MORRIS HOLDINGS LIMITED
慕容控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 01575)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately 13.7% to approximately RMB1,610.0 million in 2018 (2017: approximately RMB1,416.4 million)
- Gross profit decreased by approximately 10.6% to approximately RMB428.0 million in 2018 (2017: approximately RMB478.5 million)
- Profit for the year decreased by approximately 40.7% to approximately RMB86.4 million in 2018 (2017: approximately RMB145.7 million)
- Basic earnings per share decreased by approximately 41.1% to approximately RMB8.64 cents in 2018 (2017: approximately RMB14.68 cents)
- 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

Trading in the shares of the Company on the Stock Exchange has been suspended with effect from 28 March 2019. Trading in the shares will remain suspended subject to the publication of the details of the investigation. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares and other securities of the Company.

The board (the "**Board**") of directors (the "**Directors**") of Morris Holdings Limited (the "**Company**") is pleased to announce the consolidated financial results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2018 ("**2018**" or the "**Reporting Period**") together with the comparative restated figures for the year ended 31 December 2017 ("**2017**").

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2018 have been agreed by the Group's auditor, HLB Hodgson Impey Cheng Limited ("**HLB**"), to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	**2018** **RMB'000**	2017 *RMB'000* (Restated)
Revenue	*5*	**1,610,043**	1,416,395
Cost of sales		**(1,181,999)**	(937,864)
Gross profit		**428,044**	478,531
Other income and gains	*6*	**85,791**	36,949
Selling and distribution expenses		**(207,606)**	(215,286)
Administrative expenses		**(156,101)**	(101,683)
Other expenses and losses		**(24,972)**	(2,798)
Finance costs	*7*	**(24,870)**	(11,670)
Profit before tax	*8*	**100,286**	184,043
Income tax expense	*9*	**(13,881)**	(38,348)
Profit for the year		**86,405**	145,695
Other comprehensive income/(loss):			
Other comprehensive income/(loss) may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements		**15,814**	(9,103)
Total comprehensive income for the year		**102,219**	136,592
Profit attributable to owners of the Company		**86,405**	145,695
Total comprehensive income attributable to owners of the Company		**102,219**	136,592
Earnings per share attributable to ordinary equity holders of the Company			
Basic and diluted *(RMB cents)*	*10*	**8.64**	14.68

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	**2018** **RMB'000**	2017 *RMB'000* (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**59,096**	59,402
Prepaid land lease payments		**8,074**	7,054
Contingent consideration receivables	*12*	**226,318**	–
Deferred tax assets		**6,866**	1,941
Total non-current assets		**300,354**	68,397
CURRENT ASSETS			
Inventories		**217,291**	378,016
Trade and bills receivables	*13*	**634,521**	372,117
Prepayments, deposits and other receivables		**62,082**	114,119
Pledged deposits		**93,976**	182,847
Cash and cash equivalents		**123,928**	27,351
Total current assets		**1,131,798**	1,074,450
CURRENT LIABILITIES			
Trade and bills payables	*14*	**416,766**	488,458
Contract liabilities		**17,967**	–
Other payables and accruals		**126,331**	76,983
Amount due to a shareholder		**9,978**	9,801
Amount due to a related company		**81,959**	–
Interest-bearing bank borrowings		**142,197**	149,659
Warranty provision		**4,943**	3,292
Derivative financial instruments		**2,521**	–
Convertible loan		**181,372**	–
Income tax payables		**68,923**	61,520
Total current liabilities		**1,052,957**	789,713
NET CURRENT ASSETS		**78,841**	284,737
TOTAL ASSETS LESS CURRENT LIABILITIES		**379,195**	353,134
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**5,845**	8,942
Accurals		**6,029**	4,033
Total non-current liabilities		**11,874**	12,975
Net assets		**367,321**	340,159
EQUITY			
Equity attributable to owners of the Company			
Share capital		**6,914**	6,914
Reserves		**360,407**	333,245
Total equity		**367,321**	340,159

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL

The Company is an exempted company with limited liability incorporated in the Cayman Islands on 18 December 2013. 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, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong.

The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 12 January 2017.

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

This announcement has been approved for issue by the Board on 10 July 2019.

2. BASIS OF PREPARATION

This financial information has 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. It has been prepared under the historical cost convention. This announcement is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand ("**RMB'000**") except when otherwise indicated.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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.

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.

Consolidated statement of financial position (extract)	**31 December 2017**	**HKFRS 9**	**HKFRS 15**	**1 January 2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current assets				
Trade and bills receivables	372,117	(427)	–	371,690
Prepayments, deposits and other receivables	114,119	(66)	–	114,053
Current liabilities				
Other payables and accruals	76,983	–	(14,018)	62,965
Contract liabilities	–	–	14,018	14,018
Net current asset	284,737	(493)	–	284,244
Capital and reserves				
Reserves	333,245	(493)	–	332,752
Total equity	340,159	(493)	–	339,666

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 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised at 1 January 2018. The difference between carrying amounts at 31 December 2017 and the carrying amounts at 1 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.

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 and bills 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:

	Trade and bill receivables *RMB'000*	**Deposits and other receivables** *RMB'000*
At 31 December 2017 (Restated) — HKAS 39	(95)	–
Amounts re-measured through opening retained earnings	(427)	(66)
At 1 January 2018 — HKFRS 9	(522)	(66)

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):

	HKAS 18 carrying amounts at 31 December 2017 *RMB'000*	**Reclassification** *RMB'000*	**HKFRS 15 carrying amounts at 1 January 2018** *RMB'000*
Contract liabilities	–	14,018	14,018
Other payables and accruals	76,983	(14,018)	62,965

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).

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.

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

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segments:

	Retail segment		Manufacturing segment		Elimination of inter-segment sales		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		(Restated)		(Restated)		(Restated)
Segment revenues								
— External sales	**222,448**	243,933	**1,387,595**	1,172,462	**–**	–	**1,610,043**	1,416,395
— Internal sales	**–**	–	**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	**(60,991)**	(20,695)	**176,173**	204,085	**13**	(66)	**115,195**	183,324
Interest income							**2,218**	3,656
Fair value change on derivative component of convertible loan							**27,501**	–
Fair value change on contingent consideration receivables							**2,799**	–
Loss on remeasurement of liability component of convertible loan							**(24,609)**	–
Unallocated corporate expenses							**(7,658)**	(2,937)
Unallocated finance costs							**(15,160)**	–
Profit before taxation							**100,286**	184,043

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

	Retail segment		Manufacturing segment		Consolidated	
	2018	2017	**2018**	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		(Restated)		(Restated)
Segment assets	**91,490**	77,612	**1,098,492**	1,036,471	**1,189,982**	1,114,083
Unallocated corporate assets					**242,170**	28,764
Consolidated assets					**1,432,152**	1,142,847
Segment liabilities	**60,527**	82,568	**714,994**	696,815	**775,521**	779,383
Unallocated corporate liabilities					**289,310**	23,305
Consolidated liabilities					**1,064,831**	802,688

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

	Retail segment		**Manufacturing segment**		**Unallocated**		**Total**	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		(Restated)		(Restated)		(Restated)
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

Information about major customers

Revenue from major customers of the corresponding year contributing over 10% of the total revenue of the Group is as follows:

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Customer 1	**239,207**	224,824
Customer 2	**180,591**	126,362
Customer 3	**164,276**	221,818
Customer 4	**164,046**	N/A*
Customer 5	**N/A***	156,363

* Revenue from the customer is less than 10% of the total revenue of the Group.

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 financial statements.

(b) *Non-current assets*

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
People's Republic of China (including Hong Kong)	**21,073**	22,214
Cambodia	**42,345**	42,316
The U.S.	**3,752**	1,926
	67,170	66,456

The non-current asset information above is based on the locations of the assets and excludes deferred tax assets and contingent consideration receivables.

5. REVENUE

Revenue represents the net invoiced value of goods sold, after allowances for returns, trade discounts and value-added tax.

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Recognised at a point in time		
Manufacture and sales of sofa, sofa covers and other furniture products	**1,610,043**	1,416,395

As at 31 December 2018, 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.

6. OTHER INCOME AND GAINS

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Interest income	**2,218**	3,656
Exchange gains, net	**8,213**	–
Government subsidies	**2,312**	8,269
Gain on disposal of property, plant and equipment	**3,775**	–
Rental income	**1,084**	–
Fair value change on derivative component of convertible loan	**27,501**	–
Sales of raw materials	**9,327**	–
Sales of scrap materials	**–**	1,410
Repair service income	**9,129**	11,170
Compensation on factory relocation	**15,846**	–
Lease termination income	**–**	8,042
Fair value change on contingent consideration receivables	**2,799**	–
Others	**3,587**	4,402
	85,791	36,949

7. FINANCE COSTS

	2018 *RMB'000*	2017 *RMB'000* (Restated)
Interest on bank loans	**9,793**	9,909
Interest on discount trade bills	**–**	1,761
Interest on convertible loan	**15,077**	–
	24,870	11,670

8. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2018 *RMB'000*	2017 *RMB'000* (Restated)
Cost of inventories sold	**1,200,745**	947,128
Loss on disposal of items of property, plant and equipment, net	**–**	139
Reversal of provision against obsolete and slow-moving inventories	**(18,804)**	(7,898)
Write-down/(reversal of write-down) of inventories to net realisable value	**58**	(1,366)
Impairment loss on trade and bills receivables, net	**1,826**	522
Impairment loss on other receivables and deposits, net	**12**	66
Loss on remeasurement of liability component of convertible loan	**24,609**	–
Foreign exchange differences, net	**(8,213)**	6,959
Listing expenses	**–**	1,943

9. INCOME TAX EXPENSE

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("**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%.

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.

Taxes on profits assessable in elsewhere have been calculated at the rate of tax prevailing in the jurisdictions in which the Group operates.

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Current — PRC		
— Charge for the year	**12,720**	20,027
— Over-provision in prior year	**(7,810)**	(5,564)
Current — Hong Kong	**17,450**	17,631
Current — U.S.		
— Charge for the year	**52**	147
— Over-provision in prior year	**(520)**	–
Current — Other	**11**	–
Deferred	**(8,022)**	6,107
Tax charge for the year	**13,881**	38,348

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

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.

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).

11. DIVIDENDS

	2018	2017
	RMB'000	*RMB'000*
Interim dividend paid		
— HK1.8 cents (2017: HK1.5 cents) per ordinary share	**15,213**	12,868
Interim special dividend paid		
— Nil (2017: HK4.5 cents) per ordinary share	**–**	38,604
Final dividend proposed		
— HK1.3 cents (2017: HK3.8 cents) per ordinary share	**10,709**	30,632
	25,922	82,104

12. CONTINGENT CONSIDERATION RECEIVABLES

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 ended 31 December 2019 and 2020. For detailed information, please refer to the Company's announcement dated 14 August 2018.

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.

13. TRADE AND BILLS RECEIVABLES

	2018 ***RMB'000***	2017 *RMB'000* (Restated)
Trade receivables from third parties	**633,409**	367,330
Impairment of trade receivables	**(2,253)**	(92)
Trade receivables, net	**631,156**	367,238
Bills receivable arising from intra-group sales	**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 four 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.

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 ***RMB'000***	2017 *RMB'000* (Restated)
Within 3 months	**596,928**	349,884
4 to 6 months	**36,983**	14,187
7 to 12 months	**610**	8,046
	634,521	372,117

14. TRADE AND BILLS PAYABLES

	2018 ***RMB'000***	2017 *RMB'000* (Restated)
Trade payables to third parties	**209,275**	228,378
Bills payable		
— arising from intra-group purchases	**19,173**	119,674
— arising from third party purchases	**188,318**	140,406
	416,766	488,458

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
	RMB'000	*RMB'000*
		(Restated)
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

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.

15. COMPARATIVE INFORMATION

Certain comparative amounts have been reclassified to conform with the Reporting Period's presentation.

In respect of the acquisition of Jennifer Convertible 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 Convertible Inc. had always been carried out by the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Reporting Period, 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 Inc. ("**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 establish 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.

The PRC market

On 12 January 2018, the Group set up the first flagship store with its own brand "Morrisofa" in the PRC market, and launched its sofa product collection, namely "Fall in Love (一眼入心)". It successfully tapped into the PRC 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 had established 3 direct-sale 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 of 2018, online stores have been set up in major online shopping platforms including Jingdong, Taobao and WeChat, providing online and offline services to consumers.

Product research and development

The Group always attaches 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 enhancing 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.

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 material.

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 material 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.

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 increased 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.

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.

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. The Group will further implement the necessary hedging arrangement to mitigate any significant foreign exchange risk when and if appropriate.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

Save as mentioned under the section headed "Business Review" in this announcement, 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 RMB148.4 million (2017: RMB143.2 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 announcement.

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. The consideration under the Agreement has been fully settled in accordance with the terms of the Agreement.

As a result of the continuance 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;

* *For identification purpose only*

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.

OUTLOOK

Brand strategies

To become a world-renowned sofa furniture brand is the long-term goal of the Group. At present, the Group established retail networks for its self-owned brands in the U.S., the PRC and Hong Kong, laying a solid foundation for organic development of its brands and products.

In the U.S., the Group will continue to promote the self-designed and developed products under its self-owned brand by leveraging on Jennifer Convertibles' sales network, and enhance the brand image with a brand new, personalized and intelligent product position. In the PRC, the Company targets the emerging consumer groups of the post 80's and 90's generations, focuses on placing advertisement on and investing in certain major online official accounts and mainstream online news platforms, and integrates both online and offline creative promotional campaigns, so as to stimulate revenue generated from its brands. The Group's management believes that Hong Kong is an ideal platform for brand building. Therefore, the Company will aim to carry out effective brand promotion activities in Hong Kong to further strengthen the Company's young, fashionable and intelligent brand image, as well as connect and synergize the Group's brands to create greater benefits for the shareholders of the Company.

Overseas market strategies

In the U.S., the Group will continue to utilise Jennifer Convertibles' well-established sales network throughout the years in the eastern part of the U.S. and strive to expand its network to other regions of the U.S. Besides, the Group strategically set up four warehouses in the eastern, western and central parts of the U.S. for its nationwide online shopping business, and provided and strengthened the support for logistics, pre-sales and after-sales services. The U.S. furniture online shopping industry recorded a compound annual growth rate of 10.3% from 2013 to 2017. The Company plans to seize the development opportunities brought by the U.S.

online shopping business by consolidating its online shopping and offline traditional sales channels, and accelerating the development of the U.S. business synergistically. In addition, Europe is also another target market of the Company to diversify the Group's revenue stream. The Company has set up a sales and warehousing centre in the United Kingdom to facilitate business growth in Europe.

Capacity expansion

In order to support the Group's development strategies and meet the product demand from various markets, the Group is planning to set up a new production plant to be named the "Morris Center". With the goals of smart manufacturing and product upgrade, the Morris Center will enhance the Group's production capacity and production technology to support its long-term development. In February 2019, the Company successfully acquired the land use right for a land parcel in Haining, PRC for the construction of the Morris Center. It is expected that the Morris Center will be gradually put into operation in the second half of 2020.

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

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during 2018.

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. All Directors have confirmed that they complied with the required standard set out in the Model Code during the year ended 31 December 2018.

CORPORATE GOVERNANCE CODE

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 set out in Appendix 14 to the Listing Rules (the "**Corporate Governance Code**") since the Listing Date and up to the date of this announcement.

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.

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.

EXCHANGE RATE

For the purpose of this announcement, unless otherwise indicated, translations of U.S. dollars to RMB have been made at the rate of US$1 to RMB6.8815 and translations of Hong Kong dollars to RMB have been made at the rate of HK$1 to RMB0.8787. These translations are for the purposes of illustration only and no representation is made by the Company that any amounts in U.S. dollars and RMB or Hong Kong dollars and RMB can be or could have been converted at the above rate or any other rates or at all.

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") currently comprises three independent non-executive directors, namely Mr. Liu Haifeng, Mr. Pang Wing Hong and Mr. Chu Guodi. The Audit Committee has reviewed with the management of the Company and the Company's external auditors the consolidated financial statements of the Group for 2018, including accounting principles and practices adopted by the Group, and discussed the risk management, internal controls and financial reporting matters related to the preparation of the annual results of the Group for 2018.

DIVIDEND

The Board recommended a payment of final dividend of HK1.3 cents per ordinary 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 annual general meeting of the Company (the "**AGM**").

CLOSURE OF REGISTER OF MEMBERS

Shareholders whose names appear on the Company's register of members on 30 August 2019, will be eligible to attend and vote at the AGM. The transfer books and register of members will be closed from 27 August 2019 to 30 August 2019, both days inclusive, during which period no transfer of shares will be effected. In order to determine the identity of shareholders who are entitled to attend and vote at the forthcoming AGM of the Company, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 26 August 2019.

Shareholders whose names appear on the Company's register of members on 6 September 2019, will qualify for the proposed final dividend and the proposed special dividend. The Company's transfer books and register of members will be closed from 5 September 2019 to 6 September 2019 (both days inclusive) for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to qualify for the proposed final dividend. In order to qualify for the proposed final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office, Tricor Investor Services Limited, located at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 4 September 2019. The proposed final dividend (the payment of which is subject to the shareholders' approval at the forthcoming AGM of the Company) is to be payable on 20 September 2019.

ANNUAL GENERAL MEETING

The AGM of the Company will be convened on 30 August 2019. A notice convening the AGM will be published and despatched to the shareholders of the Company in due course.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.morrisholdings.com.hk. The annual report of the Company for the year will be despatched to the shareholders of the Company and published on the aforesaid websites in due course.

PROCEDURES PERFORMED BY HLB IN RESPONSE TO QUERIES IDENTIFIED BY ERNST & YOUNG

Regarding the queries identified by EY set out in the announcement dated 28 March 2019 (the "**Queries**"), the Company engaged HLB to perform certain agreed-upon procedures. During the process, HLB has performed, inter alia, including but not limited to the following agreed upon procedures:

(1) interviewed with the Group's senior management or relevant staffs;

(2) conducted background search on the relevant companies;

(3) carried out site visit to the relevant companies' offices or factories accompanied by the investigators engaged by the Company (the "**Investigators**");

(4) interviewed with the relevant persons accompanied by the Investigators;

(5) attended the majority of interviews with the relevant person from downstream companies;

(6) obtained and checked the sale records for the sales transactions between the Group and the relevant companies, including but not limited to sales agreements, sales invoices, stock out records, delivery notes and bank records for the year ended 31 December 2018;

(7) obtained and checked the purchase records for the purchase transactions between the Group and the relevant companies, including but not limited to the purchase agreements, purchase invoices, stock in records, delivery notes and bank records for the year ended 31 December 2018; and

(8) selected and checked the corresponding relevant documents mentioned in the Queries.

During the audit process, HLB has performed relevant audit procedures based on their assessments, including but not limited to the above, which they consider appropriate to form their audit opinion.

APPRECIATION

The Board would like to express its sincere appreciation to the shareholders, customers, suppliers, management team and staff for their continuous support to the Group.

Trading in the shares of the Company on the Stock Exchange has been suspended with effect from 28 March 2019. Trading in the shares will remain suspended subject to the publication of the details of the investigation. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares and other securities of the Company.

By Order of the Board
Morris Holdings Limited
Zou Gebing
Chairman

Hong Kong, 10 July 2019

As at the date of this announcement, the executive directors are Mr. Zou Gebing, Mr. Zeng Jin, Mr. Shen Zhidong and Mr. Wu Yueming; and the independent non-executive directors are Mr. Liu Haifeng, Mr. Pang Wing Hong and Mr. Chu Guodi.