月31日 止年度 (經重列)
		RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元
Revenue	收入	1,199,714	216,681	1,416,395
Cost of sales	銷售成本	(826,008)	(111,856)	(937,864)
Gross profit	毛利	373,706	104,825	478,531
Other income and gains	其他收入及收益	13,399	23,550	36,949
Selling and distribution expenses	銷售及分銷開支	(102,331)	(112,955)	(215,286)
Administrative expenses	行政開支	(72,251)	(29,432)	(101,683)
Other expenses and losses	其他開支及虧損	(2,797)	(1)	(2,798)
Finance costs	融資成本	(11,670)	-	(11,670)
Profit before tax	除稅前溢利	198,056	(14,013)	184,043
Income tax expense	所得稅開支	(38,201)	(147)	(38,348)
Profit for the year	年內溢利	159,855	(14,160)	145,695
Other comprehensive income/(loss)	其他全面收益/(虧損)			
Other comprehensive income/(loss) may be reclassified to profit or loss in subsequent periods:	於其後期間可能重新分類至損益的其他全面收益/(虧損)：			
Exchange differences on translation of financial statements	換算財務報表的匯兌差額	(11,356)	2,253	(9,103)

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2018
截至2018年12月31日止年度

39. APPLICATION OF MERGER ACCOUNTING

(Continued)

39. 應用合併會計法(續)

		For the year ended 31 December 2017 as previously reported 截至2017年 12月31日 止年度 (按原先呈報) RMB'000 人民幣千元	Adjustment for the combination using merger accounting 應用合併 會計法合併 列賬的調整 RMB'000 人民幣千元	For the year ended 31 December 2017 as restated 截至2017年 12月31日 止年度 (經重列) RMB'000 人民幣千元
Total comprehensive income for the year	年內全面收益總額	148,499	(11,907)	136,592
Profit attributable to owners of the Company	本公司擁有人應佔溢利	159,855	(14,160)	145,695
Total comprehensive income attributable to owners of the Company	本公司擁有人應佔全面收益總額	148,499	(11,907)	136,592
Earnings per share attributable to ordinary equity holders of the Company	本公司普通權益持有人應佔每股盈利			
Basic and diluted (RMB cents)	基本及攤薄(人民幣分)	16.11		14.68

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2018
截至2018年12月31日止年度

39. APPLICATION OF MERGER ACCOUNTING

(Continued)

The effect of the application of merger accounting on the consolidated statement of financial position are as follows:

39. 應用合併會計法(續)

應用合併會計法對綜合財務狀況表的影響如下：

		For the year ended 31 December 2017 as previously reported 截至2017年 12月31日 止年度 (按原先呈報) RMB'000 人民幣千元	Adjustment for the combination using merger accounting 應用合併 會計法合併 列賬的調整 RMB'000 人民幣千元	For the year ended 31 December 2017 as restated 截至2017年 12月31日 止年度 (經重列) RMB'000 人民幣千元
Non-current Assets	非流動資產			
Property, plant and equipment	物業、廠房及設備	57,638	1,764	59,402
Prepaid land lease payments	預付土地租賃款項	7,054	-	7,054
Deferred tax assets	遞延稅項資產	1,941	-	1,941
Total non-current assets	非流動資產總值	66,633	1,764	68,397
Current Assets	流動資產			
Inventories	存貨	343,289	34,727	378,016
Trade and bills receivables	貿易應收款項及應收票據	389,002	(16,885)	372,117
Prepayments, deposits and other receivables	預付款項、按金及其他應收款項	88,844	25,275	114,119
Pledged deposits	已抵押存款	181,861	986	182,847
Cash and cash equivalents	現金及現金等價物	26,241	1,110	27,351
Total current assets	流動資產總值	1,029,237	45,213	1,074,450
Current Liabilities	流動負債			
Trade and bills payables	貿易應付款項及應付票據	438,206	50,252	488,458
Other payables and accruals	其他應付款項及應計費用	51,497	25,486	76,983
Amount due to a shareholder	應付股東款項	-	9,801	9,801
Interest-bearing bank borrowings	計息銀行借款	149,659	-	149,659
Warranty provision	保修撥備	3,292	-	3,292
Income tax payables	應付所得稅	61,520	-	61,520
Total current liabilities	流動負債總額	704,174	85,539	789,713
Net current assets	流動資產淨值	325,063	(40,326)	284,737

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2018
截至2018年12月31日止年度

39. APPLICATION OF MERGER ACCOUNTING

(Continued)

39. 應用合併會計法(續)

		For the year ended 31 December 2017 as previously reported 截至2017年 12月31日 止年度 (按原先呈報) RMB'000 人民幣千元	Adjustment for the combination using merger accounting 應用合併 會計法合併 列賬的調整 RMB'000 人民幣千元	For the year ended 31 December 2017 as restated 截至2017年 12月31日 止年度 (經重列) RMB'000 人民幣千元
Total assets less current liabilities	資產總值減流動負債	391,696	(38,562)	353,134
Non-current liabilities	非流動負債			
Deferred tax liabilities	遞延稅項負債	8,942	-	8,942
Accruals	應計費用	-	4,033	4,033
Total non-current liabilities	非流動負債總額	8,942	4,033	12,975
Net assets	資產淨值	382,754	(42,595)	340,159
Equity	權益			
Equity attributable to owners of the Company	本公司擁有人應佔權益			
Share capital	股本	6,914	-	6,914
Reserves	儲備	375,840	(42,595)	333,245
Total equity	權益總額	382,754	(42,595)	340,159

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2018
截至2018年12月31日止年度

39. APPLICATION OF MERGER ACCOUNTING

(Continued)

The effects of the application of merger accounting on the consolidated statement of cash flows for the year ended 31 December 2017 are summarised below:

39. 應用合併會計法(續)

應用合併會計法對截至2017年12月31日止年度綜合現金流量表的影響概述如下：

		For the year ended 31 December 2017 as previously reported 截至2017年 12月31日 止年度 (按原先呈報) RMB'000 人民幣千元	Adjustment for the combination using merger accounting 應用合併 會計法合併 列賬的調整 RMB'000 人民幣千元	For the year ended 31 December 2017 as restated 截至2017年 12月31日 止年度 (經重列) RMB'000 人民幣千元
Net cash flows (used in)/generated from operating activities	經營活動(所用)／所得現金流量淨額	(3,925)	15,324	11,399
Net cash flows generated from investing activities	投資活動所得現金流量淨額	20,454	54	20,508
Net cash flows used in financing activities	融資活動所用現金流量淨額	(60,686)	(9,683)	(70,369)
Net decrease in cash and cash equivalents	現金及現金等價物減少淨額	(44,157)	5,965	(38,462)
Cash and cash equivalents at beginning of year	年初現金及現金等價物	73,647	3,854	77,501
Effect of foreign exchange rate changes, net	外幣匯率變動的影響，淨額	(3,249)	(8,439)	(11,688)
Cash and cash equivalents at end of year	年末現金及現金等價物	26,241	1,110	27,351

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2018
截至2018年12月31日止年度

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

40. 本公司財務狀況表

有關本公司於報告期末的財務狀況表的資料如下：

		2018	2017
		2018年	2017年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
			(Restated)
			(經重列)
Non-current asset	非流動資產		
Investment in a subsidiary	於附屬公司的投資	240,853	1
Current assets	流動資產		
Prepayments and other receivables	預付款項及其他應收款項	-	3,847
Amount due from subsidiaries	應收附屬公司款項	205,441	217,850
Cash and cash equivalents	現金及現金等價物	171	146
Total current assets	流動資產總值	205,612	221,843
Current liabilities	流動負債		
Other payables and accruals	其他應付款項及應計費用	7,823	205
Amount due to related companies	應付關連公司款項	103,223	-
Interest-bearing bank borrowings	計息銀行借款	6,589	-
Derivative financial instruments	衍生金融工具	2,521	-
Convertible loan	可換股貸款	181,372	-
Total current liabilities	流動負債總額	301,528	205
Net current (liabilities)/assets	流動(負債)/資產淨值	(95,916)	221,638
Total assets less current liabilities	資產總值減流動負債	144,937	221,639
Net assets	資產淨值	144,937	221,639
Equity	權益		
Share capital	股本	6,914	6,914
Reserves (note)	儲備(附註)	138,023	214,725
Total equity	權益總額	144,937	221,639

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2018
截至2018年12月31日止年度

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's reserves is as follows:

40. 本公司財務狀況表(續)

附註：

本公司儲備概述如下：

		Share Premium	Exchange fluctuation reserve	Retained earnings/ (accumulated losses)	Total
		股份溢價	匯兌波動 儲備	留存盈利/ (累計虧損)	總計
		RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元 (Restated) (經重列)	人民幣千元 (Restated) (經重列)
At 31 December 2016 and 1 January 2017	於2016年12月31日及 2017年1月1日	-	(314)	98,050	97,736
Profit for the year	年內溢利	-	-	61,835	61,835
Other comprehensive loss for the year:	年內其他全面虧損：				
Exchange differences on translation of financial statements	換算財務報表的 匯兌差額	-	(13,424)	-	(13,424)
Total comprehensive income for the year	年內全面收益總額	-	(13,424)	61,835	48,411
Issue of shares pursuant to the listing of the Company	根據本公司上市發行股份	232,314	-	-	232,314
Capitalised issue of shares	資本化發行股份	(5,185)	-	-	(5,185)
Expenses incurred in connection with issue of new shares	與發行新股份有關產生 的開支	(15,229)	-	-	(15,229)
Dividends paid	已付股息	-	-	(143,322)	(143,322)
At 31 December 2017	於2017年12月31日	211,900	(13,738)	16,563	214,725
Loss for the year	年內虧損	-	-	(36,812)	(36,812)
Other comprehensive loss for the year:	年內其他全面虧損：				
Exchange differences on translation of financial statements	換算財務報表的 匯兌差額	-	7,597	-	7,597
Total comprehensive loss for the year	年內全面虧損總額	-	7,597	(36,812)	(29,215)
Dividends paid	已付股息	(47,487)	-	-	(47,487)
At 31 December 2018	於2018年12月31日	164,413	(6,141)	(20,249)	138,023

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2018
截至2018年12月31日止年度

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

During the course of the preparation of the consolidated financial statements of the Group for the year ended 31 December 2018, the Company discovered that the Statement of Financial Position of the Company as at 31 December 2017 and the summary of the Company's reserves for the year then ended as disclosed in the notes to the consolidated financial statements of the Group for the financial year ended 31 December 2017 contain clerical errors, as follows:

- the amount due from subsidiaries as at 31 December 2017 was erroneously disclosed as RMB322,702,000, instead of RMB217,850,000;
- the reserves of the Company as at 31 December 2017 was erroneously disclosed as RMB319,577,000, instead of RMB214,725,000; and
- the profit and total comprehensive income of the Company for the year ended 31 December 2017 were erroneously disclosed as RMB166,687,000, instead of RMB61,835,000.

As a result, the related sub-totals and totals presented in the Statement of Financial Position of the Company as at 31 December 2017 and the summary of the Company's reserves for the year then ended were also overstated by RMB104,852,000.

The comparative amounts disclosed in the tables above in respect of the period for the year ended 31 December 2017 have been restated to retrospectively adjust for these overstatement errors. These overstatement errors relate to the statements of financial position and reserves of the Company and had no effects on the consolidated financial position and reserves of the Group as at and for the year ended 31 December 2017. Accordingly no restatement of the comparative amounts in the consolidated financial statements of the Group is necessary

40. 本公司財務狀況表(續)

於編製本集團截至2018年12月31日止年度的綜合財務報表的過程中，本公司發現本集團截至2017年12月31日止財政年度的綜合財務報表附註所披露本公司於2017年12月31日的財務狀況表及截至該日止年度的本公司儲備概要出現以下文書錯誤：

- 於2017年12月31日的應收附屬公司款項錯誤披露為人民幣322,702,000元，應為人民幣217,850,000元；
- 本公司於2017年12月31日的儲備錯誤披露為人民幣319,577,000元，應為人民幣214,725,000元；及
- 本公司截至2017年12月31日止年度的溢利及全面收益總額錯誤披露為人民幣166,687,000元，應為人民幣61,835,000元。

因此，本公司於2017年12月31日的財務狀況表及截至該日止年度的本公司儲備概要所呈列相關小計及總計數字亦誇大了人民幣104,852,000元。

上表就截至2017年12月31日止年度有關期間披露的比較金額已重列，以就該等誇大錯誤作出追溯調整。該等誇大錯誤與財務狀況表及本公司儲備有關，對本集團於2017年12月31日的綜合財務狀況及截至2017年12月31日止年度的儲備並無影響。因此，毋須重列本集團綜合財務報表的比較數字。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2018
截至2018年12月31日止年度

41. COMPARATIVE INFORMATION

Certain comparative amounts have been reclassified to conform with the Reporting Period's presentation (see Note 39). (i) In respect of the acquisition of Jennifer Convertibles Inc. on 31 August 2018, the Group has applied merger accounting method for the business combination under common control. Comparative amounts in the consolidated financial statements and relevant notes have been restated as if the business of Jennifer Convertibles Inc. had always been carried out by the Group. (ii) In respect of the clerical mistake mention in note 40, the statement of financial position and statement of equity have been corrected and restated.

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 10 July 2019.

41. 比較資料

若干比較金額已重新分類，以符合報告期間的呈列方式(見附註39)。(i)就於2018年8月31日收購Jennifer Convertibles Inc.而言，本集團已就共同控制下的業務合併應用合併會計法。綜合財務報表及相關附註的比較金額已予重列，猶如Jennifer Convertibles Inc.業務一直由本集團經營。(ii)就附註40所述文書錯誤而言，財務狀況表及權益表已予改正及重列。

42. 財務報表核准

財務報表已於2019年7月10日獲董事會核准並授權刊發。

Five Year Financial Summary

五年財務概要

For the year ended 31 December 2018
截至2018年12月31日止年度

The consolidated results of Morris Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) for the years ended 31 December 2017 and 2018 and the consolidated assets and liabilities of the Group as at 31 December 2017 and 2018 are those set out in the audited financial statements.

The summary of the consolidated results of the Group for each of the years ended 31 December 2014, 2015 and 2016 and of the consolidated assets and liabilities of the Group as at 31 December 2014, 2015 and 2016 has been extracted from the prospectus issued on 30 December 2016 in connection with the listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited on 12 January 2017.

The summary below does not form part of the audited financial statements.

截至2017年及2018年12月31日止年度，慕容控股有限公司（「本公司」）及其附屬公司（下文統稱為「本集團」）的綜合業績以及本集團於2017年及2018年12月31日的綜合資產及負債均載列於經審核財務報表內。

本集團截至2014年、2015年及2016年12月31日止各年度的綜合業績概要以及本集團於2014年、2015年及2016年12月31日的綜合資產及負債乃摘錄自本公司因股份自2017年1月12日於香港聯合交易所有限公司主板上市所刊發的日期為2016年12月30日的招股章程。

以下概要並不構成經審核財務報表的一部分。

Year ended 31 December 截至12月31日止年度

		2018 2018年 RMB'000 人民幣千元	2017 2017年 RMB'000 人民幣千元 (restated) (經重列)	2016 2016年 RMB'000 人民幣千元	2015 2015年 RMB'000 人民幣千元	2014 2014年 RMB'000 人民幣千元
RESULTS	業績					
Revenue	收入	1,610,043	1,416,395	941,617	926,471	824,675
Cost of sales	銷售成本	(1,181,999)	(937,864)	(671,050)	(705,557)	(652,051)
Gross profit	毛利	428,044	478,531	270,567	220,914	172,624
Profit before tax	除稅前溢利	100,286	184,043	112,045	103,166	37,804
Income tax expense	所得稅開支	(13,881)	(38,348)	(31,369)	(20,098)	(13,440)
Profit for the year	年內溢利	86,405	145,695	80,676	83,068	24,364

As at 31 December 於12月31日

		2018 2018年 RMB'000 人民幣千元	2017 2017年 RMB'000 人民幣千元 (restated) (經重列)	2016 2016年 RMB'000 人民幣千元	2015 2015年 RMB'000 人民幣千元	2014 2014年 RMB'000 人民幣千元
ASSETS AND LIABILITIES	資產及負債					
Total assets	總資產	1,432,152	1,142,847	1,102,005	937,359	1,728,622
Total liabilities	總負債	(1,064,831)	(802,688)	(943,241)	(862,302)	(1,423,246)
		367,321	340,159	158,764	75,057	305,376



MORRIS
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