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MORRIS
HOME HOLDINGS LIMITED

MORRIS HOME HOLDINGS LIMITED
慕容家居控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1575)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately 42.4% to approximately RMB188.0 million in 2023 (2022: approximately RMB132.0 million)
- The Group recorded a gross profit of approximately RMB69.5 million in 2023 (2022: approximately RMB2.0 million)
- The Group's loss for the year decreased by approximately 87.1% to approximately RMB26.1 million in 2023 (2022: approximately RMB202.6 million)
- Basic loss per share was approximately RMB0.92 cents in 2023 as compared with basic loss per share of approximately RMB13.99 cents in 2022
- The Board did not recommend the payment of a final dividend (2022: RMBnil) for the year ended 31 December 2023

The board (the "**Board**") of directors (the "**Directors**") of Morris Home Holdings Limited (the "**Company**") announces the consolidated final results (the "**Final Results**") of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2023 ("**2023**" or the "**Reporting Period**") together with the comparative figures for the year ended 31 December 2022 ("**2022**"). The Final Results have been prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRSs**") as below.

The figures in respect of this preliminary announcement of the Final Results have been agreed by the Group's auditor, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2023.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Revenue	5	**187,975**	132,013
Cost of sales		**(118,511)**	(130,013)
Gross profit		**69,464**	2,000
Other income and gains, net	6	**2,969**	34,574
Gain on debt restructuring	6	**92,434**	–
Allowance for expected credit losses in respect of financial assets carried at amortised cost, net		**(32,605)**	(19,166)
Fair value change on financial asset at fair value through profit or loss ("**FVTPL**")		**(9,712)**	–
Selling and distribution expenses		**(48,743)**	(36,342)
Administrative expenses		**(64,910)**	(150,842)
Other expenses and losses		**(21,038)**	(26,141)
Finance costs	7	**(13,989)**	(7,501)
Loss before tax	8	**(26,130)**	(203,418)
Income tax credit	9	**68**	832
Loss for the year		**(26,062)**	(202,586)
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements		**1,171**	4,315
Item that was reclassified to profit or loss:			
Reclassification of cumulative exchange fluctuation reserve upon disposal of subsidiaries		**3,321**	–
Other comprehensive income for the year, net of income tax		**4,492**	4,315
Total comprehensive loss for the year		**(21,570)**	(198,271)

	Notes	**2023** *RMB'000*	2022 *RMB'000*
Loss attributable to:			
Owners of the Company		**(24,728)**	(199,679)
Non-controlling interests		**(1,334)**	(2,907)
		(26,062)	(202,586)
Total comprehensive loss attributable to:			
Owners of the Company		**(19,726)**	(195,464)
Non-controlling interests		**(1,844)**	(2,807)
		(21,570)	(198,271)
Loss per share attributable to ordinary equity holders of the Company			
Basic *(RMB cents)*	10	**(0.92)**	(13.99)
Diluted *(RMB cents)*	10	**(0.92)**	(13.99)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Notes	**2023**	2022
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**5,802**	6,505
Financial asset at FVTPL		**1,604**	–
Right-of-use assets		**35,628**	43,656
Total non-current assets		**43,034**	50,161
CURRENT ASSETS			
Inventories		**26,917**	25,411
Trade receivables	12	**17,412**	33,142
Prepayments, deposits and other receivables		**15,584**	64,695
Amount due from a shareholder		**–**	345
Amounts due from related companies		**176,258**	185,527
Pledged deposits		**21**	33
Cash and cash equivalents		**4,753**	7,590
Total current assets		**240,945**	316,743
CURRENT LIABILITIES			
Trade and bills payables	13	**46,073**	143,936
Contract liabilities		**7,210**	11,052
Other payables and accruals		**93,437**	100,260
Amounts due to related companies		**44,534**	62,173
Interest-bearing bank and other borrowings		**109,457**	69,235
Warranty provision		**943**	455
Lease liabilities		**20,738**	25,133
Derivative financial instruments		**75**	372
Convertible loan		**26,567**	21,492
Income tax payables		**2,935**	2,863
Total current liabilities		**351,969**	436,971
NET CURRENT LIABILITIES		**(111,024)**	(120,228)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(67,990)**	(70,067)

	2023	2022
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**53,696**	–
Convertible loan	**13,487**	39,073
Lease liabilities	**17,358**	22,319
Total non-current liabilities	**84,541**	61,392
Net liabilities	**(152,531)**	(131,459)
EQUITY		
Share capital	**19,212**	19,212
Reserves	**(165,462)**	(146,234)
Equity attributable to owners of the Company	**(146,250)**	(127,022)
Non-controlling interests	**(6,281)**	(4,437)
Total equity	**(152,531)**	(131,459)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. GENERAL

Morris Home 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 No. 52, Fu Hang Road, Tuen Mun, 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 Century Icon Holdings Limited, which is incorporated in the British Virgin Islands (the "**BVI**").

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements included applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**") and the Hong Kong Companies Ordinance.

Going concern

The Group incurred a loss attributable to owners of the Company of approximately RMB24,728,000 for the year ended 31 December 2023 and as at 31 December 2023, the Group had net current liabilities and net liabilities of approximately RMB111,024,000 and RMB152,531,000 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. The directors have prepared the consolidated financial statements based on going concern on the assumptions and measures that:

In view of the above circumstances, the directors of the Company have given careful consideration to the future liquidity and financial position of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain plans and measures have been taken to mitigate the liquidity position and to improve the Group's financial position which include, but are not limited to, the followings:

(i) The substantial shareholder of the Company, Mr. Tse Kam Pang, has provided to the Company an unsecured loan facility in the principal amount of up to HK$200,000,000 to enable the Group to continue as a going concern and to settle its liabilities as and when they fall due. For further details please refer to the Company's announcement dated on 5 May 2023. As at 31 December 2023, the Group had unutilised loan facility amounting to approximately HK$125,869,000;

(ii) The Group will take steps to obtain external funding in order to improve the working capital and liquidity and cash flow position of the Group;

(iii) The Group is taking measures to tighten cost controls with an aim to attain positive cash flows from operations;

(iv) The Group is currently re-negotiating the repayment schedules with certain of its debtors and endeavoring to request them to repay the trade receivables, other receivables and amounts due from related companies in accordance with the repayment schedules to be agreed with them; and

(v) The Group has actively negotiated with stakeholders for the purpose of obtaining further financing when necessary, including but not limited to shareholder's loan, equity financing, bank borrowing and issuance of new convertible bonds to improve the liquidity of the Group.

The directors of the Company are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as they fall due within twelve months from the date of approval of the consolidated financial statements. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, since the execution of the above plans and measures are in progress, material uncertainties exist as to whether management of the Group will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to meet its future working capital and financing requirements.

Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised other than at the amounts at which they are currently carried in the consolidated statement of financial position. The effect of these adjustments has not been reflected in the consolidated financial statements.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the Group's annual period beginning on or after 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

The application of the new and amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of Exchangeability[3]

[1] Effective for annual periods beginning on or after a date to be determined.
[2] Effective for annual periods beginning on or after 1 January 2024.
[3] Effective for annual periods beginning on or after 1 January 2025.

The directors of the Company anticipate that the application of all amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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 revenue 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 intersegment sales**		**Total**	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Segment revenue								
External sales	**58,644**	70,351	**129,331**	61,662	**–**	–	**187,975**	132,013
Internal sales	**–**	2,472	**4,311**	5,641	**(4,311)**	(8,113)	**–**	–
	58,644	72,823	**133,642**	67,303	**(4,311)**	(8,113)	**187,975**	132,013
Segment profit/(loss)	**(11,673)**	(20,632)	**19,859**	(170,759)	**–**	–	**8,186**	(191,391)
Interest income							**63**	133
Gain/(loss) on derivative financial instruments							**305**	(293)
Gain on modification of convertible loan							**–**	5,597
Loss on deregistration of a subsidiary							**(3,952)**	(15)
Fair value change on financial asset at FVTPL							**(9,712)**	–
Unallocated corporate expenses							**(17,479)**	(13,871)
Unallocated finance costs							**(3,541)**	(3,578)
Loss before tax							**(26,130)**	(203,418)

Segment profit/(loss) represents the profit/(loss) from each segment without allocation of interest income, gain/(loss) on derivative financial instruments, gain on modification of convertible loan, loss on deregistration of a subsidiary, fair value change on financial asset at FVTPL, 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	
	2023	2022	**2023**	2022	**2023**	2022
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Segment assets	**29,677**	37,507	**216,186**	300,828	**245,863**	338,335
Unallocated corporate assets					**38,116**	28,569
Consolidated assets					**283,979**	366,904
Segment liabilities	**32,535**	40,141	**335,039**	379,304	**367,574**	419,445
Unallocated corporate liabilities					**68,936**	78,918
Consolidated liabilities					**436,510**	498,363

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 certain of amounts due from related parties, amount due from a shareholder, financial asset at FVTPL and other unallocated corporate assets); and

- all liabilities are allocated to operating segments other than unallocated corporate liabilities (mainly comprising amounts due to related companies, derivative financial instruments, convertible loan and other unallocated corporate liabilities).

Other segment information

	Retail segment		Manufacturing segment		Unallocated		Total	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Addition of right-of-use assets	**7,510**	17,329	**16,320**	29,217	**–**	–	**23,830**	46,546
Addition of property, plant and equipment	**135**	1,395	**3,858**	11,195	**–**	–	**3,993**	12,590
Depreciation of property, plant and equipment	**517**	688	**3,190**	2,859	**–**	–	**3,707**	3,547
Depreciation of right-of-use assets	**10,355**	8,313	**15,974**	2,435	**–**	–	**26,329**	10,748
(Reversal)/provision against obsolete and slow-moving inventories	**(11)**	(5,176)	**(27,610)**	25,299	**–**	–	**(27,621)**	20,123
Allowance for/(reversal of allowance for) expected credit losses in respect of trade receivables, net	**(60)**	432	**16,509**	6,917	**–**	–	**16,449**	7,349
Allowance for/(reversal of allowance for) expected credit losses in respect of on prepayments, deposits and other receivables, net	**(16)**	941	**15,989**	10,830	**1**	12	**15,974**	11,783
Allowance for expected credit losses in respect of amounts due from related parties, net	**–**	–	**134**	34	**48**	–	**182**	34
Written off of property, plant and equipment	**102**	–	**–**	3,378	**–**	–	**102**	3,378
Loss/(gain) on disposal of property, plant and equipment	**(61)**	(68)	**539**	(2,064)	**–**	–	**478**	(2,132)
Gain on termination of leases	**–**	(4,011)	**(1,299)**	(4,449)	**–**	–	**(1,299)**	(8,460)
Finance costs	**1,702**	1,233	**8,746**	2,690	**3,541**	3,578	**13,989**	7,501

Geographical information

The following table sets out information about the geographical locations of the Group's revenue from external customers during the year and the Group's non-current assets.

(a) Revenue from external customers

The geographical locations of the customers are determined based on the locations of customer.

	2023	2022
	RMB'000	*RMB'000*
People's Republic of China (including Hong Kong)	**65,947**	65,764
The United States of America ("**US**" or "**U.S.**")	**60,471**	42,952
Europe *(Note (a))*	**50,012**	19,018
Others	**11,545**	4,279
	187,975	132,013

Note:

(a) Europe mainly include France, Norway, Spain, Ireland and United Kingdom.

(b) Non-current assets

	2023	2022
	RMB'000	*RMB'000*
The People's Republic of China (including Hong Kong)	**39,485**	49,065
The U.S.	**3,438**	–
The United Kingdom ("**U.K.**")	**111**	1,096
	43,034	50,161

The non-current asset information above is presented based on the locations of the assets.

Information about major customers

Revenue from major customers with did not consist any related parties of the corresponding year contributing over 10% of the total revenue of the Group is as follows:

	2023	2022
	RMB'000	*RMB'000*
Customer 1	**N/A****	18,607
Customer 2	**46,951**	33,891

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

5. REVENUE

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

An analysis of revenue is as follows:

	2023	2022
	RMB'000	*RMB'000*
Revenue		
Recognised at a point of time:		
Manufacture and sales of sofas, sofa cover and other furniture products	**187,967**	131,725
Commission income	**8**	288
	187,975	132,013

6. OTHER INCOME AND GAINS, NET AND GAIN ON DEBT RESTRUCTURING

	2023	2022
	RMB'000	*RMB'000*
Other income and gains, net		
Interest income	**63**	133
Gain on termination of leases	**1,299**	8,460
(Loss)/gain on disposal of property, plant and equipment	**(478)**	2,132
Gain on modification of convertible loan	**–**	5,597
Gain on modification of lease	**187**	–
Government subsidies	**17**	4,412
Rental income	**–**	150
Compensation income	**–**	13,370
Bad debt recovery	**1,506**	–
Others	**375**	320
	2,969	34,574

Gain on debt restructuring

In relation to the pre-restructuring applications filed by Zhejiang Apollo Leather Products Co., Ltd. (浙江阿波羅皮革製品有限公司) and Zhejiang Morris Fashion Home Co., Ltd. (浙江慕容時尚家居有限公司) (collectively, the "**Relevant Subsidiaries**") with the People's Court of Haining City (the "**Court**") on 19 January 2022 for the formulation of pre-restructuring plans to resolve their debt positions.

Upon the pre-restructuring application and the appointment of the provisional administrators by the Court, on 13 May 2022, the Court accepted the restructuring application of the Relevant Subsidiaries on a consolidated basis (the "**Restructuring**").

The proposal for the Restructuring of the Relevant Subsidiaries (the "**Restructuring Proposal**") will become effective and binding on the Relevant Subsidiaries and all creditors subject to (a) the approval by a simple majority in number of the creditors present and voting at each of the creditors' class meetings, and the amount of debts of which creditors representing more than two-thirds in the total amount of debts in each of the classes of creditors; (b) the entering into of the subscription agreement between the potential subscriber and the Company; and (c) the approval of the Court. If the Restructuring Proposal is not passed at the creditors' meeting, or the Restructuring Proposal passed at the creditors' meeting is not approved by the Court, the Court will terminate the Restructuring procedures and declare the Relevant Subsidiaries insolvent.

The Group's Restructuring Proposal was passed by the requisite majority of creditors of the Relevant Subsidiaries at the meeting of Restructuring Proposal. The Restructuring Proposal has been sanctioned by the People's Court of Haining City in the PRC on 5 August 2022. Since then, the Restructuring Proposal became effective on 5 August 2022. The Restructuring Proposal administrators have received the preference indication forms from all Restructuring Proposal creditors and the admitted claims have been allocated in the following manner:

Under the terms of the Restructuring Proposal ("**Option A**"), full repayment of admitted claims will be made to the Option A creditors and the repayment date will be extended for a period of eight years beginning from the effective date on 5 August 2022. The Company will repay the outstanding debt by the repayment schedule of the following: In the sixth year, the Company shall make a repayment of not less than 20% of the remaining debt. In the seventh year, the Company shall make a repayment of not less than 30% of the remaining debt. In the eighth year, the Company shall repay the remaining outstanding debt.

Under the terms of the Restructuring Proposal ("**Option B**"), (1) for each creditor with a debt amount of less than RMB30,000 will be fully repaid in cash within three months from the date of court approval of the Restructuring Proposal; (2) for creditors with a debt amount of RMB30,000 or more, 20% of the portion exceeding RMB30,000 (excluding the principal) will be repaid. The Company will repay this portion in cash, based on a 20% proportion, within three months from the date of court approval of the restructuring plan; (3) any remaining unpaid debts will be transferred to a designated third party, as agreed upon by the transferring creditors. The transferring creditors agreed to transfer their rights and interests related to the unpaid portion of debts (including related joint guarantee rights and other subsidiary rights) to the designated third party assigned by Mr. Zou. Mr. Zou and the designated third party are willing to pay 30% of the transfer amount as the purchase price for the transferred debts. The specific payment method, deadline, and other details will be governed by the agreement between the creditors and Mr. Zou, and it is not within the scope of this restructuring plan's execution.

Under the terms of the Restructuring Proposal ("**Option C**"), (1) for each creditor with a debt amount of less than RMB30,000 will be fully repaid in cash within three months from the date of court approval of the Restructuring Proposal; (2) for creditors with a debt amount of RMB30,000 or more, 20% of the portion exceeding RMB30,000 (excluding the principal) will be repaid. The Company will repay this portion in cash, based on a 20% proportion, within three months from the date of court approval of the restructuring plan.

Pursuant to the Restructuring Proposal, the liabilities of the Restructuring Proposal, amounted to approximately RMB292,290,000 have been discharged and allocated into Option A, B or C. Accordingly, a gain on debt restructuring of approximately RMB92,434,000 has been recognised for the year ended 31 December 2023.

For more details, please refer to the announcements of the Company dated 19 January 2022, 22 April 2022, 13 May 2022 and 18 August 2022.

	RMB'000
Liabilities assumed pursuant to the Restructuring Proposal:	
Trade and bills payable	(50,751)
Other payables and accruals	(82,261)
Borrowings	(66,844)
	(199,856)
Liabilities discharged pursuant to the Restructuring Proposal:	
Trade and bills payable	124,134
Other payables and accruals	101,312
Borrowings	66,844
	292,290
Gain on debt restructuring	92,434

7. FINANCE COSTS

	2023	2022
	RMB'000	*RMB'000*
Interest on bank and other borrowings	**5,887**	1,490
Interest on discount trade bills	**–**	398
Interest on convertible loan	**3,541**	3,578
Interest on lease liabilities	**4,561**	2,035
	13,989	7,501

8. LOSS BEFORE TAX

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

	2023	2022
	RMB'000	*RMB'000*
Cost of inventories sold	**146,132**	109,890
Provision/(reversal) against obsolete and slow-moving inventories	**(27,621)**	20,123
Cost of sales	**118,511**	130,013
Depreciation of property, plant and equipment	**3,707**	3,547
Depreciation of right-of-use assets	**26,329**	10,748
Expense relating to short-term lease	**1,360**	18,417
Written off of property, plant and equipment**	**102**	3,378
Auditors' remuneration:		
Audit and audit related services	**1,446**	1,433
Employee benefit expenses (excluding directors' and chief executives remuneration):		
Salaries, wages and benefits in kind	**48,374**	103,840
Share-based payment	**498**	–
Pension scheme contributions*	**5,044**	7,669
	53,916	111,509
Allowance for expected credit losses in respect of trade receivables, net	**16,449**	7,349
Allowance for expected credit losses in respect of prepayments, deposits and other receivables, net	**15,974**	11,783
Allowance for expected credit losses in respect of amounts due from related companies, net	**182**	34
Product warranty additional provision	**943**	461
Loss on deregistration of a subsidiary	**3,952**	15
(Gain)/loss on derivative financial instruments	**(305)**	293
Loss on sales of raw materials**	**16,488**	11,509
Exchange (gain)/losses**	**(151)**	7,183

* At 31 December 2023, the Group had no forfeited contributions available to reduce its contributions to pension schemes in future years (2022: RMBnil).

** The above items are included in "Other expenses and losses" on the face of the consolidated statement of profit or loss and other comprehensive income.

9. INCOME TAX CREDIT

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.

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, 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%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

PRC subsidiaries are subject to the PRC Enterprise Income Tax at 25% during the year (2022: 25%).

The U.S. corporate tax rate is 21% for the year ended 31 December 2023 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 2023 (2022: a fixed rate of 21%) on the estimated U.S. federal taxable income and (b) state income tax to 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.

A change to the main U.K. corporation tax rate, announced in the Budget on 11 March 2020, was substantively enacted on 17 March 2020. The rate applicable from 1 April 2020 now remains at 19%, rather than the previously enacted reduction to 17%. Deferred taxes are calculated based on the rates enacted in respect of future periods as at the reporting date. Pursuant to the income tax rules and regulations of U.K., the subsidiary comprising the Group in U.K. is liable to U.K. at a tax rate of 19% for the years ended 31 December 2023 and 2022.

	2023	2022
	RMB'000	*RMB'000*
Current – Hong Kong		
– Over-provision in prior year	**(68)**	(798)
Deferred tax	**–**	(34)
Tax credit for the year	**(68)**	(832)

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

The calculation of basic loss per share amount for the year ended 31 December 2023 was based on the loss for the year attributable to ordinary equity holders of the Company of approximately RMB24,728,000 (2022: approximately RMB199,679,000), and the weighted average number of ordinary shares of 2,674,188,000 after excluding treasury shares (2022: 1,427,475,671) in issue during the year.

For the years ended 31 December 2023 and 2022, no adjustment has been made to the basic loss per share amounts as the Group had no potentially dilutive ordinary shares in issue.

11. DIVIDEND

The board of directors did not recommend the payment of dividend for the year ended 31 December 2023 (2022: RMBnil).

12. TRADE RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Trade receivables from third parties	**52,817**	52,098
Less: allowance for expected credit losses	**(35,405)**	(18,956)
	17,412	33,142

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 receivables balances. Trade receivables are non-interest bearing.

An ageing analysis of trade receivables as at the end of the reporting period, based on the invoice date and net of provision, is as follows:

	2023	2022
	RMB'000	*RMB'000*
Within 3 months	**16,708**	29,777
4 to 6 months	**686**	1,389
7 to 12 months	**18**	1,976
	17,412	33,142

13. TRADE AND BILLS PAYABLES

	2023	2022
	RMB'000	*RMB'000*
Trade payables to third parties	**46,073**	84,941
Bills payables		
– arising from intra-group purchases *(Note)*	**–**	58,995
	46,073	143,936

Note: The balance represented bills payables which were issued among subsidiaries of the Group for intra-group transactions whereby the corresponding bills receivables have been discounted or endorsed to third parties prior to the maturity dates of the bills.

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:

	2023	2022
	RMB'000	*RMB'000*
Within 1 month	**17,778**	18,156
1 to 3 months	**7,167**	440
4 to 6 months	**3,533**	1,699
Over 6 months	**17,595**	123,641
	46,073	143,936

The trade and bills payables are non-interest-bearing. Trade payables are normally settled on terms of 30 to 180 days while bills payables are settled on a term of 90 to 270 days.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Throughout the Reporting Period, market demand has not fully returned to pre-pandemic levels. Additionally, the impact of US tariffs on our products and the cautious ordering habits of downstream customers continued to affect overall revenue. Despite facing dynamic market environment and operational challenges, the Group remained resilient and committed to overcoming these obstacles. With a determined outlook, it has been steadily returning to the right track of growth and progress.

The Group capitalized on the opportunities arising from the recovery of global economic activities and took several strategic measures to strengthen its operating performance. These initiatives encompassed the exploration of new markets, securing additional orders from existing customers through innovative product designs, and fostering continuous innovation across their product lines.

Recognizing the evolving market dynamics, the group proactively identified and pursued new market segments to expand its customer base. It further expanded into the US and Europe markets covering United Kingdom, France, Norway, Spain and Ireland. By closely collaborating with existing customers and increasing marketing efforts in the target markets, the Group gained valuable insights into the evolving needs to develop a series of innovative sofa products that addressed specific customer requirements, thereby solidifying their position as a trusted partner for the customers.

The Group's total revenue increased by 42.4%, which was mainly attributed to the increase in orders from US market and Europe, which contributed to 32.2% and 26.6% of total revenue respectively. PRC market including Hong Kong contributed to 35.1% of total revenue. Due to the increased revenue contribution and the stringent cost control measures, the net loss of the Group was narrowed down by 87.1% when compared with year 2022, and amounted to approximately RMB26.1 million (2022: approximately RMB202.6 million).

Business development in the U.S. and Europe

The U.S. and Europe remained as our major markets. Rebuilding customer confidence was not only crucial but also a significant accomplishment of our company's team efforts in these markets throughout the year. We have actively worked towards nurturing relationships with key customers, aiming to regain their confidence and establish a stable cooperation.

During the year, the Group continued to showcase its exceptional furniture and sofas at the High Point Market in the United States, the largest home furnishings industry trade show. It has also been reassuring the customers in the U.K. that the factory in PRC has restored to normal operation after the temporary suspension in 2022.

By implementing effective communication strategies, providing attentive customer service, along with a well-established supply chain and delivery of high-quality products, we have successfully rebuilt trust, forged stronger connections, resulting in a resurgence of new orders.

Retail business development in China and Hong Kong

As of 31 December 2023, the Group had a total of one flagship showroom and one self-operated retail store in Mainland China. In Hong Kong, the Group had a total of five self-operated retail stores in Sha Tin, Tsuen Wan, Kowloon Bay, Tseung Kwan O and Tai Kok Tsui, respectively and eight points of consignment sales in Tuen Mun, Kowloon Bay, Kwun Tong, Yuen Long, Wan Chai, Tsuen Wan, Fo Tan and Lai Chi Kok. The Group also introduced auxiliary decoration services to establish one-stop services including decoration and furniture setting, instilling its stylish home design concept into the Hong Kong market.

FINANCIAL REVIEW

For the year of 2023, the principal business activities of the Group comprise the manufacturing and sales of sofas, sofa covers and other furniture products.

During the year, the revenue of the Group amounted to approximately RMB188.0 million (2022: approximately RMB132.0 million), representing an increase of approximately 42.4% as compared with last year, which was mainly due to the overall improvement in global containment of COVID-19 pandemic, widespread vaccination efforts, and the subsequent economic recovery, which led to an increased demand for furniture products. Consequently, the Group achieved substantial improvements in operating results compared with the same period last year.

The net loss of the Group amounted to approximately RMB26.1 million during the year, representing a decrease of approximately 87.1% as compared with the net loss of RMB202.6 million in last year. The decrease in net loss were mainly attributable to the gain on restructuring approximately RMB92.4 million. If excluding the one-off gain on restructuring, the net loss would decreased by approximately 41.5% from approximately RMB202.6 million in 2022 to approximately RMB118.5 million in 2023.

The Company's basic and diluted loss per ordinary share was approximately RMB0.92 cents for the year of 2023 (2022: loss per ordinary share RMB13.99 cents) based on the loss for the year attributable to ordinary equity holders of the Company of approximately RMB24.7 million (2022: loss for the year RMB199.7 million), and the weighted average number of ordinary shares of 2,674,188,000 for the year of 2023 (2022: 1,427,475,671).

Cost of sales

The cost of sales of the Group decreased by approximately 8.8% from approximately RMB130.0 million in 2022 to approximately RMB118.5 million in 2023, which was primarily due to the decrease in the direct labour cost and the increase in discount given by the supplier.

Gross profit

The Group's gross profit for the year was approximately RMB69.5 million (2022: approximately RMB2.0 million), representing an increase of approximately 3,375% as compared with last year. The gross profit margin increased from 1.5% in 2022 to 37.0% in 2023. This increase is primarily attributable to the recovery of export business and resumption of manufacturing activities following the temporary suspension of the factories in PRC during 2022.

Other income and gains, net and gain on debt restructuring

The other income and gains, net and gain on debt restructuring of the Group increased from approximately RMB34.6 million in 2022 to approximately RMB95.4 million in 2023. Such increase was primarily due to the gain on debt restructuring and gain on termination of lease in 2023.

Selling and distribution expenses

The selling and distribution expenses of the Group increased by approximately 34.2% from approximately RMB36.3 million in 2022 to approximately RMB48.7 million in 2023. Such increase was primarily due to the increase in marketing and promotion expenses. In particular, there was an increase in the expenditure of expanding and strengthening our sales channels network in our major markets after the resumption of manufacturing activities in the PRC during the 2023.

Administrative expenses

The administrative expenses of the Group decreased by approximately 57.0% from approximately RMB150.8 million in 2022 to approximately RMB64.9 million in 2023, which was primarily attributed to the one-off redundancy payment due to the suspension of the Group in PRC and administrator fees of restructuring plan in 2022.

Finance costs

The finance costs of the Group increased by approximately 86.7% from approximately RMB7.5 million in 2022 to approximately RMB14.0 million in 2023, which was primarily due to the increase in interest on bank and other borrowings.

Income tax credit

The income tax credit of the Group was approximately RMB0.1 million in 2023 (2022: approximately RMB0.8 million). The income tax credit in 2023 was mainly attributable to the over-provision in prior year.

LIQUIDITY AND CAPITAL RESOURCES

Borrowing and pledge of assets

As at 31 December 2023, the Group's interest-bearing bank and other borrowings amounted to approximately RMB163.2 million, of which RMB67.5 million were shareholder loan with unsecured and repayable within one year or on demand. The bank and other borrowings' interest rates ranged between 5.0% to 8.0% per annum.

Gearing ratio

The gearing ratio of the Group, which is total debts (comprised of amounts due to related companies, lease liabilities, convertible loan and interest-bearing bank and other borrowings) divided by equity attributable to owners of the Company as at the end of the year and multiplied by 100%. The gearing ratio of the Group was not applicable as at 31 December 2023 and 2022.

Capital commitments

The Group did not have any capital commitment as at 31 December 2023 and 2022.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 31 December 2023.

Trade receivables

The trade receivables of the Group decreased to approximately RMB17.4 million (2022: approximately RMB33.1 million) as at 31 December 2023, primarily due to the increase in allowance for expected credit losses from approximately RMB19.0 million in 2022 to approximately RMB35.4 million in 2023.

Trade and bills payables

The trade and bills payables of the Group decreased to approximately RMB46.1 million (2022: approximately RMB143.9 million) as at 31 December 2023, primarily due to the debt reduction after the completion of restructuring proposal during 2023.

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 2023, the Group did not experience any material difficulties or impacts on its operations or liquidity as a result of currency exchange fluctuation. 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 if and when appropriate.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Pursuant to a stock purchase agreement dated 16 May 2023, the Company has subscribed for 423 shares of Series Angel Preferred Stock in Charme Inc. for the consideration of US$1,600,000. Upon completion, the Company holds 15.9804% of the shares in Charme Inc.. Charme Inc. is principally engaged in developing and sales of adjustable beds and medical beds to overseas markets. For more details, please refer to the Company's announcements dated 16 May 2023 and 7 July 2023. Save as disclosed above, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during 2023.

SIGNIFICANT INVESTMENTS

The Group did not hold any significant investments as at 31 December 2023 save as those disclosed in this announcement.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no plan authorised by the Board for material investments or additions of capital assets at the date of this announcement.

GOING CONCERN

The Group incurred a loss attributable to owners of the Company of approximately RMB24,728,000 for the year ended 31 December 2023 and as at 31 December 2023, the Group had net current liabilities and net liabilities of approximately RMB111,024,000 and RMB152,531,000 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. The directors have prepared the consolidated financial statements based on going concern on the assumptions and measures that:

In view of the above circumstances, the directors of the Company have given careful consideration to the future liquidity and financial position of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain plans and measures have been taken to mitigate the liquidity position and to improve the Group's financial position which include, but are not limited to, the followings:

(i) The substantial shareholder of the Company, Mr. Tse Kam Pang, has provided to the Company an unsecured loan facility in the principal amount of up to HK$200,000,000 to enable the Group to continue as a going concern and to settle its liabilities as and when they fall due. For further details please refer to the Company's announcement dated on 5 May 2023. As at 31 December 2023, the Group had unutilised loan facility amounting to approximately HK$125.9 million;

(ii) The Group will take steps to obtain external funding in order to improve the working capital and liquidity and cash flow position of the Group;

(iii) The Group is taking measures to tighten cost controls with an aim to attain positive cash flows from operations;

(iv) The Group is currently re-negotiating the repayment schedules with certain of its debtors and endeavoring to request them to repay the trade receivables, other receivables and amounts due from related companies in accordance with the repayment schedules to be agreed with them; and

(v) The Group has actively negotiated with stakeholders for the purpose of obtaining further financing when necessary, including but not limited to shareholder's loan, equity financing, bank borrowing and issuance of new convertible bonds to improve the liquidity of the Group.

The directors of the Company are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as they fall due within twelve months from the date of approval of the consolidated financial statements. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, since the execution of the above plans and measures are in progress, material uncertainties exist as to whether management of the Group will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to meet its future working capital and financing requirements.

Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised other than at the amounts at which they are currently carried in the consolidated statement of financial position. The effect of these adjustments has not been reflected in the consolidated financial statements.

While the above indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern, the Company understands that the opinion of the Company's auditor is not modified in respect of this matter.

EXTRACT OF INDEPENDENT AUDITORS' REPORT

The following is an extract of the independent auditors' report on the Group's annual financial statements for the year ended 31 December 2023:

QUALIFIED OPINION

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group at 31 December 2023, 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 (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

Scope limitation on amounts due from and to related parties

As disclosed in Notes 23 and 33(c), included in amounts due from related companies and amounts due to related companies as at 31 December 2023 were balances of approximately RMB176,199,000 and RMB44,534,000 respectively which are the carrying amounts of the balances due from and to, respectively, entities which are controlled by an executive director of the Company who also has shareholding interests of 24.24% in the Company (the "**Related Parties**").

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves that the carrying amounts of the balances due from and to the Related Parties as at 31 December 2023 were not materially misstated because we were unable to obtain direct confirmations from the Related Parties or have access to the management or relevant personnel of the Related Parties. There were no other alternative audit procedures that we could carry out to obtain sufficient and appropriate audit evidence to satisfy ourselves about the existence, accuracy, valuation and completeness of these balances as at 31 December 2023.

Further, the Group has recognized allowance for expected credit loss on the balances due from the Related Parties of approximately RMB182,000 for the year ended 31 December 2023 and RMB1,241,000 as at 31 December 2023. We were not provided by management of the Company with the necessary financial, corporate, operating and business information about the Related Parties to support the impairment assessment of the balances due from the Related Parties as at 31 December 2023.

Accordingly, we were unable to satisfy ourselves as to whether the amounts due from and to the Related Parties were fairly stated. Any adjustments found to be necessary to the carrying amounts of the balances due from and to the Related Parties as at 31 December 2023 may also have a consequential significant impact on the expected credit loss on the balances due from the Related Parties of approximately RMB182,000 for the year ended 31 December 2023 that was recognized in consolidated profit or loss, the loss of the Group for the year ended 31 December 2023 and the Group's net liabilities as at 31 December 2023 and the related elements presented or disclosed in the consolidated financial statements.

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 qualified opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2.1 in the consolidated financial statements, which indicates that the Group incurred a loss attributable to owners of the Company of approximately RMB24,728,000 for the year ended 31 December 2023 and as at 31 December 2023, the Group had net current liabilities and net liabilities of approximately RMB111,024,000 and RMB152,531,000 respectively. As stated in Note 2.1, these events or conditions, along with other matters as set forth in Note 2.1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. This matter did not contribute to our issuance of qualified opinion.

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 2023, the Group employed 338 employees (31 December 2022: 350 employees). The total annual salary and related costs (excluding directors' remuneration) for 2023 were approximately RMB53.9 million (2022: RMB111.5 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 12 January 2017, the date on which the Shares were listed on the Stock Exchange (the "**Listing Date**"), up to 31 December 2023 and there were no outstanding share options under the share option scheme as at 31 December 2023 and the date of this announcement.

OUTLOOK

In the new year, the market environment is still unpredictable, the Group will operate in a light asset model to reduce operational pressure and operational risk, and will continue to expand the existing markets, including the United States, Europe and Mainland China. Through the change of management team, the Board is confident that it can bring more positive benefits and possibilities to the Company, and lead the Company to focus on effective cost control to realize maximum operational benefits and enhance shareholders' confidence in the Company's future prospects.

EVENT AFTER THE REPORTING PERIOD

References are made to the announcements of the Company dated 9 February 2024 and 19 March 2024. The Company announced details of certain amount due ("**Amount Due**") from companies controlled by Mr. Zou Gebing (the "**Zou Entities**") in the amount of RMB122 million in relation to certain historical transactions of the Group. Mr. Zou Gebing is a substantial shareholder of the Company and was formerly an executive Director until 8 January 2024. As Morris Capital has not paid the Group a part of the consideration for the disposal of Masia Investment Limited ("**Masia**"), the Company has served an enforcement notice on Morris Capital and is currently seeking to complete relevant procedures for the enforcement of the share charge provided by Morris Capital in respect of the entire issued share capital in Masia, subject to completion of relevant registration and filing requirements in respect of the share capital of Masia.

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 2023.

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 C3 to the Listing Rules as a code of conduct of the Company for Directors' securities transactions. The Company has made specific enquiry with its incumbent Directors regarding 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 regarding directors' securities transactions throughout the Reporting Period.

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 principle of the Company's corporate governance is to promote effective internal control and risk management measures, uphold a high standard of ethics, transparency, responsibility and integrity in all aspects, and to ensure that its affairs are conducted in accordance with applicable laws and regulations. The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of Shareholders, enhance corporate value and formulate its business strategies and policies. 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 C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") during 2023 and up to the date of this announcement.

Code Provision D.1.2 of the Corporate Governance Code provides that management should provide members of the board with monthly updates giving a balanced and understandable assessment of the issuer's performance, position and prospects in sufficient details to enable the board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules. Although the management of the Company did not provide a regular monthly update to the members of the Board, the management keeps providing information and updates to the members of the Board as and when appropriate. 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 RMB7.07, translations of Hong Kong dollars to RMB have been made at the rate of HK$1 to RMB0.91 and translations of GBP to RMB have been made at the rate of GBP1 to RMB9.00. 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.

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 Prof. Kwan Pun Fong Vincent (Chairman), Ms. Chen Jianhua, Prof. Lee Chack Fan and Prof. Alfred Sit Wing Hang. They are all independent non-executive Directors.

The Audit Committee reviewed, among other things, the audited financial statements for 2023 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.

DIVIDEND

The board of directors did not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: RMBnil).

SCOPE OF WORK OF AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Reporting Period as set out in the preliminary announcement have been agreed by the Group's auditor, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group's audited consolidated financial statements for the Reporting Period. The work performed by the Group's auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by HLB Hodgson Impey Cheng Limited on this announcement.

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 2023 Annual Report will be despatched to the shareholders of the Company and published on the website of the Company and the Stock Exchange in due course.

APPRECIATION

The Company would like to take this opportunity to thank the 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.

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

Hong Kong, 28 March 2024

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