MORRIS
HOLDINGS LIMITED

MORRIS HOLDINGS LIMITED
慕容控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1575)

ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

- Revenue decreased by approximately 39.1% to approximately RMB980.3 million in 2019 (2018: approximately RMB1,610.0 million)
- Gross profit decreased by approximately 72.5% to approximately RMB117.6 million in 2019 (2018: approximately RMB428.0 million)
- Loss for the year was approximately RMB120.0 million in 2019 as compared with profit for the year of approximately RMB86.4 million in 2018
- Basic loss per share was approximately RMB11.98 cents in 2019 as compared with basic earnings per share of approximately RMB8.64 cents in 2018
- The Board did not recommend the payment of any dividend (2018: HK1.3 cents) for the year ended 31 December 2019

The board (the "**Board**") of directors (the "**Directors**") of Morris Holdings Limited (the "**Company**") announces the unaudited consolidated annual results (the "**Unaudited Annual Results**") of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2019 ("**2019**" or the "**Reporting Period**") together with the comparative figures for the year ended 31 December 2018 ("**2018**"). The Unaudited Annual Results have been prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRSs**") as below. For the reasons explained in the paragraph headed "Review of Unaudited Annual Results" in this announcement, the auditing process for the annual results of the Group for the year ended 31 December 2019 has not been completed.

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2019

	Notes	**2019** **RMB'000** **(Unaudited)**	2018 *RMB'000* (Audited)
Revenue	*5*	**980,298**	1,610,043
Cost of sales		**(862,681)**	(1,181,999)
Gross profit		**117,617**	428,044
Other income and gains	*6*	**82,585**	85,791
Allowance for expected credit losses in respect of financial assets carried at amortised cost, net		**(15,579)**	(2,331)
Selling and distribution expenses		**(191,938)**	(207,606)
Administrative expenses		**(117,073)**	(153,770)
Other expenses and losses		**(4,539)**	(24,972)
Finance costs	*7*	**(29,331)**	(24,870)
(Loss)/profit before tax	*8*	**(158,258)**	100,286
Income tax credit/(expense)	*9*	**38,253**	(13,881)
(Loss)/profit for the year		**(120,005)**	86,405
Other comprehensive (loss)/income:			
Other comprehensive (loss)/income may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements		**(17,504)**	15,814
Total comprehensive (loss)/income for the year		**(137,509)**	102,219
(Loss)/profit attributable to:			
Owners of the Company		**(119,751)**	86,405
Non-controlling interests		**(254)**	–
		(120,005)	86,405
Total comprehensive (loss)/income attributable to:			
Owners of the Company		**(137,247)**	102,219
Non-controlling interests		**(262)**	–
		(137,509)	102,219
(Loss)/earnings per share attributable to ordinary equity holders of the Company			
Basic and diluted *(RMB cents)*	*10*	**(11.98)**	8.64

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2019

	Notes	**2019 RMB'000 (Unaudited)**	2018 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**73,857**	59,096
Prepaid land lease payments		**–**	8,074
Right-of-use assets		**234,745**	–
Contingent consideration receivables		**234,425**	226,318
Deferred tax assets		**9,020**	6,866
Total non-current assets		**552,047**	300,354
CURRENT ASSETS			
Inventories		**169,509**	217,291
Trade and bills receivables	*12*	**217,018**	634,521
Prepayments, deposits and other receivables		**212,217**	62,082
Pledged deposits		**132,277**	93,976
Cash and cash equivalents		**71,046**	123,928
Total current assets		**802,067**	1,131,798
CURRENT LIABILITIES			
Trade and bills payables	*13*	**389,334**	416,766
Contract liabilities		**24,844**	17,967
Other payables and accruals		**63,240**	126,331
Amount due to a shareholder		**10,107**	9,978
Amount due to a related company		**80,310**	81,959
Interest-bearing bank borrowings		**220,815**	142,197
Warranty provision		**4,689**	4,943
Lease liabilities		**46,504**	–
Derivative financial instruments		**–**	2,521
Convertible loan		**99,986**	181,372
Income tax payables		**18,969**	68,923
Total current liabilities		**958,798**	1,052,957
NET CURRENT (LIABILITIES)/ ASSETS		**(156,731)**	78,841
TOTAL ASSETS LESS CURRENT LIABILITIES		**395,316**	379,195
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**2,888**	5,845
Accruals		**–**	6,029
Convertible loan		**9,602**	–
Lease liabilities		**176,709**	–
Total non-current liabilities		**189,199**	11,874
Net assets		**206,117**	367,321
EQUITY			
Share capital		**6,914**	6,914
Reserves		**199,465**	360,407
Equity attributable to owners of the Company		**206,379**	367,321
Non-controlling interests		**(262)**	–
Total equity		**206,117**	367,321

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL

The Company is an exempted company with limited liability incorporated in the Cayman Islands on 18 December 2013. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is located at Unit 2001, 20/F, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong.

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

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

This announcement has been approved for issue by the Board on 31 March 2020.

2. BASIS OF PREPARATION

This financial information has been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. It has been prepared under the historical cost convention. This announcement is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand ("**RMB'000**") except when otherwise indicated.

In preparing the unaudited consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group in light of the Group's net loss and net current liabilities of approximately RMB120,005,000 and RMB156,731,000 respectively as at 31 December 2019. The Directors have taken the following factors to consider the future liquidity which include, but not limited to the followings:

(i) Necessary facilities

The Group is in the process of negotiating with its bankers for the renewal and additional of bank facilities, and the restructuring of bank loan combination with an aim to transform the short-term bank loans to long-term bank loans, in order to meet the Group's working capital and financial requirements in the next 12 months.

(ii) Financial support and amount due to immediate holding company

Morris Capital Limited has agreed to provide the financial support for not less than 12 months from the year ended 31 December 2019.

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

The Group has applied the following new and amendments to HKFRSs (the "**New and Amendments to HKFRSs**") issued by the HKICPA for the first time in the current year:

HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2015–2017 Cycle
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments

Except as described below, the application of the New and Amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases ("**HKAS 17**"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessor

Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact on leases where the Group is the lessor. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and measured right-of-use assets at the carrying amount as if HKFRS 16 had been applied since commencement dates, but discounted using the incremental borrowing rates of the relevant group entities at the date of initial application by applying HKFRS 16.C8(b)(i) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease – by-lease basis, to the extent relevant to the respective lease contracts:

(i) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

(ii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

(iii) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment;

(iv) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options; and

(v) relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied by the relevant group entities range from 2.49% to 6.65%.

	RMB'000
	(Unaudited)
Operating lease commitment at 31 December 2018	249,266
Less: total future interest expenses	(56,158)
Present value of remaining lease payments, discounted using the incremental borrowing rate and lease liabilities recognised as at 1 January 2019	193,108
Less: short-term leases not recognised as liability	(2,640)
Less: practical expedient-leases with lease term ending within 12 months from date of initial application	(9,391)
Lease liabilities as at 1 January 2019	181,077
Analysis as:	
Current	22,735
Non-current	158,342
	181,077

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

	Notes	*RMB'000*
		(Unaudited)
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		170,993
Add: Reclassification from prepaid land lease payments	*(a)*	8,254
Less: Accrual lease liabilities	*(b)*	(7,101)
		172,146

Notes:

(a) Upfront payments for leasehold lands in Cambodia for own used properties were classified as prepaid land lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid land lease payments amounting to RMB180,000 and RMB8,074,000 respectively were reclassified to right-of-use assets.

(b) These relate to accrued lease liabilities for leases of properties in which the lessors provided rent-free period. The carrying amount of the lease incentive liabilities under other payables and accruals as at 1 January 2019 was adjusted to right-of-use assets at transition.

Impact on the unaudited consolidated financial statements

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	At 31 December 2018	**Reclassification**	**Leases**	**At 1 January 2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)
Non-current assets				
Right-of-use assets *(Note 1)*	–	1,153	170,993	172,146
Prepaid land leases payments *(Note 2)*	8,074	(8,074)	–	–
Total non-current assets	300,354	(6,921)	170,993	464,426
Current assets				
Prepayments, deposits and other receivables *(Note 2)*	62,082	(180)	–	61,902
Total current assets	1,131,798	(180)	–	1,131,618
Current liabilities				
Lease liabilities *(Note 1)*	–	–	22,735	22,735
Other payables and accruals	126,331	(1,072)	–	125,259
Total current liabilities	1,052,957	(1,072)	22,735	1,074,620
Net current assets	78,841	892	(22,735)	56,998
Non-current liabilities				
Lease liabilities *(Note 1)*	–	–	158,342	158,342
Accruals	6,029	(6,029)	–	–
Total non-current liabilities	11,874	(6,029)	158,342	164,187
Net assets	367,321	–	(10,084)	357,237
Equity				
Retained profits	360,407	–	(10,084)	350,323
Total equity	367,321	–	(10,084)	357,237

Notes:

(1) The application of HKFRS 16 to leases previously classified as operating leases under HKAS 17 resulted in the recognition of right-of-use assets of RMB170,993,000 and lease liabilities of RMB181,077,000 at the initial adoption of HKFRS 16.

(2) Upfront payments for leasehold lands in the Cambodia own used properties were classified as prepaid land lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid land lease payments amounting to RMB180,000 and RMB8,074,000 respectively were classified to right-of-use assets.

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

HKAS 1 and HKAS 8 (Amendments)	Definition of Material[1]
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform[1]
HKFRS 3 (Amendments)	Definition of a business[2]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 17	Insurance Contracts[3]

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

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

The Directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the unaudited 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 inter-segment sales		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
Segment revenue								
— External sales	**241,860**	222,448	**738,438**	1,387,595	**–**	–	**980,298**	1,610,043
— Internal sales	**–**	–	**64,803**	20,838	**(64,803)**	(20,838)	**–**	–
	241,860	222,448	**803,241**	1,408,433	**(64,803)**	(20,838)	**980,298**	1,610,043
Segment (loss)/profit	**(12,783)**	(60,991)	**(126,781)**	176,173	**(148)**	13	**(139,712)**	115,195
Interest income							**1,357**	2,218
Fair value change on derivative component of convertible loan							**2,530**	27,501
Fair value change on contingent consideration receivables							**5,257**	2,799
Loss on remeasurement of liability component of convertible loan							**–**	(24,609)
Unallocated corporate expenses							**(19,686)**	(7,658)
Unallocated finance costs							**(8,004)**	(15,160)
(Loss)/profit before taxation							**(158,258)**	100,286

Segment (loss)/profit represents the (loss from)/profit earned by each segment without allocation of interests income, fair value change on derivative component of convertible loan, fair value change on contingent consideration receivables, loss on remeasurement of liability component of convertible loan, unallocated corporate expenses, and unallocated finance costs. This is the measure reported to the Board for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

Segment assets and liabilities

	Retail segment		Manufacturing segment		Consolidated	
	2019	2018	**2019**	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
Segment assets	**293,518**	91,490	**825,207**	1,098,492	**1,118,725**	1,189,982
Unallocated corporate assets					**235,389**	242,170
Consolidated assets					**1,354,114**	1,432,152
Segment liabilities	**272,523**	60,527	**662,022**	714,994	**934,545**	775,521
Unallocated corporate liabilities					**213,452**	289,310
Consolidated liabilities					**1,147,997**	1,064,831

For the purpose of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than unallocated corporate assets (mainly comprising contingent consideration receivables and other unallocated corporate assets); and
- all liabilities are allocated to operating segments other than unallocated corporate liabilities (mainly comprising amount due to a related company, derivative financial instruments, convertible loan and other unallocated corporate liabilities).

Other segment information

	Retail segment		Manufacturing segment		Unallocated		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
Addition of property, plant and equipment	**3,017**	4,340	**25,137**	6,529	**–**	–	**28,154**	10,869
Depreciation of property, plant and equipment	**3,835**	2,917	**5,751**	7,019	**–**	–	**9,586**	9,936
Depreciation of right-of-use assets	**46,437**	–	**3,782**	–	**–**	–	**50,219**	–
Amortisation of prepaid land lease payments	**–**	–	**–**	–	**–**	159	**–**	159
Impairment loss on trade and bill receivables	**421**	4	**15,155**	1,822	**–**	–	**15,576**	1,826
Impairment loss on prepayments, deposits and other receivables	**2**	7	**1**	5	**–**	–	**3**	12
Finance costs	**12,851**	1,582	**8,476**	8,128	**8,004**	15,160	**29,331**	24,870

Information about major customers

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

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Customer 1	**N/A***	239,207
Customer 2	**208,518**	180,591
Customer 3	**N/A***	164,276
Customer 4	**N/A***	164,046
Customer 5	**100,847**	N/A*

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

Geographical information

(a) Revenue from external customers

Geographical information in respect of revenue from external customers is not presented since most of the Group's revenue from external customers, based on the locations of the products delivered to the customers, is generated in the United States of America (the "**U.S.**"). Accordingly, in the opinion of the Directors, the presentation of geographical information would provide no additional useful information to the users of the financial statements.

(b) Non-current assets

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
People's Republic of China (including Hong Kong)	**88,579**	21,073
Cambodia	**36,387**	42,345
The U.S.	**183,460**	3,752
The United Kingdom	**176**	–
	308,602	67,170

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

5. REVENUE

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

	2019 *RMB'000* (Unaudited)	2018 *RMB'000* (Audited)
Recognised at a point in time		
Manufacture and sales of sofa, sofa covers and other furniture products	**980,298**	1,610,043

As at 31 December 2019, the aggregate amount of the transaction price allocated to the remaining performance obligation under the Group's existing manufacture and sales of sofa, sofa covers and other furniture products is approximately RMB24,844,000 and the Group will recognise this revenue in 2020.

6. OTHER INCOME AND GAINS

	2019 *RMB'000* (Unaudited)	2018 *RMB'000* (Audited)
Interest income	**1,357**	2,218
Exchange gains, net	**28,040**	8,213
Government subsidies	**27,302**	2,312
Gain on disposal of property, plant and equipment	**15**	3,775
Rental income	**6,010**	1,084
Fair value change on derivative component of convertible loan	**2,530**	27,501
Sales of raw materials	**134**	9,327
Repair service income	**9,180**	9,129
Compensation on factory relocation	**–**	15,846
Fair value change on contingent consideration receivables	**5,257**	2,799
Others	**2,760**	3,587
	82,585	85,791

7. FINANCE COSTS

	2019 *RMB'000* (Unaudited)	2018 *RMB'000* (Audited)
Interest on bank loans	**6,041**	9,793
Interest on discounted trade bills	**1,832**	–
Interest on convertible loan	**7,931**	15,077
Interest on lease liabilities	**13,527**	–
	29,331	24,870

8. (LOSS)/PROFIT BEFORE TAX

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

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Cost of inventories sold	**850,230**	1,200,745
Provision/(reversal of provision) against obsolete and slow-moving inventories	**12,451**	(18,804)
Write-down of inventories to net realisable value	**–**	58
Depreciation of property, plant and equipment	**9,586**	9,936
Depreciation of right-of-use assets	**50,219**	–
Expense relating to short-term lease	**2,844**	–
Impairment loss on trade and bills receivables, net	**15,576**	1,826
Impairment loss on other receivables and deposits, net	**3**	12
Loss on remeasurement of liability component of convertible loan	**–**	24,609
Foreign exchange differences, net	**(28,040)**	(8,213)

9. INCOME TAX CREDIT/(EXPENSE)

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("**BVI**"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

PRC subsidiaries are subject to the PRC Enterprise Income Tax at 25% during the year (2018: 25%). Pursuant to the relevant laws and regulations in the PRC, Zhejiang Morris Fashion Home Co., Ltd. ("**Fashion Home**") and Zhejiang Apollo Leather Products Co., Ltd. ("**Apollo**"), which qualified as High and New Technology Enterprises ("**HNTE**") in 30 November 2018, were entitled to a reduced enterprise income tax rate of 15%. During the year ended 31 December 2019 and 2018, Fashion Home and Apollo applied the qualification of HNTE and are entitled to the reduced tax rate of 15% until the year ended 30 November 2021.

The U.S. corporate tax rate is 21% for the year ended 31 December 2019 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 2019 (2018: a fixed rate of 21%) on the estimated U.S. federal taxable income and (b) state income tax calculated at various state income tax rates for both periods on the estimated state taxable income for the respective states. The income subject to tax in a specific state (i.e. state taxable income) is calculated based on the federal taxable income with state tax adjustments, which is then allocated or apportioned to the respective states (i.e. percentage of taxable income that should be apportioned or specially allocated to the respective states in which the Group operates) based on the apportionment factors provided from the state tax returns in previous year.

Pursuant to the income tax rules and regulations of United Kingdom (UK), the subsidiary comprising the Group in UK is liable to United Kingdom CIT at a tax rate of 19% for the year ended 31 December 2019.

Pursuant to the relevant laws and regulations in Cambodia, the tax rate of the Cambodian subsidiary is 20% during the year ended 31 December 2019.

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

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current — PRC		
— Charge for the year	**–**	12,720
— Over-provision in prior year	**(530)**	(7,810)
Current — Hong Kong		
— Charge for the year	**723**	17,450
— Over-provision in prior year	**(33,410)**	–
Current — U.S.		
— Charge for the year	**66**	52
— Over-provision in prior year	**–**	(520)
Current — Other	**8**	11
Deferred	**(5,110)**	(8,022)
Tax (credit)/charge for the year	**(38,253)**	13,881

10. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic (loss)/earnings per share amount for the year ended 31 December 2019 was based on the loss for the year attributable to ordinary equity holders of the Company of RMB119,751,000 (2018: profit of RMB86,405,000), and the weighted average number of ordinary shares of 1,000,000,000 (2018: 1,000,000,000) in issue during the year.

No adjustment has been made to the basic (loss)/earnings per share amounts presented for the years ended 31 December 2019 and 2018 as the Group had anti-dilutive ordinary shares in issue during year ended 31 December 2019 (2018: no potentially dilutive ordinary shares in issue).

11. DIVIDENDS

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Interim dividend paid		
— Nil (2018: HK1.8 cents) per ordinary share	**–**	15,213
Final dividend proposed		
— Nil (2018: HK1.3 cents) per ordinary share	**–**	10,709
	–	25,922

12. TRADE AND BILLS RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables from third parties	**234,847**	633,409
Impairment of trade receivables	**(17,829)**	(2,253)
Trade receivables, net	**217,018**	631,156
Bills receivable arising from intra-group sales	**–**	3,365
	217,018	634,521

The Group's trading terms with its customers are mainly on credit. The credit period for customers of the manufacturing segment is generally one to two months, extending up to three to four months for major customers, the credit period for customers of the retail segment is within one month. The Group does not hold any collateral over its trade and bills receivable balances. Trade and bills receivables are non-interest-bearing.

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

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**205,807**	596,928
4 to 6 months	**2,925**	36,983
7 to 12 months	**8,286**	610
	217,018	634,521

13. TRADE AND BILLS PAYABLES

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables to third parties	**158,737**	209,275
Bills payable		
— arising from intra-group purchases	**90,865**	19,173
— arising from third party purchases	**139,732**	188,318
	389,334	416,766

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:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 month	**108,207**	143,706
2 to 3 months	**72,450**	80,087
4 to 6 months	**130,034**	148,617
Over 6 months	**78,643**	44,356
	389,334	416,766

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.

14. SUBSEQUENT EVENTS

Pursuant to the discloseable and connected transaction announcement of the Company dated 31 March 2020, the Company has exercised the put option to require the seller to repurchase all the issued common stock of Jennifer Convertible Inc. at the exit price of US$35 million.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the 2019 financial year, the Group continued to develop new markets and invest in product design and research and development, and establishment and expansion of sales channels. However, due to the escalation of the Sino-US trade war, the Group's revenue decreased from approximately RMB1,610.0 million in 2018 to approximately RMB980.3 million in 2019, representing a decrease of approximately 39.1%. Loss for the year was approximately RMB120.0 million in 2019, as compared with profit for the year of approximately RMB86.4 million in 2018.

Business development in North America

The trade and tariff disputes between the United States and China caused the overall slowdown of global macro-economy. The US, being our largest market, brought the most adverse impact to our Group's overall performance. Both of our wholesale and retail business in the US were not able to deliver the satisfactory performance. To mitigate the risks, with the efforts of the management, the Group strives to develop other markets, which is hoped to set a solid foundation for the Group's future growth.

Retail business development in China and Hong Kong

As of December 2019, the Group had a total of 2 self-operated retail stores and 2 franchise stores across different provinces in Mainland China. In March 2019, the Group took its brand "Morrisofa" to the 34th Shenzhen International Furniture Fair, showcasing its comfortable, appealing and high quality products in front of customers. The Group has been expanding its scale of business in Hong Kong since the opening of its first flagship retail store in September 2017. As of December 2019, the Group opened 3 self-operated retail stores in Wan Chai, Sha Tin and Tsuen Wan, respectively. It also opened a store-within-a-store in Ma On Shan, and 4 points of consignment sales in Kowloon Bay, Causeway Bay and Yuen Long. In some of its branch stores, the Group also introduced auxiliary decoration services to establish one-stop services including decoration and furniture setting, instilling its stylish home design concept into Hong Kong market.

Product research and development

Product is the key to the long-term success of our business, and "Exquisite" product is the main theme for 2019 and years to come. We have devoted more time and efforts to improve our product quality and style, to enhance the product value for our consumers.

The Group always attaches great importance to research and development ("**R&D**") investment and product innovation. With our continuous focus on the R&D, we have received high technology enterprise recognition, and our research house has been awarded as the provincial level research center. The objective of our research efforts is to bring better products to customers.

FINANCIAL REVIEW

For the year of 2019, the principal business activities of 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 RMB980.3 million (2018: approximately RMB1,610.0 million), representing a decrease of approximately 39.1% as compared with last year, which was mainly attributable to the decrease in revenue generated from sale of sofas, sofa covers and other furniture products, particularly in the market of North America as a result of the Sino-US trade war.

The Group's gross profit for the year was approximately RMB117.6 million (2018: approximately RMB428.0 million), representing a decrease of approximately 72.5% as compared with last year. The gross profit margin decreased from approximately 26.6% to approximately 12.0%, primarily due to the imposition of U.S. tariffs on furniture imported from Mainland China. The net loss of the Group amounted to approximately RMB120.0 million during the year, as compared with the net profit of RMB86.4 million in last year. The increase in net loss was mainly attributable to the decrease in sales volume and impact from the Sino-US trade war.

The Company's basic loss per ordinary share was RMB11.98 cents for the year of 2019 (basic earnings per share in 2018: RMB8.64 cents) based on the loss for the year attributable to ordinary equity holders of the Company of approximately RMB119.8 million (2018: profit for the year of approximately RMB86.4 million), and the weighted average number of ordinary shares of 1,000,000,000 for the year of 2019 (2018: 1,000,000,000).

Cost of sales

The cost of sales of the Group decreased by approximately 27.0% from approximately RMB1,182.0 million in 2018 to approximately RMB862.7 million in 2019, which was primarily due to the decrease in revenue.

Gross profit

The gross profit of the Group decreased by approximately 72.5% from approximately RMB428.0 million in 2018 to approximately RMB117.6 million in 2019. The gross profit margin decreased from approximately 26.6% in 2018 to approximately 12.0% in 2019, primarily due to the additional tariff levied on the Group's export products and the decreased utilization of manufacturing capacity due to the decrease in sales.

Other net income and gains

The other net income and gains of the Group slightly decreased from approximately RMB85.8 million in 2018 to approximately RMB82.6 million in 2019. Such slight decrease was primarily due to the decreases in gain on disposal of property, plant and equipment, fair value change on derivative component of convertible loan, sales of raw materials and compensation on factory relocation, but partially offset by the increases in net exchange gains, government subsidies, rental income and fair value change on contingent consideration receivables.

Selling and distribution expenses

The selling and distribution expenses of the Group slightly decreased by approximately 7.6% from approximately RMB207.6 million in 2018 to approximately RMB191.9 million in 2019. Such decrease was primarily due to the decrease in marketing cost.

Administrative expenses

The administrative expenses of the Group decreased by approximately 23.9% from approximately RMB153.8 million in 2018 to approximately RMB117.1 million in 2019, which was primarily due to the non-recurrence in 2019 of the increased legal and professional expenses and consultation fee for the acquisition of Jennifer Convertibles, Inc. ("**Jennifer Convertibles**") in 2018, and the implementation of cost-control measures.

Finance costs

The finance costs of the Group increased by approximately 17.9% from approximately RMB24.9 million in 2018 to approximately RMB29.3 million in 2019, which was primarily due to the increase in interest on lease liability of approximately RMB13.5 million upon the new issue of lease accounting coming into effect, but partially offset by the decreases in interest on bank loans and convertible loan.

Income tax credit/(expense)

The income tax credit of the Group was approximately RMB38.3 million in 2019, as compared to income tax expense of approximately RMB13.9 million in 2018. In addition, the effective tax rate decreased from approximately 13.8% in 2018. The reversal of income tax expense in 2018 to income tax credit in 2019 was mainly attributable to the loss-making situation this year and over-provision in prior year.

LIQUIDITY AND CAPITAL RESOURCES

Borrowing and pledge of assets

As at 31 December 2019, the Group's interest-bearing bank borrowings amounted to approximately RMB220.8 million, all of which were repayable within twelve months from 31 December 2019. The bank loans' interest rates ranged between 3.2% to 6.5% per annum.

Gearing ratio

The gearing ratio of the Group, which is total interest-bearing bank borrowings divided by total equity as at the end of the year and multiplied by 100%, increased from approximately 38.7% as at 31 December 2018 to approximately 107.1% as at 31 December 2019, which was primarily due to the increase of interest-bearing bank borrowings during 2019.

Capital commitments

The Group did not have any capital commitment as at 31 December 2019 and 2018.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 31 December 2019.

Trade and bills receivables

The trade and bills receivables of the Group decreased to approximately RMB217.0 million as at 31 December 2019 (31 December 2018: approximately RMB634.5 million), primarily due to the significant decrease in sales to the Group's customers in the fourth quarter in 2019 as compared to the corresponding period in 2018.

Trade and bills payables

The trade and bills payables of the Group decreased to approximately RMB389.3 million as at 31 December 2019 (31 December 2018: approximately RMB416.8 million), primarily due to the decrease in purchases from the Group's suppliers in the fourth quarter in 2019 as compared to the corresponding period in 2018. In order to monitor the Group's cash flow position, the finance department will present the cash flow statements to the senior management on monthly basis.

Foreign exchange exposure

Revenue from major customers is mainly from the U.S. while the production facilities of the Group are mainly located in the PRC. Accordingly, most of the sales are denominated in U.S. dollar while the costs arising from the Group's operations are generally settled in RMB. As a result, fluctuations in the value of U.S. dollar against RMB could adversely affect the financial results of the Group. During 2019, 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 2019 and there was no hedging instruments outstanding as at 31 December 2019. 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.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

The Group had no significant investments, nor had it made any material acquisition or disposal of the Group's subsidiaries or associated companies during the Reporting Period.

HUMAN RESOURCES MANAGEMENT

The management of the Group believes that talent is the basis for long-term development of enterprises. The Group targets to enhance its corporate image through building up and solidifying the Company's brand name. With the 'Five Hearts of Morris': ambition, confidence, determination, perseverance and loyalty, as core values, the Group targets to establish a distinctive corporate culture. Through regular trainings and promotion of its corporate culture, the Group provides its staff with opportunities for personal growth and enhances the employees' sense of belonging to the Group. In addition, the Group provides its employees with competitive remuneration packages and various benefits in line with industry practice. At the same time, the Group strives to create a good working environment, and cultivates teamwork spirit among employees. The Group carries out performance evaluation quarterly, and conducts "Morris Artisans" evaluations, aiming at elevating the morale of the Group's technicians. The Group regularly reviews human resources policies to ensure that the policies align with market practice and comply with regulatory requirements. As of 31 December 2019, the Group employed 2,065 employees (31 December 2018: 2,499 employees). The total annual salary and related costs (excluding directors' remuneration) for 2019 were approximately RMB181.1 million (2018: RMB184.9 million).

The Company operates a share option scheme which allows the Company to grant options to eligible persons as rewards for their contributions to the Group. The share option scheme has been adopted by the Company on 10 December 2016. No share options were granted, exercised or cancelled by the Company under the share option scheme during the period from the listing date to 31 December 2019 and there were no outstanding share options under the share option scheme as at 31 December 2019 and the date of this announcement.

EVENTS AFTER THE REPORTING PERIOD

As disclosed in the Company's announcement dated 22 March 2020, the performance of the Group's sales further deteriorated in January and February 2020, due to the worsening of consumer sentiment and the disruption to global supply chains as a result of the outbreak of the novel Coronavirus epidemic (the "**Epidemic**"). It was estimated that the Group's export sales from China was down by approximately 52% in January and February 2020, as compared to the corresponding period in 2019. The Group's furniture retail business in the United States (the "**US Furniture Retail Business**") was heavily hit by the Epidemic. With the increase of infected people in the United States including the eastern states where the Group's retail network is situated, the management of the US Furniture Retail Business has decided to close the retail shops in the United States. It is uncertain as to how long this situation will last, as the estimate by the market on the duration ranges from anything between three and eighteen months. Prior to the outbreak of the Epidemic, the US Furniture Retail Business was in negotiation with institutions and investors regarding funding and investment proposals to replenish its working capital. With the development of the Epidemic and the shop closure in the United States, the management of the US Furniture Retail Business is taking urgent legal and financial advice with the view to taking all appropriate measures to preserve value and to stop loss. Further announcement(s) will be made as and when appropriate if any disclosure requirements are triggered due to the development of events.

On 31 March 2020, the Company served the Option Notice on Morris Group Co., Ltd. ("**Morris PRC**") and Mr. Zou Gebing (the "**Warrantor**") stating its decision to exercise the Put Option to require Morris PRC to repurchase Jennifer Convertibles at the Exit Price of US$35 million. The Option Notice was accepted by Morris PRC and the Warrantor on the same date. The exercise of the Put Option and the Receivables Disposal constitute discloseable and connected transactions for the Company. A circular will be dispatched to shareholders, and an EGM will be convened at which the transactions would be put to vote by the independent shareholders. Further details of the Put Option and the Receivables Disposal are set out in the Company's discloseable and connected transaction announcement dated 31 March 2020.

OUTLOOK

Brand strategies

To become a world-renowned sofa furniture brand is the long-term goal of the Group. At present, the Group manufactured its own products in its own brand, laying a solid foundation for organic development of its brands and products.

In 2019, the performance of the US Furniture Retail Business operated by Jennifer Convertibles has not lived up to the Company's expectation due to the adverse impact caused by the Sino-US trade war narrowing the profit margin due to the partial sharing of the tariffs. Since January 2020, transportation in China has been severely affected by traffic restriction in an effort to contain the outbreak of the novel Coronavirus Epidemic, which not only caused the worsening of consumer sentiment but also the disruption to the global supply chain, posing uncertainties as to whether the financial performance of the US Furniture Retail Business for the rest of the year will be able to compensate the losses incurred during the supply chain disruption. With the heavy hit of the Epidemic and the increase of infected people in the United States (including the eastern states where the Target Group's retail network is situated) as disclosed in the Company's announcement dated 22 March 2020, the management of the US Furniture Retail Business has decided to close all the retail shops in the United States. It is uncertain as to how long this situation will last, as the estimate by the market on the duration ranges from anything between three and eighteen months. The prospect of the US Furniture Retail Business has now become more uncertain than ever. On 31 March 2020, the Company served the Option Notice on Morris PRC and the Warrantor stating its decision to exercise the Put Option to require Morris PRC to repurchase Jennifer Convertibles at the Exit Price of US$35 million.

In the PRC, the Company targets the emerging consumer groups of the post 80's and 90's generations, focuses on placing advertisement on and investing in certain major online official accounts and mainstream online news platforms, and integrates both online and offline creative promotional campaigns, so as to stimulate revenue generated from its brands. The Group's management believes that Hong Kong is an ideal platform for brand building. Therefore, the Company will aim to carry out effective brand promotion activities in Hong Kong to further strengthen the Company's young, fashionable and intelligent brand image, as well as connect and synergize the Group's brands to create greater benefits for the shareholders of the Company.

Overseas market strategies

In the light of the unsatisfactory performance of the US Furniture Retail Business, the Group has been trying to develop other markets. In particular, Europe was identified as the target market of the Company to diversify the Group's revenue stream. The Company has set up a sales and warehousing centre in the United Kingdom to facilitate business growth in Europe. However, since March 2020, the novel Coronavirus Epidemic started to affect Europe including the UK. The Group will closely monitor the situation and exercise caution and prudence in making any expansion plans during the year.

Capacity expansion

In order to support the Group's development strategies and meet the product demand from various markets, the Group is planning to set up a new production plant to be named the "Morris Center". With the goals of smart manufacturing and product upgrade, the Morris Center will enhance the Group's production capacity and production technology to support its long-term development. The Company has acquired the land use right for a land parcel in Haining, PRC and commenced the construction of the Morris Center during the year 2019. It was originally scheduled that the Morris Center will commence its first phase of operation in the second half of 2020. The outbreak of the novel Coronavirus Epidemic is expected to result in a delay of the expansion plan.

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

Save as disclosed in the paragraph headed "Restricted Share Award Scheme" below, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the Reporting Period.

RESTRICTED SHARE AWARD SCHEME

The Restricted Share Award Scheme (the "**Award Scheme**") was adopted by the Board on 29 August 2019 (the "**Adoption Date**") as an incentive to retain and encourage employees for the continual operation and development of the Group. During the year under review, the trustee of the Award Scheme, pursuant to the terms of the rules and trust deed of the Award Scheme, acquired 14,800,000 shares of the Company by way of acquisition at an aggregate consideration of approximately HK$2,536,415 (including transaction costs) representing approximately 1.48% of the issued share capital of the Company as at the Adoption Date.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as a code of conduct of the Company for Directors' securities transactions. All Directors have confirmed that they complied with the required standard set out in the Model Code during the year ended 31 December 2019.

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 Company has adopted the code provisions ("**Code Provisions**") and, where applicable, the recommended best practices of the Corporate Governance Code ("**Corporate Governance Code**") set out in Appendix 14 of the Listing Rules. Save for the disclosed below, the Company has applied and complied with the relevant provisions of the Code Provisions during the year ended 31 December 2019.

According to Code Provision A.2.1 of the Corporate Governance Code, the roles of chairman and chief executive officer ("**CEO**") 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 CEO. The Board believes that vesting the roles of the chairman and CEO 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.

Code provision C.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.

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 RMB6.97 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 of the Company (the "**Audit Committee**") currently comprises three independent non-executive directors, namely Mr. Liu Haifeng, Mr. Pang Wing Hong and Mr. Chu Guodi. The Audit Committee has discussed with the management of the Company and the Company's external auditors and reviewed the unaudited consolidated financial statements of the Group for 2019, 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 2019.

DIVIDEND

The Board does not recommend any payment of final dividend (2018: HK1.3 cents per share).

REVIEW OF UNAUDITED ANNUAL RESULTS

Due to the recent travel and other restrictions imposed by the Chinese government and the Hong Kong government to contain the novel Coronavirus Epidemic outbreak, the reporting and audit processes of the Group's financial statements for the year ended 31 December 2019 has been disrupted. Accordingly, the auditing process for the annual results for the year ended 31 December 2019 has not been completed. It is expected that the audit work will resume as soon as practicable once the travel restrictions to the PRC and the quarantine arrangements are relieved. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants. If the travel restrictions and quarantine measures are uplifted and sufficient time is allowed for the Company's auditors to complete the auditing process, the Company currently expects that the auditing process should be completed on or before 15 May 2020.

The Group's unaudited annual financial results for the year ended 31 December 2019 as contained in this announcement have not been agreed by the Company's auditors, but have been reviewed by the Audit Committee of the Company. The audit committee is of the opinion that such statements comply with applicable accounting standards, the Listing Rules and other legal requirements, and that adequate disclosures have been made.

Due to the outbreak of Coronavirus since January 2020, the Company is unable to arrange for any site visit to our operation centers in China by professional parties in Hong Kong. We therefore cannot rule out the possibility that the impairment assessments conducted by the Company's management over the fair value of accounting items set out in this announcement may be adjusted after taking the advice of professional advisers during the course of the audit process.

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to: (i) the audited results for the year ended 31 December 2019 as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein; (ii) the proposed date of the forthcoming annual general meeting of the Company (the "**2020 AGM**"); and (iii) the book closure period for the purpose of ascertaining shareholders' eligibility to attend and vote at the 2020 AGM. In addition, the Company will issue further announcements as and when necessary if there are other material development in the completion of the auditing process.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This Unaudited 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. Due to the delay in the completion of the financial reporting and auditing works as a result of the novel Coronavirus Epidemic as set out above, the Company currently expects that the annual report of the Company for the year containing all the information as required by the Listing Rules should be dispatched to the shareholders of the Company and published on the aforesaid websites on or before 15 May 2020.

APPRECIATION

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

WARNING STATEMENT

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

By Order of the Board
Morris Holdings Limited
Zou Gebing
Chairman

Hong Kong, 31 March 2020

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