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 2016

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately 1.6% to approximately RMB941.6 million in FY2016 (FY2015: approximately RMB926.5 million)
- Gross profit increased by approximately 23.0% to approximately RMB270.6 million in FY2016 (FY2015: approximately RMB219.9 million)
- Profit for the year decreased by approximately 2.9% to approximately RMB80.7 million in FY2016 (FY2015: approximately RMB83.1 million)
- Profit before tax excluding the one-off listing expenses in FY2016 and FY2015 and the gain on disposal of a subsidiary recorded in FY2015 increased by approximately 41.8% to approximately RMB134.7 million in FY2016 (FY2015: approximately RMB95.0 million)
- Basic earnings per share decreased by approximately 2.9% to approximately RMB10.76 cents in FY2016 (FY2015: approximately RMB11.08 cents)
- The Board proposed to declare final dividend of HK1.8 cents per ordinary share (FY2015: Nil) and a special dividend of HK8.7 cents per ordinary share (FY2015: Nil) for the year ended 31 December 2016

The board (the "**Board**") of directors (the "**Directors**") of Morris Holdings Limited (the "**Company**") is pleased to announce that the consolidated financial results of the Company and its subsidiaries (the "**Group**") for the financial year ended 31 December 2016 ("**FY2016**" or the "**Reporting Period**") together with the comparative figures for the previous financial year ended 31 December 2015 ("**FY2015**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Revenue	5	**941,617**	926,471
Cost of sales		**(671,050)**	(706,557)
Gross profit		**270,567**	219,914
Other income and gains		**16,449**	34,968
Selling and distribution expenses		**(82,000)**	(79,873)
Administrative expenses		**(77,321)**	(51,102)
Other expenses and losses		**(1,318)**	(2,300)
Finance costs		**(14,332)**	(18,441)
Profit before tax	6	**112,045**	103,166
Income tax expense	7	**(31,369)**	(20,098)
Profit for the year		**80,676**	83,068
Other comprehensive income:			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements		**3,031**	1,909
Total comprehensive income for the year		**83,707**	84,977
Profit attributable to owners of the parent		**80,676**	83,068
Total comprehensive income attributable to owners of the parent		**83,707**	84,977
Earnings per share attributable to ordinary equity holders of the parent			
Basic and diluted (RMB cents)	8	**10.76**	11.08

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**44,092**	40,580
Prepaid land lease payment		**7,641**	7,309
Deferred tax assets		**2,986**	3,665
Total non-current assets		**54,719**	51,554
CURRENT ASSETS			
Inventories		**314,543**	200,833
Trade and bills receivables	*10*	**219,980**	283,812
Prepayments, deposits and other receivables		**218,294**	52,355
Due from related parties		**–**	193,197
Available-for-sale investment		**–**	26,000
Pledged deposits		**220,822**	96,477
Cash and cash equivalents		**73,647**	33,131
Total current assets		**1,047,286**	885,805
CURRENT LIABILITIES			
Trade and bills payables	*11*	**542,715**	476,463
Other payables and accruals		**72,863**	57,938
Due to related parties		**–**	95,647
Interest-bearing bank borrowings		**277,183**	198,116
Warranty provision		**2,790**	3,915
Income tax payables		**43,810**	30,116
Total current liabilities		**939,361**	862,195
NET CURRENT ASSETS		**107,925**	23,610
TOTAL ASSETS LESS CURRENT LIABILITIES		**162,644**	75,164
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**3,880**	107
Net assets		**158,764**	75,057
EQUITY			
Equity attributable to owners of the parent			
Share capital		**1**	1
Reserves		**158,763**	75,056
Total equity		**158,764**	75,057

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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 6707, 67/F, The Center, 99 Queen's Road Central, Hong Kong.

Subsequent to the year end, 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.

In preparation for the listing of the Company's shares (the "**Listing**") on the Stock Exchange, a business transfer agreement was entered into between Morris Group Co., Ltd. ("**Morris PRC**"), the Company and certain subsidiaries now comprising the Group, pursuant to which the furniture business formerly operated by the furniture division of Morris PRC was transferred to certain subsidiaries now comprising the Group and the business transfer (the "**Business Transfer**") was completed on 31 December 2015. Subsequent to the Business Transfer, certain subsidiaries now comprising the Group appointed Morris PRC as an agent in providing import and export business on behalf of them from 31 December 2015 to 30 April 2016 and extended to 30 June 2016 pursuant to a supplemental agreement dated 30 April 2016.

The furniture division of Morris PRC did not exist as a legal or statutory entity and no separate statutory accounts were therefore prepared. The financial statements of the furniture division of Morris PRC for the year ended 31 December 2015 has been prepared to reflect the historical results of operations and the historical assets and liabilities of the furniture business of Morris PRC for that year.

In order to rationalise the corporate structure of the Group in preparation for the Listing on the Stock Exchange, the Company and its subsidiaries now comprising the Group underwent a group reorganisation (the "**Reorganisation**") which was completed on 31 December 2015.

2. BASIS OF PRESENTATION

Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group. The companies now comprising the Group and the furniture division of Morris PRC were under common control of Mr. Zou Gebing and Ms. Wu Xiangfei (spouse of Mr. Zou Gebing) (collectively the "**Controlling Shareholders**") immediately before and after the completion of the Reorganisation. Prior to the completion of the Reorganisation, the financial statements have been prepared on a consolidated basis by applying the principles of merger method of accounting as if the Business Transfer and the Reorganisation had been completed on 1 January 2015.

3. BASIS OF PREPARATION

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

All HKFRSs effective for the accounting period commencing from 1 January 2016, together with the relevant transitional provisions, have been adopted by the Group in the preparation of its financial statements since 1 January 2015.

The financial statements have been prepared under the historical cost convention, except for an available-for-sale investment which has been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand ("**RMB'000**") except when otherwise indicated.

4. SEGMENT INFORMATION

For management purposes, the Group has only one reportable operating segment which is the manufacture and sale of sofas, sofa covers and other furniture products. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

5. REVENUE

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

	2016	2015
	RMB'000	*RMB'000*
Sales of goods	**941,617**	926,471

6. PROFIT BEFORE TAX

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

	2016	2015
	RMB'000	*RMB'000*
Cost of inventories sold	**669,210**	703,274
Loss on disposal of items of property, plant and equipment, net	**334**	834
(Reversal of provision)/provision against obsolete and slow-moving inventories	**(950)**	2,717
Write-down of inventories to net realisable value	**2,790**	–
Write-off of inventories	**–**	566
Impairment of trade receivables, net	**154**	1,366
Listing expenses	**22,622**	3,155
Gain on disposal of a subsidiary	**–**	(11,336)

7. 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. Hong Kong profits tax has been provided at the rate of 16.5% (FY2015: 16.5%) on the estimated assessable profits arising in Hong Kong. Under the income tax law of the People's Republic of China ("**PRC**"), companies with operations in Mainland China are subject to corporate income tax ("**CIT**") at a rate of 25% (FY2015: 25%) on the taxable income.

	2016	2015
	RMB'000	*RMB'000*
Current – PRC		
– Charge for the year	**18,587**	12,421
– Over-provision on prior year	**(627)**	–
Current – Hong Kong	**8,957**	7,272
Deferred	**4,452**	405
Tax charge for the year	**31,369**	20,098

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share amount for the year ended 31 December 2016 is based on the profit for the year attributable to ordinary equity holders of the parent of RMB80,676,000 (FY2015: RMB83,068,000), and the weighted average number of ordinary shares of 750,000,000 (FY2015: 750,000,000) in issue during the year.

The weighted average number of ordinary share used to calculate the basic earnings per share amounts for the years ended 31 December 2015 and 2016 was based on 750,000,000 ordinary shares, representing the 100 ordinary shares of the Company as at 1 January 2015, 99,900 ordinary shares of the Company issued under the Share Split ("**Share Split**") (note a) and 749,900,000 ordinary shares of the Company issued under the Capitalisation Issue ("**Capitalisation Issue**") (note b), as if these additional shares issued under the Share Split and the Capitalisation Issue had been in issue throughout the years ended 31 December 2015 and 2016.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2016 and 2015 as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2015 and 2016.

	2016	2015
Earnings		
Profit attributable to ordinary equity holders of the parent *(RMB'000)*	**80,676**	83,068
Shares		
Weighted average number of ordinary shares in issue	**750,000,000**	750,000,000
Basic and diluted earnings per share *(RMB cents)*	**10.76**	11.08

Notes:

(a) On 10 December 2016, each share of the Company of US$1 in the issued and unissued share capital of the Company was sub-divided into 1,000 shares of US$0.001 each, such that the authorised share capital of the Company became US$50,000 divided into 50,000,000 shares of US$0.001 each and the issued share capital of the Company became US$100 divided into 100,000 shares of US$0.001 each.

(b) Upon the creation of the Company's share premium account as a result of the global offering, an amount of US$749,900 (equivalent to approximately RMB5,185,000) standing to the credit of the share premium account of the Company has been capitalised on 12 January 2017 by applying such sum towards paying up in full at par a total of 749,900,000 ordinary shares for allotment and issue to the then existing shareholders.

9. DIVIDENDS

	2016	2015
	RMB'000	*RMB'000*
Final dividend Proposed subsequent to the Reporting Period – HK1.8 cents (FY2015: Nil) per ordinary share	**16,135**	–
Special dividend Proposed subsequent to the Reporting Period – HK8.7 cents (FY2015: Nil) per ordinary share	**76,840**	–
	92,975	–

The final dividend and special dividend for the year ended 31 December 2016 proposed subsequent to the Reporting Period have not been recognised as a liability at the end of the Reporting Period and are subject to the approval of the Company's Shareholders at the forthcoming annual general meeting ("**AGM**").

10. TRADE AND BILLS RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade receivables from third parties	**200,466**	169,429
Trade receivables from related companies	**–**	31,155
Impairment of trade receivables	**(159)**	–
Trade receivables, net	**200,307**	200,584
Bills receivable arising from intra-group sales	**19,673**	83,228
	219,980	283,812

The Group's trading terms with its customers are mainly on credit. The credit period is generally one to two months, extending up to two to three months for major customers. 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:

	2016	2015
	RMB'000	*RMB'000*
Within 3 months	**201,870**	205,266
4 to 6 months	**12,110**	36,837
7 to 12 months	**6,000**	41,386
Over 1 year	**–**	323
	219,980	283,812

11. TRADE AND BILLS PAYABLES

	2016	2015
	RMB'000	*RMB'000*
Trade payables to third parties	**297,466**	290,587
Trade payables to related companies	**–**	4
Bills payable		
– arising from intra-group purchases	**121,133**	152,900
– arising from third party purchases	**124,116**	32,972
	542,715	476,463

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:

	2016	2015
	RMB'000	*RMB'000*
Within 1 month	**177,558**	47,127
1 to 3 months	**163,753**	132,452
3 to 6 months	**180,468**	196,048
Over 6 months	**20,936**	100,836
	542,715	476,463

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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Benefiting from the Group's continual efforts in product innovation, productivity improvement and brand promotion, the Group has achieved favorable results in FY2016. The Group's revenue increased from approximately RMB926.5 million in FY2015 to approximately RMB941.6 million in FY2016, representing an increase of approximately 1.6%. The profit for the year decreased by approximately 2.9% from approximately RMB83.1 million in FY2015 to approximately RMB80.7 million in FY2016. If excluding the one-off listing expenses incurred in FY2016 and FY2015 and the gain on disposal of a subsidiary recorded in FY2015, the profit before tax would increase by approximately 41.8% from approximately RMB95.0 million in FY2015 to approximately RMB134.7 million in FY2016.

During FY2016, the Group focused on promoting its own brands, continuing development of new products and enhancing its production and operation efficiency, which thereby increases the Group's competitiveness in the sofa export industry.

The products of the Group are generally marketed under two brands, "Morris Holdings Limited" and "Morris Zou". The Group has been promoting the brands through the Group's direct sale stores in Zhejiang Province of the PRC as well as through "High Point Market" exhibitions in High Point, North Carolina, the U.S..

The Group has participated in a variety of marketing and promotion activities during FY2016, including participation in trade exhibitions and media marketing campaigns, and expansion of its sales team, to enhance its brand recognition and increase customers' awareness.

FINANCIAL REVIEW

The revenue of the Group increased from approximately RMB926.5 million in FY2015 to approximately RMB941.6 million in FY2016, representing an increase of approximately 1.6%. The profit for the year decreased by approximately 2.9% from approximately RMB83.1 million in FY2015 to approximately RMB80.7 million in FY2016. If excluding the one-off listing expenses incurred in FY2015 and FY2016 and the gain on disposal of a subsidiary recorded in FY2015, the profit for the period would increase by approximately 41.8% from approximately RMB95.0 million in FY2015 to approximately RMB134.7 million in FY2016. The Company's basic and diluted earnings per ordinary share was RMB10.76 cents in FY2016 (FY2015: RMB11.08 cents) based on the profit for the year attributable to ordinary equity holders of the parent of RMB80,676,000 (FY2015: RMB83,068,000), and the weighted average number of ordinary shares of 750,000,000 (FY2015: 750,000,000) in issue during the year. The weighted average number of ordinary shares represents the 100 ordinary shares of the Company as at 1 January 2015, 99,900 ordinary shares of the Company issued under the Share Split and 749,900,000 ordinary shares of the Company issued under the Capitalisation Issue, as if these additional shares issued under the Share Split and the Capitalisation Issue had been in issue throughout the years ended 31 December 2015 and 2016.

Revenue

The revenue of the Group increased by approximately 1.6%, from approximately RMB926.5 million in FY2015 to approximately RMB941.6 million in FY2016, which was primarily attributable to the depreciation of RMB against U.S. dollar. Sofa products continued to contribute as the major segment of sales, which was in line with the Group's strategy in developing its original brand manufacturing business model ("**OBM**"). The Group started to change 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 year.

Cost of sales

The cost of sales of the Group decreased by approximately 5.0% from approximately RMB706.6 million in FY2015 to approximately RMB671.1 million in FY2016, which was primarily due to the decrease in unit cost of some of the major raw materials and the decrease in sub-contracting fees.

Gross profit

The gross profit of the Group increased by approximately 23.0% from approximately RMB219.9 million in FY2015 to approximately RMB270.6 million in FY2016, which was primarily due to (i) the decrease in unit cost of some of the major raw materials and the decrease in sub-contracting fees; (ii) the depreciation of RMB against U.S. dollar since our products are mainly denominated in U.S. dollar while our raw materials are mainly settled in RMB; and (iii) the change of the business model to OBM. Our gross profit margin increased from approximately 23.7% in FY2015 to approximately 28.7% in FY2016.

Other income and gains

The other income and gains of the Group decreased by approximately 53.0% from approximately RMB35.0 million in FY2015 to approximately RMB16.4 million in FY2016. Such decrease was primarily due to an one-off gain of approximately RMB11.3 million from disposal of Haining Mengnu Leather Products Co., Ltd. recorded in FY2015.

Selling and distribution expenses

The selling and distribution expenses of the Group increased by approximately 2.7% from approximately RMB79.9 million in FY2015 to approximately RMB82.0 million in FY2016. Such increase was primarily due to the increase in marketing and promotion expenses. In particular, there was an increase in the exhibition fees due to increased exhibition area rented at the High Point Market held in High Point, North Carolina in the U.S., one of the largest home furnishings industry trade shows in the world.

Administrative expenses

The administrative expenses of the Group increased by approximately 51.3% from approximately RMB51.1 million in FY2015 to approximately RMB77.3 million in FY2016, which was primarily due to the listing expenses of approximately RMB22.6 million incurred in FY2016, as compared to the listing expenses of approximately RMB3.2 million incurred in FY2015.

Finance costs

The finance costs of the Group decreased from approximately RMB18.4 million in FY2015 to approximately RMB14.3 million in FY2016 primarily due to a lower average interest rate of bank borrowings in FY2016 compared to FY2015.

Income tax expense

The income tax expense of the Group increased by approximately 56.1% from approximately RMB20.1 million in FY2015 to approximately RMB31.4 million in FY2016. In addition, the effective tax rate increased from approximately 19.5% in FY2015 to approximately 28.0% in FY2016. The substantial increase in both income tax expense and effective tax rate in FY2016 was mainly attributable to (i) the impact of non-deductible expenses for tax of approximately RMB6.5 million which was mainly due to the listing expenses incurred in FY2016; (ii) a decrease in the impact of tax losses utilised from previous years by approximately RMB10.3 million; and partially offset by the impact of a super-deduction of eligible research and development expenditure of approximately RMB3.2 million in FY2016 arising from the manufacturing costs incurred by the Group that qualified for an additional 50% tax deduction for PRC corporate income tax purpose in accordance with the Circular on Improving the Policy on Extra Pre-tax Deduction of Research and Development Expenses (關於完善研究開發費用稅前加計扣除政策的通知) which was promulgated by the Ministry of Finance, the State Administration of Taxation and the Ministry of Science and Technology on 2 November 2015 and with effect from 1 January 2016.

Profit for the year

As a result of the foregoing, our profit for the year decreased by approximately 2.9% from approximately RMB83.1 million in FY2015 to approximately RMB80.7 million in FY2016. If excluding the one-off listing expenses incurred in FY2016 and FY2015 and gain on disposal of a subsidiary recorded in FY2015, the profit before tax would increase by approximately 41.8% from approximately RMB95.0 million for in FY2015 to approximately RMB134.7 million in FY2016.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital

For FY2016, cash and cash equivalents of the Group increased by approximately RMB40.5 million, which was comprised of the net cash flows used in operating activities of approximately RMB16.4 million, net cash flows used in investing activities of approximately RMB4.1 million, and net cash flows generated from financing activities of approximately RMB59.5 million, while approximately RMB1.5 million was the net effect of foreign exchange rate changes.

Borrowing and pledge of assets

As at 31 December 2016, the Group's interest-bearing bank borrowings amounted to approximately RMB277.2 million, all of which were repayable within twelve months from 31 December 2016. The bank loans' interest rates ranged between 1.4% to 7.4% per annum.

As at 31 December 2016, approximately RMB220.8 million restricted bank balances were pledged for bank borrowings and bills payables.

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 264.0% as at 31 December 2015 to approximately 174.6% as at 31 December 2016, which was primarily due to a greater proportional increase in our total equity than in interest-bearing bank borrowings during FY2016.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 December 2016.

Trade and bills receivables

The trade and bills receivables of the Group decreased to approximately RMB220.0 million as at 31 December 2016 (31 December 2015: RMB283.8 million), primarily due to the discounting of less low credit rating bills which could not satisfy the derecognition criteria of the relevant accounting standard, to obtain financing from banks.

Trade and bills payables

The trade and bills payables of the Group amounted to approximately RMB542.7 million as at 31 December 2016 (31 December 2015: RMB476.5 million). Average trade payables turnover days during FY2016 was approximately 159.9 days which was comparable to FY2015 of approximately 159.5 days.

Foreign exchange exposure

Revenue from major customers is mainly from the U.S. while the production mainly operates in the PRC. Accordingly, most of the revenue is received in U.S. dollar while 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 FY2016, 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 FY2016 and there was no hedging instruments outstanding as at FY2016. The Group will continue to monitor closely the exchange rate risk arising from its existing operations and new investments in future. The Group will further implement the necessary hedging arrangement to mitigate any significant foreign exchange risk when and if appropriate.

HUMAN RESOURCES MANAGEMENT

Quality and dedicated staff are indispensable assets to the Group's success in the competitive market. By providing comprehensive training and corporate culture education periodically, the employees are able to obtain on-going training and development in the sofa and furniture manufacturing industry. Furthermore, the Group offers competitive remuneration packages commensurate with industry practice and provides various fringe benefits to all employees. The Group reviews its human resources and remuneration policies periodically to ensure they are in line with market practice and regulatory requirements. As at 31 December 2016, the Group employed a work force of 1,996. The total salaries and related costs excluding the directors' remuneration for FY2016 amounted to approximately RMB139.5 million (FY2015: approximately RMB110.4 million).

EVENT AFTER THE REPORTING PERIOD

In connection with the Listing of the shares of the Company on the Stock Exchange, 250,000,000 new ordinary shares of US$0.001 each of the Company were issued at a price of HK$1.05 per ordinary share for a total cash consideration, before expenses, of HK$262,500,000 (equivalent to approximately RMB234,042,000). Dealings in the shares of the Company on the Stock Exchange commenced on 12 January 2017.

Upon the creation of the Company's share premium account as a result of the global offering, an amount of US$749,900 (equivalent to approximately RMB5,185,000) standing to the credit of the share premium account of the Company has been capitalised on 12 January 2017 by applying such sum towards paying up in full at par a total of 749,900,000 ordinary shares for allotment and issue to the then existing shareholders. Immediately following the completion of the global offering and the Capitalisation Issue, the total outstanding ordinary shares of the Company was 1,000,000,000 ordinary shares including the 250,000,000 ordinary shares issued upon the global offering.

OUTLOOK

In the coming year, with the recovery of the economies of the U.S. and other overseas markets, the Group intends to enhance the competitiveness of its own brand, "Morris Holdings Limited", by continuously developing new products, increasing promotion of the brand and improving its services. Furthermore, the Group plans to establish a new company in the U.S. which will be fully dedicated to market research, product marketing, brand building and after-sales service in the U.S. market. The Group aims to continue to increase its market share in the U.S. by strengthening existing business relationships with its customers and exploring new business relationships to expand its customer base. In addition, the Group also intends to engage sales representatives who will be fully dedicated to developing the Group's business in Australia and Europe.

In order to increase the Group's production capacity, it will accelerate the setting up of its production site in Cambodia, with an aim to commence operations in the first half of 2017. Simultaneously, the Group is also undergoing optimisation of its existing production lines to increase production capacity. In addition, a new PRC production facility with an estimated production capacity of 210,000 pieces of sofas per year was set up and started trial production in March 2017. The Group is planning to set up two more production facilities in the PRC in the long run to facilitate our future growth.

In addition, the Group maintains a positive outlook on the PRC sofa market and its growing potential, and it intends to establish "MorriSofa" as a new brand of smart features sofas in the PRC and Hong Kong. It will make use of its experience in the retail market, and allocate more resources to set up retail stores, e-commerce platforms and sales and marketing centers of "MorrisSofa" in Shanghai and Hong Kong, targeting middle class consumers. The Group is aiming to develop the PRC and Hong Kong retail markets by offering "high value for money" products, and strives to become an industry leader in smart features sofa in the next three to five years.

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 FY2016.

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 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as a code of conduct of the Company for Directors' securities transactions. The Company has made specific enquiry with all Directors and the relevant employees regarding any non-compliance with the Model Code during the period from 12 January 2017, the date on which the shares of the Company were listed on the Stock Exchange (the "**Listing Date**") to the date of this announcement, and they all confirmed that they had fully complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions throughout the period from the Listing Date to the date of this announcement.

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 of 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.

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 RMB6.91 and translations of Hong Kong dollars to RMB have been made at the rate of HK$1 to RMB0.89. 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 currently comprises three independent non-executive Directors, namely Mr. Shao Shaomin, Mr. Huang Wenli and Ms. Zhang Bingbing. The Audit Committee has reviewed with the management of the Company the consolidated financial statements of the Group for FY2016, 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 FY2016.

DIVIDEND

The Board recommended a payment of final dividend of HK1.8 cents per ordinary share and a special dividend of HK8.7 cents per ordinary share for the year ended 31 December 2016 payable on 15 June 2017 to all shareholders on the register of members of the Company on 7 June 2017 subject to approval by the shareholders in the forthcoming AGM.

CLOSURE OF REGISTER OF MEMBERS

Shareholders whose names appear on the Company's register of members on 31 May 2017, will be eligible to attend and vote at the AGM. The transfer books and register of members will be closed from 24 May 2017 to 31 May 2017, 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 23 May 2017.

Shareholders whose names appear on the Company's register of members on 7 June 2017, 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 6 June 2017 to 7 June 2017 (both days inclusive) for the purpose of ascertaining shareholders' entitlement to the proposed final dividend and the proposed special dividend. In order to qualify for the proposed final dividend and the proposed special 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 5 June 2017. The proposed final dividend and the proposed special dividend (the payment of which is subject to the shareholders' approval at the forthcoming AGM of the Company) is to be payable on 15 June 2017.

ANNUAL GENERAL MEETING

The AGM of the Company will be convened on 31 May 2017. 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.

By Order of the Board
Morris Holdings Limited
Zou Gebing
Chairman

Zhejiang, 28 March 2017

As at the date of this announcement, the executive Directors are Mr. Zou Gebing, Mr. Chen Guohua, Mr. Zeng Jin and Mr. Wang Ming; and the independent non-executive Directors are Mr. Shao Shaomin, Mr. Huang Wenli and Ms. Zhang Bingbing.