



MORRIS HOLDINGS LIMITED
慕容控股有限公司

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

Stock code 股份代號 : 1575

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Corporate Information

公司資料

BOARD OF DIRECTORS

Executive Directors

Mr. ZOU Gebing (*Chairman and Chief Executive Officer*)
Mr. SHEN Zhidong
Mr. ZENG Jin
Mr. WU Yueming

Independent non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. LAM Hoi Lun (appointed on 1 September 2019)
Ms. HO Ka Yan (resigned on 28 February 2019)

AUTHORISED REPRESENTATIVE

Mr. WU Yueming (appointed on 28 February 2019)
Mr. LAM Hoi Lun (appointed on 1 September 2019)
Mr. SHEN Zhidong (resigned on 1 September 2019)

AUDITOR

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

董事會成員

執行董事

鄒格兵先生(主席兼行政總裁)
沈志東先生
曾金先生
吳月明先生

獨立非執行董事

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

審核委員會

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

薪酬委員會

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

提名委員會

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

公司秘書

林海麟先生(於2019年9月1日獲委任)
何家欣女士(於2019年2月28日辭任)

授權代表

吳月明先生(於2019年2月28日獲委任)
林海麟先生(於2019年9月1日獲委任)
沈志東先生(於2019年9月1日辭任)

核數師

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

Corporate Information 公司資料

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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

HONG KONG BRANCH SHARE REGISTRAR

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

REGISTERED OFFICE

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

HEADQUARTERS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL BANKERS

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

STOCK CODE

1575

WEBSITE

www.morrisholdings.com.hk

開曼群島主要股份過戶 登記總處

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

香港股份過戶登記分處

卓佳證券登記有限公司
香港皇后大道東183號合和中心54樓

註冊辦事處

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

中國總部

中國浙江省
海寧經濟開發區
由拳路500號

香港主要營業地點

香港銅鑼灣威非路道18號
萬國寶通中心20樓2001室

主要往來銀行

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

股份代號

1575

公司網站

www.morrisholdings.com.hk

Financial Highlights

財務摘要

FINANCIAL HIGHLIGHTS FOR SIX MONTHS ENDED 30 JUNE 2019

- Revenue decreased by approximately 33.5% to approximately RMB499.6 million for the six months ended 30 June 2019 (2018: approximately RMB751.6 million)
- Gross profit decreased by approximately 69.0% to approximately RMB71.1 million for the six months ended 30 June 2019 (2018: approximately RMB229.3 million)
- The Group recorded a loss of approximately RMB79.1 million for the six months ended 30 June 2019 (2018: profit of approximately RMB73.4 million)
- Basic loss per share was approximately RMB7.91 cents for the six months ended 30 June 2019 (2018: earnings per share approximately RMB7.34 cents)
- The Board has proposed not to declare interim dividend for the six months ended 30 June 2019 (2018: HK1.8 cents)

截至2019年6月30日止6個月之財務摘要

- 截至2019年6月30日止6個月收益減少約33.5%至約人民幣499.6百萬元(2018年:約人民幣751.6百萬元)
- 截至2019年6月30日止6個月毛利減少約69.0%至約人民幣71.1百萬元(2018年:約人民幣229.3百萬元)
- 截至2019年6月30日止6個月本集團錄得虧損約人民幣79.1百萬元(2018年:溢利約人民幣73.4百萬元)
- 截至2019年6月30日止6個月每股基本虧損為約人民幣7.91分(2018年:每股盈利約人民幣7.34分)
- 董事會已建議不就截至2019年6月30日止6個月宣派中期股息(2018年:1.8港仙)

Chairman's Statement

主席報告書

Dear shareholders,

On behalf of the Board, I am pleased to present the interim report of Morris Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**”) for the six months ended 30 June 2019 (the “**Reporting Period**”) to the shareholders of the Company (the “**Shareholders**”).

BUSINESS REVIEW

Impacted by the Sino-US trade war, the results of the Group for the first half of 2019 significantly decreased as compared to the same period of last year. The revenue of the Group decreased by approximately 33.5% from approximately RMB751.6 million for the six months ended 30 June 2018 to approximately RMB499.6 million for the six months ended 30 June 2019.

Business development in North America

As our revenue was mainly derived from the U.S. market, the Sino-US trade friction had material impacts on the Group, leading to a significant decrease in our results in North America as compared to the same period of last year. Due to the share of partial tariffs, the profit margin of our exported products was also affected. Amidst the difficult business environment, the management of the Group sought to overcome the challenges by strengthening relationship with existing clients, and accelerating the development of non-U.S. markets in response to the effects from the Sino-US trade war. Furthermore, the Group continued to integrate with Jennifer Convertibles Inc. (“**Jennifer Convertibles**”), a company acquired by us in August 2018, in order to grow the retail channels of furniture in the U.S. and to lay a good foundation for our further development in the North America.

Retail business development in China and Hong Kong

As of August 2019, the Group had a total of 2 self-operated retail stores and 8 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, charming and high quality products in front of customers. The Group has been expanding its scale of business in Hong Kong since its first flagship retail store opened up in September 2017. As of August 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 3 points of consignment sales in Kowloon 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.

各位股東，

本人謹代表董事會向本公司各位股東（「股東」）提呈慕容控股有限公司（「本公司」）及其附屬公司（「本集團」）截至2019年6月30日止6個月（「報告期間」）的中期報告。

業務回顧

受中美貿易戰影響，本集團於2019年上半年業績比去年同期顯著下降。本集團收入由截至2018年6月30日止6個月的約人民幣751.6百萬元減少約33.5%至截至2019年6月30日止6個月的約人民幣499.6百萬元。

北美業務發展

由於本集團的主要收入來自美國市場，中美貿易摩擦對本集團的影響較大，因此在北美的業績比去年同期顯著下降。因為需要承擔部分關稅，出口產品的利潤率也受到較明顯影響。但是，集團管理層在較困難的經營環境中，迎難而上，一方面鞏固與現有客戶的關係，另一方面加速開拓非美國市場，以應對中美貿易戰對業務的影響。另外，集團繼續進行和於2018年8月購入的Jennifer Convertibles Inc.（「**Jennifer Convertibles**」）的融合，以促成美國家具零售銷售渠道的增長，為日後在北美的進一步發展打好基礎。

中國及香港地區零售業務發展

截至2019年8月，本集團在中國內地一共擁有2間零售自營店及8間代理店，分佈於國內不同省份。在2019年3月，集團旗下品牌「慕容沙發」參加第34屆深圳國際傢俱展覽會，把舒服、迷人、高品質的產品展現於廣大消費者眼前。在香港，集團自2017年9月的第一間零售旗艦店開張後，一直擴大業務規模。截至2019年8月，集團分別在灣仔、沙田及荃灣開設3間自營零售店，在馬鞍山共開設1間店中店，及在九龍灣和元朗開設3個寄售點，並在部分分店引入裝潢配套服務，打造一條龍裝潢、家具擺設服務，為香港市場注入慕容的時尚家居設計意念。

Chairman's Statement

主席報告書

PROSPECT

Broadening sources of income and cutting expenditure

The Group will take measures to broaden sources of income and cut expenditure to cope with the continuing Sino-US trade war. In terms of broadening sources of income, the Group will actively seek for methods in reducing reliance on the U.S. market, and leverage on its mature and effective production capacity to focus on the expansion in the furniture market in Europe. In terms of cost control, the management will continue to optimize human resources, enhance production management and improve production and operating efficiency, in order to minimize the impacts of the trade war on the Group.

Branding strategy

In the future, the Group will uphold its strategies in developing self-owned brands, exploring retail channels, and carefully creating a young and fashionable sofa and furniture brand in the mid-market. In the U.S., the Group will take initiatives in using the retail network of Jennifer Convertibles Inc. for expanding the retail market in the U.S.. Meanwhile, it will integrate the two brands, namely "Morris" and Jennifer Convertibles, for creating synergies. In China, in order to explore the domestic sofa and furniture market, the Group will continue to take part in large furniture fairs in China for promoting the brand "Morris", and will launch a new series of sofa and furniture products integrating modern and traditional styles in the fourth quarter of 2019. In Hong Kong, with its solid development foundation, the Group will continue to penetrate the Hong Kong market for gaining a foothold for "Morris" in Hong Kong.

APPRECIATION

On behalf of the Board, I would like to thank all the shareholders, business partners, employees and consumers for their support and trust in the Group in the past. We will live up to expectations and be committed to creating better returns for shareholders and more values for all stakeholders.

前景展望

開源節流

應對持續的中美貿易戰，集團採取開源、節流措施應對。開源方面，集團會積極降低對美國市場的依賴，憑藉集團成熟高效的產能，專注拓展歐洲家具市場。節流方面，管理層會繼續優化人力資源，改善生產管理，以提高生產及營運效率、把貿易戰對集團的影響降低。

品牌戰略

本集團未來繼續一貫的策略，發展自主品牌、深耕零售渠道，精心打造以中端市場為主、年輕、時尚的沙發及傢俱品牌。在美國，集團會積極利用 Jennifer Convertibles Inc. 的銷售網絡拓展美國零售市場，同時融合「慕容」與 Jennifer Convertibles 兩個品牌，發揮協同效應。在中國，集團將會繼續參加國內大型傢俱展，推廣「慕容」品牌；並將在2019年第四季度推出融合現代與傳統風格的全新系列的沙發和家具產品，深入發展國內沙發家具市場。在香港，憑藉穩健的發展基礎，集團將繼續滲透香港市場，把「慕容」品牌紮根於香港。

衷心感謝

在此，本人謹代表董事會感謝所有股東、合作夥伴、員工、消費者在過去對本集團的支持和信任。我們將不負眾望，致力於為股東創造更好的回報，為所有利益相關者創造更多價值。

Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

未經審核簡明綜合損益及其他全面收益表

FOR THE SIX MONTHS ENDED 30 JUNE 2019 截至2019年6月30日止6個月

	Notes 附註	Six months ended 30 June 截至6月30日止6個月	
		2019 2019年 RMB'000 人民幣千元 (Unaudited) (未經審核)	2018 2018年 RMB'000 人民幣千元 (Unaudited) (未經審核) (Restated) (經重列)
REVENUE 收入	5	499,599	751,598
Cost of sales 銷售成本		(428,503)	(522,249)
Gross profit 毛利		71,096	229,349
Other net income and gains 其他收入及收益淨額	5	21,032	33,272
Selling and distribution expenses 銷售及分銷開支		(94,781)	(86,172)
Administrative expenses 行政開支		(64,680)	(68,830)
Other expenses and losses 其他開支及虧損		(78)	(365)
Finance costs 融資成本		(12,798)	(11,986)
(LOSS)/PROFIT BEFORE TAX 除稅前(虧損)/溢利	6	(80,209)	95,268
Income tax credit/(expense) 所得稅抵免/(開支)	7	1,142	(21,823)
(LOSS)/PROFIT FOR THE PERIOD 期內(虧損)/溢利		(79,067)	73,445
OTHER COMPREHENSIVE LOSS 其他全面虧損			
Item may be reclassified to profit or loss 可能重新分類至損益的項目			
Exchange differences on translation of financial statements 換算財務報表的匯兌差額		(2,290)	(2,766)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD 期內全面(虧損)/收益總額		(81,357)	70,679
(Loss)/profit attributable to owners of the Company 本公司擁有人應佔(虧損)/溢利		(79,067)	73,445
Total comprehensive (loss)/income attributable to owners of the Company 本公司擁有人應佔全面(虧損)/收益總額		(81,357)	70,679
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
本公司普通權益持有人應佔每股(虧損)/盈利	8		
Basic (Unaudited) 基本(未經審核)		RMB(7.91) cents 人民幣(7.91)分	RMB7.34 cents 人民幣7.34分
Diluted (Unaudited) 攤薄(未經審核)		RMB(7.91) cents 人民幣(7.91)分	RMB6.72 cents 人民幣6.72分

Unaudited Condensed Consolidated Statement of Financial Position

未經審核簡明綜合財務狀況表

AS AT 30 JUNE 2019 於2019年6月30日

	Notes 附註	30 June 2019 2019年 6月30日 RMB'000 人民幣千元 (Unaudited) (未經審核)	31 December 2018 2018年 12月31日 RMB'000 人民幣千元 (Audited) (經審核)
NON-CURRENT ASSETS 非流動資產			
Property, plant and equipment 物業、廠房及設備	10	76,705	59,096
Prepaid land lease payments 預付土地租賃款項		—	8,074
Right-of-use assets 使用權資產		226,551	—
Contingent consideration receivables 應收或然代價		230,022	226,318
Deferred tax assets 遞延稅項資產		6,220	6,866
Total non-current assets 非流動資產總額		539,498	300,354
CURRENT ASSETS 流動資產			
Inventories 存貨		146,612	217,291
Trade and bills receivables 貿易應收款項及應收票據	11	526,749	634,521
Prepayments, deposits and other receivables 預付款項、按金及其他應收款項	12	64,725	62,082
Pledged deposits 已抵押存款	13	96,799	93,976
Cash and cash equivalents 現金及現金等價物	13	38,017	123,928
Total current assets 流動資產總額		872,902	1,131,798
CURRENT LIABILITIES 流動負債			
Trade and bills payables 貿易應付款項及應付票據	14	443,583	416,766
Contract liabilities 合約負債	15	18,027	17,967
Other payables and accruals 其他應付款項及應計費用	15	63,783	126,331
Amount due to a shareholder 應付一名股東款項		9,955	9,978
Amount due to a related company 應付一間關連公司款項		79,662	81,959
Interest-bearing bank borrowings 計息銀行借款	16	76,029	142,197
Warranty provision 保修撥備		3,459	4,943
Derivative financial instruments 衍生金融工具	17	123	2,521
Convertible loan 可換股貸款	17	145,557	181,372
Lease liabilities 租賃負債		41,287	—
Income tax payables 應付所得稅		68,585	68,923
Total current liabilities 流動負債總額		950,050	1,052,957
NET CURRENT (LIABILITIES)/ASSETS 流動(負債)/資產淨值		(77,148)	78,841
TOTAL ASSETS LESS CURRENT LIABILITIES 資產總額減流動負債		462,350	379,195
NON-CURRENT LIABILITIES 非流動負債			
Deferred tax liabilities 遞延稅項負債		2,853	5,845
Lease liabilities 租賃負債		163,643	—
Accruals 應計費用		—	6,029
Deferred revenue 遞延收入		15,560	—
Total non-current liabilities 非流動負債總額		182,056	11,874
Net assets 資產淨值		280,294	367,321
EQUITY 權益			
Equity attributable to owners of the Company 本公司擁有人應佔權益			
Share capital 股本	18	6,914	6,914
Reserves 儲備		273,380	360,407
Total equity 權益總額		280,294	367,321

Unaudited Condensed Consolidated Statement of Changes in Equity

未經審核簡明綜合權益變動表

FOR THE SIX MONTHS ENDED 30 JUNE 2019 截至2019年6月30日止6個月

	Share capital	Share premium (Note i)	Other reserve	Exchange fluctuation reserve (Note ii) 匯兌 波動儲備 (附註ii)	Reserve Funds (Note iii)	Retained profits/ (loss)	Total
	股本 RMB'000 人民幣千元	股份溢價 (附註i) RMB'000 人民幣千元	其他儲備 RMB'000 人民幣千元	RMB'000 人民幣千元	儲備資金 (附註iii) RMB'000 人民幣千元	保留溢利/ (虧損) RMB'000 人民幣千元	總額 RMB'000 人民幣千元
At 1 January 2018 (Audited) 於2018年1月1日(經審核)	6,914	211,900	198,462	1,697	12,000	(91,307)	339,666
Profit for the period 期內溢利	-	-	-	-	-	73,445	73,445
Other comprehensive loss for the period: 期內其他全面虧損:							
Exchange differences on translation of financial statements 換算財務報表的匯兌差額	-	-	-	(2,766)	-	-	(2,766)
Total comprehensive (loss)/income for the period 期內全面(虧損)/收益總額	-	-	-	(2,766)	-	73,445	70,679
Dividend paid (Note 9) 已付股息(附註9)	-	(31,118)	-	-	-	-	(31,118)
At 30 June 2018 (Unaudited) 於2018年6月30日 (未經審核)	6,914	180,782	198,462	(1,069)	12,000	(17,862)	379,227
At 1 January 2019 (Audited) 於2019年1月1日(經審核)	6,914	164,413	171,385	17,511	49,290	(42,192)	367,321
Adjustment on initial application of HKFRS 16 首次應用香港財務報告準則第16號的調整	-	-	-	-	-	(5,669)	(5,669)
Restated balance at 1 January 2019 (Unaudited) 於2019年1月1日的經重列結餘(未經審核)	6,914	164,413	171,385	17,511	49,290	(47,861)	361,652
Loss for the period 期內虧損	-	-	-	-	-	(79,067)	(79,067)
Other comprehensive loss for the period: 期內其他全面虧損:							
Exchange differences on translation of financial statements 換算財務報表的匯兌差額	-	-	-	(2,291)	-	-	(2,291)
Total comprehensive loss for the period 期內全面虧損總額	-	-	-	(2,291)	-	(79,067)	(81,358)
At 30 June 2019 (Unaudited) 於2019年6月30日 (未經審核)	6,914	164,413	171,385	15,220	49,290	(126,928)	280,294

Notes:

- (i) Share premium
Under the Company Law (Revised) Chapter 22 of the Cayman Islands, share premium of the Company is available for paying distributions and dividends to shareholders subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the distributions or dividend payments, the Company is able to pay its debts as they fall due in the ordinary course of business.
- (ii) Exchange fluctuation reserve
The exchange fluctuation reserve comprises all relevant exchange differences arising from the translation of the financial statements of the Company and subsidiaries with functional currencies other than Renminbi ("RMB").
- (iii) Reserve funds
The transfers from retained profits to the reserve funds were made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries established in the PRC.

附註:

- (i) 股份溢價
根據開曼群島公司法(經修訂)第22章,須按組織章程大綱及細則的規定將本公司之股份溢價用作向股東支付分派及股息,及前提條件是緊隨分派或股息付款後,本公司能夠支付其常規業務過程中到期的債務。
- (ii) 匯兌波動儲備
匯兌波動儲備包括換算本公司及附屬公司財務報表內人民幣(「人民幣」)以外的功能貨幣產生的所有相關匯兌差額。
- (iii) 儲備資金
本公司根據有關中國規則及法規以及本公司於中國成立的附屬公司的組織章程細則將保留溢利轉撥為儲備資金。

Unaudited Condensed Consolidated Statement of Cash Flows

未經審核簡明綜合現金流量表

FOR THE SIX MONTHS ENDED 30 JUNE 2019 截至2019年6月30日止6個月

	Note 附註	Six months ended 30 June 截至6月30日止6個月	
		2019 2019年 RMB'000 人民幣千元 (Unaudited) (未經審核)	2018 2018年 RMB'000 人民幣千元 (Unaudited) (未經審核) (Restated) (經重列)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES			
經營活動所得/(所用)現金淨額		90,578	(210,385)
CASH FLOW FROM INVESTING ACTIVITIES:			
投資活動所得現金流量:			
Payment for purchases of items of property, plant and equipment 購買物業、廠房及設備項目的付款		(36,422)	(8,108)
Repayment to a related company 償還一間關連公司款項		(2,296)	-
Interest received 已收利息		587	1,566
(Increase)/decrease in pledged deposits 已抵押存款(增加)/減少		(2,823)	106,576
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES			
投資活動(所用)/所得現金淨額		(40,954)	100,034
CASH FLOW FROM FINANCING ACTIVITIES: 融資活動所得現金流量:			
New bank borrowings 新銀行借款		104,333	152,950
Repayment of bank borrowings 償還銀行借款		(170,392)	(94,751)
Repayment of interest of convertible loan 償還可換股貸款利息		(37,381)	(394)
Payment of lease liabilities 支付租賃負債		(25,963)	-
Expenses paid in connection with the issue of convertible loan 就發行可換股貸款已付的開支		-	(4,558)
Proceeds from issue of convertible loan 發行可換股貸款所得款項		-	170,306
Interest paid 已付利息		(5,266)	(4,246)
Dividend paid 已派付股息	9	-	(31,118)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES			
融資活動(所用)/所得現金淨額		(134,669)	188,189
Net (decrease)/increase in cash and cash equivalents			
現金及現金等價物(減少)/增加淨額		(85,045)	77,838
Cash and cash equivalents at the beginning of period 期初現金及現金等價物		123,928	27,351
Effect of foreign exchange rate changes 外匯匯率變動的影響		(866)	324
Analysis of balances of cash and cash equivalents 現金及現金等價物結餘分析			
Cash and bank balances 現金及銀行結餘	13	38,017	105,513

Notes to the Unaudited Condensed Consolidated Financial Statements

未經審核簡明綜合財務報表附註

FOR THE SIX MONTHS ENDED 30 JUNE 2019 截至2019年6月30日止6個月

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 Company had its primary Listing (“**Listing**”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 12 January 2017 (“**Listing Date**”).

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

2. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements (the “**unaudited interim results**”) is prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Hong Kong Companies Ordinance. These unaudited interim results do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2018.

The accounting policies and the basis of preparation adopted in the preparation of this unaudited interim results are consistent with those adopted in the Group’s annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which also include HKASs and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong and the disclosures requirements of the Hong Kong Companies Ordinance, except for the adoption of the revised HKFRSs as disclosed in note 3 below.

1. 一般資料

本公司為一家於2013年12月18日在開曼群島註冊成立的獲豁免有限公司。本公司的註冊辦事處地址為Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands。本公司的主要營業地點位於香港銅鑼灣威菲路道18號萬國寶通中心20樓2001室。

本公司於2017年1月12日(「**上市日期**」)在香港聯合交易所有限公司(「**聯交所**」)主板進行其首次上市(「**上市**」)。

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

2. 編製基準

此等未經審核簡明綜合中期財務報表(「**未經審核中期業績**」)乃根據香港會計師公會(「**香港會計師公會**」)頒佈的香港會計準則(「**香港會計準則**」)第34號中期財務報告、香港聯合交易所有限公司(「**聯交所**」)證券上市規則(「**上市規則**」)附錄16之披露規定及香港公司條例編製。此等未經審核中期業績不包括年度財務報表規定之所有資料及披露事項，並應與本集團截至2018年12月31日止年度之年度財務報表一併閱讀。

編製此未經審核中期業績所採納的會計政策及編製基準，與編製本集團截至2018年12月31日止年度之年度財務報表所採納者一致，乃按照香港會計師公會頒佈的香港財務報告準則(「**香港財務報告準則**」)(亦包括香港會計準則及詮釋)、香港普遍採納之會計原則及香港公司條例所規定之披露事項編製，惟採納下述附註3所披露之經修訂香港財務報告準則除外。

Notes to the Unaudited Condensed Consolidated Financial Statements

未經審核簡明綜合財務報表附註

FOR THE SIX MONTHS ENDED 30 JUNE 2019 截至2019年6月30日止6個月

2. BASIS OF PREPARATION (Continued)

This unaudited condensed consolidated interim financial statements is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand (“RMB’000”) except when otherwise indicated. This unaudited condensed consolidated interim financial statements has not been audited or reviewed by the Company’s external auditors, but has been reviewed by the Company’s Audit Committee.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the unaudited interim results are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019.

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Annual Improvements 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures

Other than as explained below regarding the impact of HKFRS 16 *Leases*, the new and revised standards are not relevant to the preparation of the Group’s unaudited interim results.

2. 編製基準(續)

除另有指明者外，此未經審核簡明綜合中期財務報表以人民幣(「人民幣」)呈列，而所有數值均湊整至最接近的千位數(「人民幣千元」)。此未經審核簡明綜合中期財務報表並未經由本公司外聘核數師審核或審閱，但已獲本公司審核委員會審閱。

3. 會計政策及披露變動

編製未經審核中期業績採納的會計政策與編製本集團截至2018年12月31日止年度的年度綜合財務報表所遵循者一致，惟採納於2019年1月1日生效的新準則除外。

香港財務報告準則第16號	租賃
香港(國際財務報告詮釋委員會)詮釋第23號	所得稅處理的不確定性
2015–2017週期年度改進	對香港財務報告準則第3號、香港財務報告準則第11號、香港會計準則第12號及香港會計準則第23號的修訂
香港財務報告準則第9號(修訂本)	具有負補償之提前還款特性
香港會計準則第19號(修訂本)	計劃修訂、縮減或結算
香港會計準則第28號(修訂本)	於聯營公司及合營企業的長期權益

除下文所述有關香港財務報告準則第16號租賃的影響外，新訂及經修訂準則與編製本集團未經審核中期業績無關。

Notes to the Unaudited Condensed Consolidated Financial Statements

未經審核簡明綜合財務報表附註

FOR THE SIX MONTHS ENDED 30 JUNE 2019 截至2019年6月30日止6個月

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

HKFRS 16 Lease

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

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in lease liabilities and other payables. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 *Impairment of Assets* on that date. The Group elected to present the right-of-use assets separately in the consolidated statement of financial position.

3. 會計政策及披露變動(續)

香港財務報告準則第16號租賃

租賃的定義

本集團已選擇可行權宜方法，對先前應用香港會計準則第17號及香港(國際財務報告詮釋委員會)詮釋第4號釐定安排是否包含租賃識別為租賃的合約應用香港財務報告準則第16號，而並無對先前並未識別為包含租賃的合約應用該準則。因此，本集團並無重新評估於首次應用日期前已存在的合約。

就於2019年1月1日或之後訂立的合約而言，本集團於評估合約是否包含租賃時根據香港財務報告準則第16號所載的規定應用租賃的定義。

作為承租人

本集團已追溯應用香港財務報告準則第16號，並將累計影響於首次應用日期(即2019年1月1日)確認。於首次應用日期的任何差額於期初保留盈利確認且並無重列比較資料。

過渡影響

於2019年1月1日的租賃負債根據剩餘租賃付款的現值確認，並使用於2019年1月1日的增量借款利率貼現，計入租賃負債及其他應付款項。使用權資產按租賃負債金額計量，並就緊接2019年1月1日前在財務狀況表中確認與租賃相關的任何預付或應計租賃付款金額進行調整。所有該等資產均已於該日根據香港會計準則第36號資產減值進行任何減值評估。本集團選擇在綜合財務狀況表中單獨呈列使用權資產。

Notes to the Unaudited Condensed Consolidated Financial Statements

未經審核簡明綜合財務報表附註

FOR THE SIX MONTHS ENDED 30 JUNE 2019 截至2019年6月30日止6個月

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

HKFRS 16 Lease (Continued)

Impacts on transition (Continued)

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application;
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease;
- Excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- 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.

(a) The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

3. 會計政策及披露變動(續)

香港財務報告準則第16號租賃(續)

過渡影響(續)

本集團於2019年1月1日應用香港財務報告準則第16號時已使用以下有選擇性的實際權宜方法：

- 對於租期自初步應用之日起12個月內終止的租賃應用短期租賃豁免；
- 倘合約包含延長／終止租賃的選擇權，則於事後釐定租賃期限；
- 於首次應用日期計量使用權資產時撇除初始直接成本；
- 就類似經濟環境內相似類別相關資產的類似剩餘租期的租賃組合應用單一貼現率。

(a) 於2019年1月1日採納香港財務報告準則第16號產生的影響如下：

	Increase/ (decrease) 增加／(減少) RMB'000 人民幣千元 (Unaudited) (未經審核)
Assets 資產	
Increase in right-of-use assets 使用權資產增加	209,183
Decrease in current portion of prepaid land lease payments 預付土地租賃付款即期部分減少	(180)
Decrease in non-current portion of prepaid land lease payments 預付土地租賃付款非即期部分減少	(8,074)
Increase in total assets 資產總值增加	200,929
Liabilities 負債	
Increase in lease liabilities 租賃負債增加	212,627
Decrease in accruals 應計費用減少	(6,029)
Increase in total liabilities 負債總額增加	206,598
Equity 權益	
Decrease in retained earnings 保留盈利減少	(5,669)

Notes to the Unaudited Condensed Consolidated Financial Statements

未經審核簡明綜合財務報表附註

FOR THE SIX MONTHS ENDED 30 JUNE 2019 截至2019年6月30日止6個月

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued) 3. 會計政策及披露變動(續)

HKFRS 16 Lease (Continued)

Impacts on transition (Continued)

(b) Nature of the effect of adoption of HKFRS 16

The lease liabilities as at 1 January 2019 reconciled to the operating leases commitments as at 31 December 2018 is as follows:

	RMB'000 人民幣千元 (Unaudited) (未經審核)
Operating lease commitments as at 31 December 2018 於2018年12月31日的經營租賃承擔	249,266
Weighted average incremental borrowing rate as at 1 January 2019 於2019年1月1日的加權平均增量借款利率	5.18%
Discounted operating lease commitments as at 1 January 2019 於2019年1月1日的貼現經營租賃承擔	214,422
Less: commitments relating to short-term leases 減：短期租賃相關承擔	(1,795)
Lease liabilities as at 1 January 2019 於2019年1月1日的租賃負債	212,627

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

香港財務報告準則第16號租賃(續)

過渡影響(續)

(b) 採納香港財務報告準則第16號的影響性質

於2019年1月1日的租賃負債與於2018年12月31日的經營租賃承擔的對賬如下：

新會計政策概要

截至2018年12月31日止年度的年度財務報表所披露的租賃會計政策，自2019年1月1日起採納香港財務報告準則第16號後，將被以下新會計政策取代：

使用權資產

於租賃開始日期確認使用權資產。使用權資產按成本減任何累計折舊及任何減值虧損計量，並就任何重新計量租賃負債作出調整。使用權資產成本包括已確認租賃負債金額、初步已產生直接成本及於開始日期或之前作出的租賃付款減任何已收取租賃獎勵。除非本集團合理確定於租期結束時取得租賃資產所有權，否則已確認使用權資產於其估計可使用年期及租期(以較短者為準)按直線法折舊。

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3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

HKFRS 16 Lease (Continued)

Impacts on transition (Continued)

(b) Nature of the effect of adoption of HKFRS 16 (Continued)

Summary of new accounting policies (Continued)

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

3. 會計政策及披露變動(續)

香港財務報告準則第16號租賃(續)

過渡影響(續)

(b) 採納香港財務報告準則第16號的影響性質(續)

新會計政策概要(續)

租賃負債

於租賃開始日期按租賃期內將作出的租賃付款現值確認租賃負債。租賃付款包括定額付款(含實質定額款項)減任何租賃獎勵應收款項、取決於指數或利率的可變租賃款項以及預期根據剩餘價值擔保支付的金額。租賃付款亦包括本集團合理確定行使的購買選擇權的行使價及在租期反映本集團行使終止租賃選擇權時，有關終止租賃的罰款。不取決於指數或利率的可變租賃付款在出現觸發付款的事件或條件的期間內確認為開支。

於計算租賃付款的現值時，倘租賃內含利率無法確定，則本集團應用租賃開始日期的增量借款利率計算。於開始日期後，租賃負債金額的增加反映了利息的增長，其減少則關乎所作出的租賃付款。此外，倘存在租期的修改、由指數或利率變動引起的未來租賃付款變動、租期變動、實質定額租賃付款變動或購買相關資產的評估變動，則重新計量租賃負債的賬面值。

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3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued) 3. 會計政策及披露變動(續)

HKFRS 16 Lease (Continued)

香港財務報告準則第16號租賃(續)

Impacts on transition (Continued)

過渡影響(續)

(c) Amounts recognised in the statement of financial position and profit or loss

(c) 於財務狀況表及損益中確認的金額

	Right-of-use assets	Lease liabilities
	使用權資產	租賃負債
	RMB'000	RMB'000
	人民幣千元	人民幣千元
	(Unaudited)	(Unaudited)
	(未經審核)	(未經審核)
As at 1 January 2019 於2019年1月1日	209,183	212,627
Additions 添置	40,309	12,949
Depreciation charge 折舊支出	(22,748)	—
Interest expense 利息開支	—	5,317
Payments 付款	—	(25,963)
Exchange realignment 匯兌調整	(193)	—
As at 30 June 2019 於2019年6月30日	226,551	204,930
Right-of-use assets analysis by class 按類別劃分之使用權資產分析		
Building 樓宇	226,551	

4. SEGMENT INFORMATION

4. 分部資料

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.

就資源分配及評估分部表現向董事會(即主要經營決策者)呈報的資料集中在所交付或提供貨品或服務的類別。此亦為組織及管理本集團的基準。

Specifically, the Group's reportable segments under HKFRS 8 Operating Segments are as follows:

具體而言，本集團根據香港財務報告準則第8號經營分部劃分的可呈報分部如下：

- a. Retail segment
- b. Manufacturing segment

- a. 零售分部
- b. 生產分部

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FOR THE SIX MONTHS ENDED 30 JUNE 2019 截至2019年6月30日止6個月

4. SEGMENT INFORMATION (Continued) 4. 分部資料(續)

Segment revenues and results

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

分部收入及業績

下表載列本集團按可呈報及經營分部劃分的收入及業績分析：

	Retail segment 零售分部		Manufacturing segment 生產分部		Elimination of inter-segment sales 分部間銷售對銷		Total 合計	
	Six months ended 30 June 2019 截至 2019年 6月30日 止6個月 RMB'000 人民幣千元 (Unaudited) (未經審核)	Six months ended 30 June 2018 截至 2018年 6月30日 止6個月 RMB'000 人民幣千元 (Unaudited) (未經審核) (Restated) (經重列)	Six months ended 30 June 2019 截至 2019年 6月30日 止6個月 RMB'000 人民幣千元 (Unaudited) (未經審核)	Six months ended 30 June 2018 截至 2018年 6月30日 止6個月 RMB'000 人民幣千元 (Unaudited) (未經審核) (Restated) (經重列)	Six months ended 30 June 2019 截至 2019年 6月30日 止6個月 RMB'000 人民幣千元 (Unaudited) (未經審核)	Six months ended 30 June 2018 截至 2018年 6月30日 止6個月 RMB'000 人民幣千元 (Unaudited) (未經審核) (Restated) (經重列)	Six months ended 30 June 2019 截至 2019年 6月30日 止6個月 RMB'000 人民幣千元 (Unaudited) (未經審核)	Six months ended 30 June 2018 截至 2018年 6月30日 止6個月 RMB'000 人民幣千元 (Unaudited) (未經審核) (Restated) (經重列)
Segment revenues 分部收入								
— External sales — 外部銷售	105,575	98,210	394,024	653,388	—	—	499,599	751,598
— Internal sales — 內部銷售	—	—	21,977	2,659	(21,977)	(2,659)	—	—
	105,575	98,210	416,001	656,047	(21,977)	(2,659)	499,599	751,598
Segment (loss)/profit 分部(虧損)/溢利	(34,013)	(17,349)	(39,642)	119,378	39	(13)	(73,616)	102,016
Interest income 利息收入							587	1,566
Fair value change on derivative component of convertible loan 可換股貸款衍生部分的公允值變動							2,356	8,389
Fair value change on contingent consideration receivables 應收或然代價的公允值變動							4,168	—
Unallocated corporate expenses 未分配企業開支							(8,752)	(16,309)
Unallocated finance costs 未分配融資成本							(4,952)	(394)
(Loss)/profit before taxation 除稅前(虧損)/溢利							(80,209)	95,268

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4. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

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, 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 零售分部		Manufacturing segment 生產分部		Consolidated 綜合	
	30 June 2019 6月30日 RMB'000 人民幣千元 (Unaudited) (未經審核)	31 December 2018 2018年 12月31日 RMB'000 人民幣千元 (Audited) (經審核)	30 June 2019 6月30日 RMB'000 人民幣千元 (Unaudited) (未經審核)	31 December 2018 2018年 12月31日 RMB'000 人民幣千元 (Audited) (經審核)	30 June 2019 6月30日 RMB'000 人民幣千元 (Unaudited) (未經審核)	31 December 2018 2018年 12月31日 RMB'000 人民幣千元 (Audited) (經審核)
Segment assets 分部資產	258,382	91,490	887,241	1,098,492	1,145,623	1,189,982
Unallocated corporate assets 未分配企業資產					266,777	242,170
Consolidated assets 綜合資產					1,412,400	1,432,152
Segment liabilities 分部負債	272,276	60,527	608,246	714,994	880,522	775,521
Unallocated corporate liabilities 未分配企業負債					251,584	289,310
Consolidated liabilities 綜合負債					1,132,106	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, amount due to a shareholder, derivative financial instruments, convertible loan and other unallocated corporate liabilities).

4. 分部資料(續)

分部收入及業績(續)

分部(虧損)/溢利指各分部(產生的虧損)/賺取的溢利，並無分配利息收入、可換股貸款衍生部分的公允值變動、應收或然代價的公允值變動、未分配企業開支及未分配融資成本。此乃就資源分配及表現評估向董事會呈報的方法。

分部間銷售按現行市價扣除。

分部資產及負債

就監控分部表現及分配分部間資源而言：

- 所有資產分配至經營分部，惟未分配企業資產(主要包括應收或然代價及其他未分配企業資產)除外；及
- 所有負債分配至經營分部，惟未分配企業負債(主要包括應付一間關連公司款項、應付一名股東款項、衍生金融工具、可換股貸款及其他未分配企業負債)除外。

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4. SEGMENT INFORMATION (Continued) 4. 分部資料(續)

Other segment information

其他分部資料

	Retail segment 零售分部		Manufacturing segment 生產分部		Unallocated 未分配		Total 合計	
	30 June 2019 2019年 6月30日 RMB'000 人民幣千元	30 June 2018 2018年 6月30日 RMB'000 人民幣千元	30 June 2019 2019年 6月30日 RMB'000 人民幣千元	30 June 2018 2018年 6月30日 RMB'000 人民幣千元	30 June 2019 2019年 6月30日 RMB'000 人民幣千元	30 June 2018 2018年 6月30日 RMB'000 人民幣千元	30 June 2019 2019年 6月30日 RMB'000 人民幣千元	30 June 2018 2018年 6月30日 RMB'000 人民幣千元
Addition of property, plant and equipment 添置物業、廠房及設備	743	2,408	23,879	5,700	—	—	24,622	8,108
Addition of right-of-use assets 添置使用權資產	—	—	40,309	—	—	—	40,309	—
Depreciation of property, plant and equipment 物業、廠房及設備折舊	1,713	1,002	2,891	1,926	—	—	4,604	2,928
Depreciation of right-of-use assets 使用權資產折舊	2,628	—	20,120	—	—	—	22,748	—
Impairment loss on trade and bills receivables 貿易應收款項及應收票據減值虧損	—	—	1,184	3,336	—	—	1,184	3,336
Finance costs 融資成本	—	—	2,529	4,245	10,269	7,741	12,798	11,986

Geographical information

地區資料

(a) Revenue from external customers

(a) 來自外部客戶的收入

	30 June 2019 2019年 6月30日 RMB'000 人民幣千元 (Unaudited) (未經審核)	30 June 2018 2018年 6月30日 RMB'000 人民幣千元 (Unaudited) (未經審核) (Restated) (經重列)
The People's Republic of China (including Hong Kong) 中華人民共和國(包括香港)	71,395	261,678
U.S. 美國	428,204	489,920
	499,599	751,598

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4. SEGMENT INFORMATION (Continued)

4. 分部資料(續)

Geographical information (Continued)

地區資料(續)

(b) Non-current assets

(b) 非流動資產

	30 June 2019 2019年 6月30日 RMB'000 人民幣千元 (Unaudited) (未經審核)	31 December 2018 2018年 12月31日 RMB'000 人民幣千元 (Audited) (經審核)
The People's Republic of China (including Hong Kong) 中華人民共和國(包括香港)	82,143	21,073
Cambodia 柬埔寨	42,710	42,345
U.S. 美國	178,403	3,752
	303,256	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.

以上非流動資產資料乃根據資產的位置呈列，不包括遞延稅項資產及應收或然代價。

Information about major customers

有關主要客戶的資料

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

相應年度佔本集團總收入10%以上的主要客戶(並不包括任何關聯方)的收入載列如下：

	Six months ended 30 June 截至6月30日止6個月	
	2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
Customer 1 客戶1	N/A* 不適用*	234,821
Customer 2 客戶2	66,345	N/A* 不適用*
Customer 3 客戶3	66,261	N/A* 不適用*

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

* 客戶產生收入少於本集團總收入的10%。

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5. REVENUE, OTHER NET INCOME AND GAINS

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

An analysis of revenue, other net income and gains is as follows:

5. 收入、其他收入及收益淨額

收入指所銷售貨品扣除退貨、折扣及增值稅後的發票淨值。

本集團的收入、其他收入及收益淨額分析如下：

Six months ended 30 June
截至6月30日止6個月

2019 2019年 RMB'000 人民幣千元 (Unaudited) (未經審核)	2018 2018年 RMB'000 人民幣千元 (Unaudited) (Restated) (經重列)
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Revenue 收入

Recognised at point of time: 於某一時間點確認：

Manufacture and sales of sofas, sofa cover and other furniture products
生產及銷售沙發、沙發套及其他傢俱產品

499,599 751,598

Other net income and gains 其他收入及收益淨額

Interest income 利息收入

587 1,566

Exchange gain, net 匯兌收益，淨額

99 8,891

Sales of scrap materials 銷售廢料

- 9,154

Fair value gain on derivative component of convertible loan
可換股貸款衍生組成部分的公允值收益

2,356 8,389

Government subsidies 政府補貼

3,882 -

Repair service income 維修服務收入

4,617 4,375

Rental income 租金收入

2,821 -

Sales of raw materials 銷售原材料

570 -

Fair value change on contingent consideration receivables
應收或然代價的公允值變動

4,168 -

Others 其他

1,932 897

21,032 33,272

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6. (LOSS)/PROFIT BEFORE TAX

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

6. 除稅前(虧損)/溢利

本集團的除稅前(虧損)/溢利乃經扣除/
(計入)下列各項:

	Six months ended 30 June	
	截至6月30日止6個月	
	2019	2018
	2019年	2018年
	RMB'000	RMB'000
	人民幣千元	人民幣千元
	(Unaudited)	(Unaudited)
	(未經審核)	(未經審核)
		(Restated)
		(經重列)
Cost of inventories sold 已售存貨成本	407,111	521,309
Depreciation of property, plant and equipment 物業、廠房及設備折舊	4,604	2,928
Depreciation of right-of-use assets 使用權資產折舊	22,748	—
Recognition of prepaid land lease payments 確認預付土地租賃付款	—	21
Salaries, wages and benefits in kind 薪金、工資及實物利益	88,254	89,213
Pension scheme contributions 退休計劃供款	4,173	8,353
Provision against obsolete and slow-moving inventories 陳舊及積壓存貨撥備	1,176	940
Write-down of inventories to net realisable value 撇減存貨至可變現淨值	1,491	—
Impairment of trade and bills receivables, net 貿易應收款項及應收票據減值·淨額	1,184	3,336
Reversal of product warranty 產品保修撥回	(1,484)	(1,421)
Interest for convertible loan 可換股貸款利息	4,880	7,347
Interest for lease liabilities 租賃負債利息	5,317	—

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7. INCOME TAX

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

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

PRC subsidiaries are subject to the PRC Enterprise Income Tax at 25% during the period (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”) on 30 November 2018, were entitled to a reduced enterprise income tax rate of 15%. During the period ended 30 June 2019, Fashion Home and Apollo applied the qualification of HNTE and are entitled to the reduced tax rate of 15% until the period ended 30 November 2021.

The U.S. corporate income tax rate is 21% for the period ended 30 June 2019 in accordance to the Tax Cuts and Jobs Act.

The U.S. corporate income tax includes (a) federal income tax calculated at a fixed rate of 21% on the estimated 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.

7. 所得稅

根據開曼群島及英屬維爾京群島(「英屬維爾京群島」)的規則及規例，本集團毋須於開曼群島及英屬維爾京群島繳納任何所得稅。

於2018年3月21日，香港立法會通過《2017年稅務(修訂)(第7號)條例草案》(「該條例草案」)引入利得稅兩級制。該條例草案於2018年3月28日經簽署生效，並於翌日在憲報刊登。根據兩級制利得稅率制度，合資格集團實體首2,000,000港元的溢利將按8.25%的稅率徵稅，而超過2,000,000港元的溢利則按16.5%的稅率徵稅。不符合兩級制利得稅率制度資格的集團實體的溢利將繼續按16.5% (2018年：16.5%)的固定稅率徵稅。

期內，中國附屬公司須按25% (2018年：25%)稅率繳納中國企業所得稅。根據中國相關法律及法規，於2018年11月30日符合高新技術企業(「高新技術企業」)資格的浙江慕容時尚家居有限公司(「時尚家居」)及浙江阿波羅皮革製品有限公司(「阿波羅」)，有權享有減免企業所得稅稅率15%。截至2019年6月30日止期間，時尚家居及阿波羅已申請高新技術企業資格，並有權享有減免稅率15%，直至截至2021年11月30日止期間為止。

根據減稅與就業法案，截至2019年6月30日止期間的美國企業所得稅稅率為21%。

美國企業所得稅包括(a)就估計聯邦應課稅收入按21%的固定稅率計算的聯邦所得稅及(b)於兩個期間內就各州的估計州應課稅收入，按不同州所得稅率計算的州所得稅。特定州份的應課稅收入(即州應課稅收入)按經作出州份稅項調整(其後分配或按比例分派至各州)的聯邦應課稅收入(即按比例分派或特別分配至本集團經營所在相關州份的應課稅收入百分比)，根據先前年度的州報稅表提供的分配因素而計算得出。

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7. INCOME TAX (Continued)

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

7. 所得稅(續)

其他地區之應課稅溢利之稅項乃根據本集團經營業務所在司法管轄區之現行稅率計算。

	Six months ended 30 June	
	截至6月30日止6個月	
	2019	2018
	2019年	2018年
	RMB'000	RMB'000
	人民幣千元	人民幣千元
	(Unaudited)	(Unaudited)
	(未經審核)	(未經審核)
		(Restated)
		(經重列)
Current — PRC 即期 — 中國	—	15,981
Current — Hong Kong 即期 — 香港	1,139	2,262
Current — U.S. 即期 — 美國	65	50
Deferred tax 遞延稅項	(2,346)	3,530
Tax (credit)/charge for the period 期內稅項(抵免)/支出	(1,142)	21,823

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

The calculation of basic loss per share amount for the period ended 30 June 2019 was based on the loss for the period attributable to ordinary equity holders of the Company of RMB79,067,000 (2018: profit of RMB73,445,000), and the weighted average number of ordinary shares of 1,000,000,000 (2018: 1,000,000,000) in issue during the period.

No adjustment has been made to the basic loss per share amounts presented for the period ended 30 June 2019 as the Group had anti-dilutive ordinary shares in issue during period ended 30 June 2019 (2018: Diluted earnings per share amounts for the six months ended 30 June 2018 are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Convertible Loan is assumed to have been converted into ordinary shares, and the profit for the six months ended 30 June 2018 is adjusted to exclude the interest expense on the Convertible Loan and fair value gain on the derivative component of the Convertible Loan less tax effect, if any).

8. 本公司普通權益持有人應佔 每股(虧損)/盈利

截至2019年6月30日止期間，每股基本虧損金額乃根據本公司普通權益持有人應佔期內虧損人民幣79,067,000元(2018年：溢利人民幣73,445,000元)及期內已發行普通股的加權平均數1,000,000,000股(2018年：1,000,000,000股)計算。

由於本集團於截至2019年6月30日止期間有具反攤薄效應的已發行普通股(2018年：截至2018年6月30日止6個月的每股攤薄盈利金額，乃在假設所有具攤薄潛力普通股獲兌換的情況下，透過調整已發行在外普通股的加權平均數計算。可換股貸款乃假設已轉換為普通股，而截至2018年6月30日止6個月的溢利已作出調整，以撇除可換股貸款的利息開支及扣除稅務影響後的可換股貸款衍生部分的公允值收益(如有))，故並無就截至2019年6月30日止期間呈列的每股基本虧損金額作出調整。

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

The calculation of basic and diluted (loss)/earnings per share is based on the following:

8. 本公司普通權益持有人應佔每股(虧損)/盈利(續)

每股基本及攤薄(虧損)/盈利乃根據以下各項計算：

	Six months ended 30 June 截至6月30日止6個月	
	2019 2019年 RMB'000 人民幣千元 (Unaudited) (未經審核)	2018 2018年 RMB'000 人民幣千元 (Unaudited) (未經審核) (Restated) (經重列)
(Loss)/earnings for the purpose calculating basic (loss)/earnings per share ((loss)/profit for the period attributable to the owners of the Company) 就計算每股基本(虧損)/盈利的(虧損)/盈利(本公司擁有人應佔期內(虧損)/溢利)	(79,067)	73,445
Interest on the convertible loan 可換股貸款利息	—	7,347
Fair value gain on derivative component of convertible loan 可換股貸款衍生部分的公允值收益	—	(8,389)
(Loss)/profit attributable to the owners of the Company, used in the diluted (loss)/earnings per share calculation 用於計算每股攤薄(虧損)/盈利的本公司擁有人應佔(虧損)/溢利	(79,067)	72,403
	Six months ended 30 June 截至6月30日止6個月	
	2019 2019年 (Unaudited) (未經審核)	2018 2018年 (Unaudited) (未經審核)
Weighted average number of ordinary shares in issue, used in the basic earnings per share calculation 已發行普通股加權平均數，用以計算每股基本盈利	1,000,000,000	1,000,000,000
Effect of dilutive — weighted average number of ordinary shares: 攤薄影響 — 普通股加權平均數：		
convertible loan 可換股貸款	—	76,153,501
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share 用以計算每股攤薄盈利的普通股加權平均數	1,000,000,000	1,076,153,501

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9. DIVIDENDS

During the Reporting Period, the Company recognised the following dividends as distribution:

9. 股息

於報告期間，本公司確認分派下列股息：

	Six months ended 30 June	
	截至6月30日止6個月	
	2019	2018
	2019年	2018年
	RMB'000	RMB'000
	人民幣千元	人民幣千元
	(Unaudited)	(Unaudited)
	(未經審核)	(未經審核)
Final dividend paid of nil cents per ordinary share for the year ended 31 December 2018 (2017: HK3.8 cents)		
截至2018年12月31日止年度已付末期股息		
每股普通股零港仙(2017年：3.8港仙)	—	31,118

The Board has proposed not to declare interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: HK1.8 cents per ordinary share).

董事會已建議不就截至2019年6月30日止6個月宣派中期股息(截至2018年6月30日止6個月：每股普通股1.8港仙)。

10. PROPERTY, PLANT AND EQUIPMENT

During the Reporting Period, the Group acquired items of plant and machinery with a cost of approximately RMB24.6 million (six months ended 30 June 2018: approximately RMB6.9 million).

10. 物業、廠房及設備

於報告期間，本集團收購廠房及機器項目，成本約人民幣24.6百萬元(截至2018年6月30日止6個月：約人民幣6.9百萬元)。

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11. TRADE AND BILLS RECEIVABLES

11. 貿易應收款項及應收票據

	30 June 2019 2019年 6月30日 RMB'000 人民幣千元 (Unaudited) (未經審核)	31 December 2018 2018年 12月31日 RMB'000 人民幣千元 (Audited) (經審核)
Trade receivables from third parties 來自第三方的貿易應收款項	530,186	633,409
Less: Impairment of trade receivables 減：貿易應收款項減值	(3,437)	(2,253)
Trade receivables, net 貿易應收款項，淨額	526,749	631,156
Bills receivable arising from intra-group sales 應收票據 — 來自集團內銷售	—	3,365
	526,749	634,521

The Group's trading terms with its customers are mainly on credit. The credit period is generally one to two months, extending up to three to six months for major customers. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. 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:

本集團與其客戶的貿易賬期以信貸為主。信貸期一般為一至兩個月，主要客戶的信貸期延長至最多三至六個月。本集團一直嚴格控制其未收回應收款項，高級管理人員定期檢查逾期結餘。本集團並無就其貿易應收款項及應收票據結餘持有任何抵押品。貿易應收款項及應收票據為不計息。

於報告期間末，按發票日期和扣除撥備呈列的貿易應收款項及應收票據的賬齡分析如下：

	30 June 2019 2019年 6月30日 RMB'000 人民幣千元 (Unaudited) (未經審核)	31 December 2018 2018年 12月31日 RMB'000 人民幣千元 (Audited) (經審核)
Within 3 months 3個月內	247,731	596,928
4 to 6 months 4至6個月	205,546	36,983
7 to 12 months 7至12個月	73,472	610
	526,749	634,521

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12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

12. 預付款項、按金及其他應收 款項

	30 June 2019 2019年 6月30日 RMB'000 人民幣千元 (Unaudited) (未經審核)	31 December 2018 2018年 12月31日 RMB'000 人民幣千元 (Audited) (經審核)
Advance to suppliers 預付供應商款項	3,273	2,081
Other prepayments 其他預付款項	7,663	7,550
Deposits and other receivables 按金及其他應收款項	53,789	52,271
Current portion of prepaid land lease payments 預付土地租賃款項的流動部分	-	180
	64,725	62,082

13. CASH AND CASH EQUIVALENTS AND PLEGDED DEPOSITS

13. 現金及現金等價物及已抵押 存款

	30 June 2019 2019年 6月30日 RMB'000 人民幣千元 (Unaudited) (未經審核)	31 December 2018 2018年 12月31日 RMB'000 人民幣千元 (Audited) (經審核)
Cash and bank balances 現金及銀行結餘	134,816	217,904
Less: Pledged deposits for bills payable 減：應付票據的已抵押存款	(96,799)	(93,976)
Cash and cash equivalents 現金及現金等價物	38,017	123,928

As at the end of the Reporting Period, the cash and bank balances denominated in RMB amounted to RMB5,091,000 (2018: RMB15,513,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

於報告期末，以人民幣計值的現金及銀行結餘為人民幣5,091,000元(2018年：人民幣15,513,000元)。人民幣不可自由兌換為其他貨幣，然而，根據中國內地外匯管制法規及結匯、售匯及付匯管理規定，本集團獲准透過獲授權開展外匯業務的銀行將人民幣兌換為其他貨幣。

銀行存款根據每日銀行存款利率按浮動利率計息。銀行結餘存於近期無違約記錄且信譽良好的銀行。

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14. TRADE AND BILLS PAYABLES

14. 貿易應付款項及應付票據

	30 June 2019 2019年 6月30日 RMB'000 人民幣千元 (Unaudited) (未經審核)	31 December 2018 2018年 12月31日 RMB'000 人民幣千元 (Audited) (經審核)
Trade payables to third parties 應付第三方的貿易款項	181,125	209,275
Bills payable 應付票據		
— arising from intra-group purchases — 來自集團內部公司購買的應付票據	42,803	19,173
— arising from third party purchases — 來自第三方購買的應付票據	219,655	188,318
	443,583	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:

於報告期間末，按發票日期呈列的貿易應付款項及應付票據的賬齡分析如下：

	30 June 2019 2019年 6月30日 RMB'000 人民幣千元 (Unaudited) (未經審核)	31 December 2018 2018年 12月31日 RMB'000 人民幣千元 (Audited) (經審核)
Within 1 month 1個月內	204,980	143,706
2 to 3 months 2至3個月	76,320	80,087
4 to 6 months 4至6個月	120,816	148,617
Over 6 months 超過6個月	41,467	44,356
	443,583	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.

貿易應付款項及應付票據為不計息。貿易應付款項通常於30至180日內結算，而應付票據則於90至180日內結算。

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15. OTHER PAYABLES AND ACCRUALS

15. 其他應付款項及應計費用

	30 June 2019 2019年 6月30日 RMB'000 人民幣千元 (Unaudited) (未經審核)	31 December 2018 2018年 12月31日 RMB'000 人民幣千元 (Audited) (經審核)
Other payables 其他應付款項	30,454	70,232
Accruals 應計費用	33,329	56,099
Contract liabilities 合約負債	18,027	17,967
	81,810	144,298

Other payables and accruals are non-interest-bearing and are normally repayable on demand.

其他應付款項及應計費用為免息及通常須按 requirement 償還。

16. INTEREST-BEARING BANK BORROWINGS

16. 計息銀行借款

	30 June 2019 2019年6月30日			31 December 2018 2018年12月31日		
	Effective interest rate 實際利率 (Unaudited) (未經審核)	Maturity 到期 (Unaudited) (未經審核)	RMB'000 人民幣千元 (Unaudited) (未經審核)	Effective interest rate 實際利率 (Audited) (經審核)	Maturity 到期 (Audited) (經審核)	RMB'000 人民幣千元 (Audited) (經審核)
Current – secured 即期 – 已抵押						
Bank loans 銀行貸款	4.3%–6.5%	On demand 按要求	41,029	2.7%–6.5%	On demand 按要求	107,197
Bank loans 銀行貸款	5.1%–5.3%	2020 2020年	35,000	4.3%–5.8%	2019 2019年	35,000
Factoring loans with recourse 附追索權的保理貸款	-	-	-	-	-	-
			76,029			142,197

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16. INTEREST-BEARING BANK BORROWINGS (Continued)

16. 計息銀行借款(續)

	30 June 2019 2019年 6月30日 RMB'000 人民幣千元 (Unaudited) (未經審核)	31 December 2018 2018年 12月31日 RMB'000 人民幣千元 (Audited) (經審核)
Analysed as follow: 分析如下:		
Bank borrowings repayable within one year or on demand 於一年內或按要求償還的銀行借款	76,029	142,197

Notes:

Certain of the Group's secured bank loans are secured by:

- (i) pledges of certain parcels of land and buildings which were provided by Morris PRC as at 30 June 2019 and 31 December 2018;
- (ii) personal guarantees provided by the Controlling Shareholders as at 30 June 2019 and 31 December 2018;
- (iii) corporate guarantees provided by Morris PRC as at 30 June 2019 and 31 December 2018;
- (iv) corporate guarantees provided by Morris Real Estate, a company controlled by the Controlling Shareholders as at 30 June 2019 and 31 December 2018;
- (v) corporate guarantees provided by independent third parties as at 30 June 2019 and 31 December 2018; and
- (vi) pledges of certain properties which were provided by Morris Real Estate, a company controlled by the Controlling Shareholders as at 30 June 2019 and 31 December 2018.

附註:

本集團的若干已抵押銀行貸款以下列各項作抵押:

- (i) 以慕容中國於2019年6月30日及2018年12月31日提供的若干土地及樓宇作抵押;
- (ii) 控股股東於2019年6月30日及2018年12月31日提供的個人擔保;
- (iii) 慕容中國於2019年6月30日及2018年12月31日提供的企業擔保;
- (iv) 控股股東控制的公司慕容地產於2019年6月30日及2018年12月31日提供的企業擔保;
- (v) 獨立第三方於2019年6月30日及2018年12月31日提供的企業擔保;及
- (vi) 以控股股東控制的公司慕容地產於2019年6月30日及2018年12月31日提供的若干物業作抵押。

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17. CONVERTIBLE LOAN

17. 可換股貸款

	As at 30 June 2019 於2019年 6月30日 RMB'000 人民幣千元 (Unaudited) (未經審核)	As at 31 December 2018 於2018年 12月31日 RMB'000 人民幣千元 (Audited) (經審核)
Liability component of the Convertible loan 可換股貸款負債部分	145,557	181,372
Derivative component of the Convertible loan 可換股貸款衍生部分	123	2,521

On 5 January 2018, the Company entered into a convertible loan (the “**Convertible Loan**”) agreement (the “**Convertible Loan Agreement**”) with International Finance Corporation (“**IFC**”), pursuant to which IFC agreed to lend, and the Company agreed to borrow, the Convertible Loan in an aggregate principal amount of HK\$200,000,000. IFC has the right to convert all or any part of the outstanding principal amount of the Convertible Loan into shares of the Company at an initial conversion price of HK\$2.22 per conversion share (subject to adjustments as set out in the Convertible Loan Agreement). The outstanding principal of the Convertible Loan bears interest at a rate of 1.25% per annum above 6 months HIBOR. Interest period of the Convertible Loan shall be a period of six months in each case beginning on an interest payment date and ending on the day immediately before the next following interest payment date.

Unless previously converted, the Company shall repay 50% of the non-converted portion of the Convertible Loan outstanding as at fourth anniversary of the date of the Convertible Loan (the “**First Repayment Instalment Date**”).

Subject to any repayment to be made on the First Repayment Instalment Date as set out above, the outstanding amount of the non-converted portion of the Convertible Loan shall be repaid on the fifth anniversary of the date of the Convertible Loan (the “**Maturity Date**”) together with a redemption premium (the “**Redemption Premium**”) which is an amount equal to 3.25% per annum of such portion of the principal amount of the Convertible Loan to be repaid or prepaid in respect of the period beginning on the date of the disbursement and ending on the day immediately before the date of repayment or prepayment. Any amount of the Convertible Loan which is redeemed by the Company will forthwith be cancelled.

於2018年1月5日，本公司與國際金融公司（「IFC」）訂立可換股貸款（「可換股貸款」）協議（「可換股貸款協議」），據此，IFC同意借出及本公司同意借入可換股貸款，本金總額為200,000,000港元。IFC有權按初步轉換價每股轉換股份2.22港元（可作出可換股貸款協議所載調整），將可換股貸款的全部或任何部分尚未償還本金額轉換成本公司股份。可換股貸款的尚未償還本金額按年利率1.25%計息，高於6個月香港銀行同業拆借利率。於各情況下，可換股貸款的利息期將為六個月，自付息日期起至緊接下一個付息日期前一日止。

除非先前已進行轉換，否則本公司將於發放可換股貸款滿四週年當日（「首次分期還款日」），償還未轉換可換股貸款的50%未轉換部分。

待如上文所述於首次分期還款日作出任何還款後，可換股貸款未轉換部分的未償還金額，將於發放可換股貸款滿五週年當日（「到期日」）連同贖回溢價（「贖回溢價」）一併償還，而該贖回溢價為由發放之日起至緊接還款或提前還款日期前一日止期間將予還款或提前還款的可換股貸款本金額有關部分每年3.25%的等值金額。本公司贖回的任何可換股貸款金額將立即被註銷。

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17. CONVERTIBLE LOAN (Continued)

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

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

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

17. 可換股貸款(續)

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

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

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

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17. CONVERTIBLE LOAN (Continued)

The Convertible Loan recognised in the unaudited condensed consolidated statement of financial position of the Group is bifurcated into two components for accounting purpose, namely the liability component and the derivative component, and the movements of these components during the Reporting Period are as follows:

17. 可換股貸款(續)

於本集團未經審核簡明綜合財務狀況表中確認的可換股貸款，就會計用途而分為兩個部分，分別為負債部分及衍生部分，而該等部分於報告期間的變動如下：

	Liability component	Derivative component	Total
	負債部分	衍生部分	合計
	RMB'000	RMB'000	RMB'000
	人民幣千元	人民幣千元	人民幣千元
At 1 January 2019 (Audited) 於2019年1月1日(經審核)	181,372	2,521	183,893
Repayment of the Convertible Loan 償還可換股貸款	(37,381)	—	(37,381)
Amortisation of liability component of the Convertible Loan 攤銷可換股貸款負債部分	4,880	—	4,880
Fair value gain on derivative component of the Convertible Loan 可換股貸款衍生部分的公允值收益	—	(2,356)	(2,356)
Accrued Interest 應計利息	(2,665)	—	(2,665)
Exchange difference 匯兌差額	(649)	(42)	(691)
At 30 June 2019 (Unaudited) 於2019年6月30日(未經審核)	145,557*	123	145,680

* On 28 March 2019, trading of the Company's shares was suspended, as a result of which the convertible loan became repayable on demand of the holder due to breach of cross default term in the convertible loan agreement. The outstanding principal amount of the convertible loan was reclassified to current liabilities and remeasured to the amount repayable on demand plus redemption premium.

* 於2019年3月28日，本公司股份暫停買賣，乃由於可換股貸款因違反可換股貸款協議的交叉違約條款而須按持有人要求償還。可換股貸款未償還本金額重新分類至流動負債及重新計量為須按要求償還款項加贖回溢價。

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18.SHARE CAPITAL

18.股本

	30 June 2019 2019年6月30日		31 December 2018 2018年12月31日	
	US\$'000 千美元 (Unaudited) (未經審核)	RMB'000 equivalent 人民幣千元 等值 (Unaudited) (未經審核)	US\$'000 千美元 (Audited) (經審核)	RMB'000 equivalent 人民幣千元 等值 (Audited) (經審核)
Authorised: 法定 :				
10,000,000,000 ordinary shares of US\$0.001 each 10,000,000,000股每股面值0.001美元的普通股	10,000		10,000	
Issued and fully paid: 已發行及繳足 :				
1,000,000,000 ordinary shares of US\$0.001 each 1,000,000,000股每股面值0.001美元的普通股	1,000	6,914	1,000	6,914

The movements in the Company's issued share capital during the year are as follow:

本公司於本年度內的已發行股本變動如下：

	Number of ordinary shares in issue 已發行普通股數目	Issued capital 已發行資本 RMB'000 人民幣千元 (Unaudited) (未經審核)
As at 31 December 2018 and 30 June 2019 於2018年12月31日及2019年6月30日	1,000,000,000	6,914

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19. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at the end of the Reporting Period.

19. 或然負債

本集團於本報告期末並無任何重大或然負債。

20. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in the financial statements, the Group had the following significant transactions with related parties during the Reporting Period:

20. 關連方交易

(a) 除財務報表其他部分詳述的交易外，本集團於報告期間與關連方進行以下重大交易：

	Six months ended 30 June 截至6月30日止6個月	
	2019 2019年 RMB'000 人民幣千元 (Unaudited) (未經審核)	2018 2018年 RMB'000 人民幣千元 (Unaudited) (未經審核)
Jennifer Convertibles, Inc.		
Sales of finished goods (note 2) 銷售成品(附註2)	—	640
Morris PRC 慕容中國		
Purchases of electricity 購買電力	—	648
Rental expenses (note 1) 租金開支(附註1)	5,076	14,513

The above related parties were companies controlled by Controlling Shareholders during the Reporting Period. The transactions were conducted on terms and conditions mutually agreed between the relevant parties.

於報告期間，上述關連方均為由控股股東控制的公司。該等交易乃根據相關訂約方相互協定的條款及條件進行。

Note:

1. These related party transactions also constitute non-exempt continuing connected transactions as defined in Chapter 14A of the Listing Rules.
2. The Group completed the acquisition of the entire issued share capital of Jennifer Convertibles Inc. on 31 August 2018, where upon Jennifer Convertibles Inc. ceased to be a connected person of the Group under Chapter 14A of the Listing Rules.

附註：

1. 該等關連方交易亦構成上市規則第14A章定義的不獲豁免持續關連交易。
2. 本集團於2018年8月31日完成收購Jennifer Convertibles Inc.的全部已發行股本，據此，根據上市規則第14A章，Jennifer Convertibles Inc.不再為本集團的關連人士。

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20. RELATED PARTY TRANSACTIONS (Continued)

(b) Compensation of key management personnel of the group

	Six months ended 30 June	
	截至6月30日止6個月	
	2019	2018
	2019年	2018年
	RMB'000	RMB'000
	人民幣千元	人民幣千元
	(Unaudited)	(Unaudited)
	(未經審核)	(未經審核)
Fees 袍金	1,922	182
Salaries, allowances and benefits in kind 薪金、津貼及實物福利	983	2,133
Discretionary bonuses 酌情花紅	—	2,129
Pension scheme contributions 退休計劃供款	139	119
Total compensation paid to key management personnel 支付予主要管理人員的薪酬總額	3,044	4,563

20. 關連方交易(續)

(b) 本集團主要管理人員的薪酬

21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments reasonably approximate to fair values.

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and bills receivables, financial assets included in prepayments, deposits and other receivables, trade and bills payables, financial liabilities included in other payables and accruals, the current portion of interest-bearing bank borrowings and amounts due from/to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

21. 金融工具的公允值及公允值層級

本集團金融工具的賬面值及公允值與公允值合理相若。

管理層認定現金及現金等價物、已抵押存款、貿易應收款項及應收票據、計入預付款項、按金及其他應收款項的金融資產、貿易應付款項及應付票據、計入其他應付款項及應計費用的金融負債、計息銀行借款的即期部份及應收／應付關連方款項的公允值與其賬面值相若，主要由於該等工具的到期日較短。

本集團旗下由財務經理帶領的企業融資團隊負責就金融工具的公允值計量制定政策及程序。企業融資團隊直接向首席財務官匯報。於各報告日期，企業融資團隊分析金融工具價值變動及釐定應用於估值的主要輸入數據。估值已由首席財務官審閱及批准。

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21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

During the period, there was no transfer of fair value measurement between Level 1 and Level 2 and no transfer into or out of Level 3 for both financial assets and financial liabilities (2018: Nil).

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

21. 金融工具的公允值及公允值 層級(續)

金融資產及負債的公允值以自願交易方(強迫或清盤出售者除外)當前交易中該工具的可交易金額入賬。

期內金融資產及金融負債第1級及第2級公允值計量之間並無轉移，亦無轉入或轉出第3級的情況(2018年：無)。

下表提供有關初始確認後按公允值計量並根據公允值的可觀察程度分類為第1至3級的金融工具分析。

- 第1級公允值計量基於相同資產或負債於活躍市場的報價(未經調整)得出。
- 第2級公允值計量基於直接(即價格)或間接(即自價格計算得出)輸入數據(第1級所包括有關資產或負債的可觀察報價除外)得出。
- 第3級公允值計量乃自估值技術計算得出，其中包括有關資產或負債並非基於可觀察市場數據(不可觀察輸入數據)的輸入數據。

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21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

21. 金融工具的公允值及公允值層級(續)

Financial asset and liability measured at fair value

按公允值計量的金融資產及負債

	As at 30 June 2019 於2019年6月30日			
	Level 1 第1級	Level 2 第2級	Level 3 第3級	Total 總計
	RMB'000	RMB'000	RMB'000	RMB'000
	人民幣千元	人民幣千元	人民幣千元	人民幣千元
Asset 資產				
Contingent consideration receivables 應收或然代價	—	—	230,022	230,022
Liability 負債				
Derivative financial instruments 衍生金融工具	—	—	123	123

	As at 31 December 2018 於2018年12月31日			
	Level 1 第1級	Level 2 第2級	Level 3 第3級	Total 總計
	RMB'000	RMB'000	RMB'000	RMB'000
	人民幣千元	人民幣千元	人民幣千元	人民幣千元
Asset 資產				
Contingent consideration receivables 應收或然代價	—	—	226,318	226,318
Liability 負債				
Derivative financial instruments 衍生金融工具	—	—	2,521	2,521

Fair value of financial liabilities that are not measured at fair value (but fair value disclosure are required):

並非按公允值計量(惟須作出公允值披露)的金融負債公允值:

	As at 30 June 2019 於2019年6月30日			
	Level 1 第1級	Level 2 第2級	Level 3 第3級	Total 總計
	RMB'000	RMB'000	RMB'000	RMB'000
	人民幣千元	人民幣千元	人民幣千元	人民幣千元
Convertible loan 可換股貸款	—	—	145,557	145,557

	As at 31 December 2018 於2018年12月31日			
	Level 1 第1級	Level 2 第2級	Level 3 第3級	Total 總計
	RMB'000	RMB'000	RMB'000	RMB'000
	人民幣千元	人民幣千元	人民幣千元	人民幣千元
Convertible loan 可換股貸款	—	—	181,372	181,372

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21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Information about Level 3 fair value measurements

The fair value of the contingent consideration relating to the acquisition of Jennifer Convertibles Inc. is determined based on the expected payment, discounted to present value using a risk-adjusted discount rate of 1.76% (2018: 2.52%).

The fair value of contingent consideration is determined by an independent external valuer based on the latest financial forecast of the acquired subsidiaries and other relevant information.

The movement during the period in the balance of Level 3 fair value measurement is as follows:

21. 金融工具的公允值及公允值 層級(續)

有關第3級公允值計量的資料

有關收購 Jennifer Convertibles Inc. 的或然代價公允值乃使用風險調整貼現率1.76% (2018年: 2.52%) 將預期付款貼現至現值釐定。

或然代價公允值乃由獨立外部估值師根據所收購附屬公司的最新財務預測及其他相關資料釐定。

期內第3級公允值計量結餘的變動如下:

	Contingent consideration receivables 應收或然代價 RMB'000 人民幣千元
As at 1 January 2019 (Audited) 於2019年1月1日(經審核)	226,318
Fair value change 公允值變動	4,168
Exchange realignment 匯兌調整	(464)
As at 30 June 2019 (Unaudited) 於2019年6月30日(未經審核)	230,022

The fair value change on contingent consideration is included in "Other income and gains" in the consolidated statement of profit or loss and other comprehensive income for asset held at the end of reporting period.

就於報告期末所持資產而言，或然代價公允值變動計入綜合損益及其他全面收益表的「其他收入及收益」內。

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21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Information about Level 3 fair value measurements (Continued)

As at 30 June 2019, the fair value of derivative financial instruments amounted to approximately RMB123,000 (2018: RMB2,521,000). The fair value of derivative and liability component of convertible loan was valued by an independent valuer, it was calculated by discounting the future cash flow at market rate and including some unobservable inputs. See note 17 for the detailed information of derivative financial instruments and convertible loan.

Below is a summary of the valuation technique used and the key inputs to the valuation of convertible bonds:

	Valuation technique 估值技術	Significant unobservable inputs 重大不可觀察輸入數據	As at 30 June 2019 於2019年6月30日	As at 31 December 2018 於2018年12月31日
Derivative financial Instruments and Convertible loan 衍生金融工具及可換股貸款	Discounted cash flow method 貼現現金流量法	Risk-free rate 無風險利率	1.48%	1.76%
		Volatility 波幅	41.86%	43.59%
		Discount rate 貼現率	12.01%	13.13%

21. 金融工具的公允值及公允值層級(續)

有關第3級公允值計量的資料(續)

於2019年6月30日，衍生金融工具公允值約為人民幣123,000元(2018年：人民幣2,521,000元)。可換股貸款衍生及負債部分的公允值由獨立估值師估值，乃透過按市場利率及計入部分不可觀察輸入數據貼現未來現金流量計算。有關衍生金融工具及可換股貸款的詳情，請參閱附註17。

以下概述可換股債券估值所用估值技術及主要輸入數據：

Management Discussion and Analysis

管理層討論及分析

FINANCIAL REVIEW

For the six months ended 30 June 2019, the principal business activities of Group comprise the manufacturing and sales of sofas, sofa covers and other furniture products.

During the Reporting Period, the revenue of the Group amounted to RMB499.6 million (2018: RMB751.6 million), representing a decrease of approximately 33.5% as compared with last period, which was mainly attributed to the decrease in revenue generated from sale of sofas, sofa covers and other furniture products.

The Group's gross profit for the Reporting Period was RMB71.1 million (2018: RMB229.3 million), representing a decrease of approximately 69.0% as compared with the same period of last year, with gross profit margin decreased from approximately 30.5% to approximately 14.2%. The decrease in gross profit margin was primarily due to the U.S. imposed tariffs on furniture from Mainland China.

The net loss of the Group amounted to RMB79.1 million during the Reporting Period as compared with the net profit of RMB73.4 million in the same period of last year. The increase in net loss was mainly attributable to a decrease in sales volume and impact from the Sino-US trade war.

The Company's basic loss per ordinary share was RMB7.91 cents for the six months ended 30 June 2019 (basic earnings per share in 2018: RMB7.34 cents) based on the loss for the period attributable to ordinary equity holders of the Company of approximately RMB79.1 million (profit for the period in 2018: approximately RMB73.4 million), and the weighted average number of ordinary shares of 1,000,000,000 for the six months ended 30 June 2019 (2018: 1,000,000,000).

Cost of sales

The cost of sales of the Group decreased by approximately 17.9% from approximately RMB522.2 million for the six months ended 30 June 2018 to approximately RMB428.5 million for the six months ended 30 June 2019, which was primarily due to the decrease in sales.

財務回顧

截至2019年6月30日止6個月，本集團的主要業務為生產及銷售沙發、沙發套及其他傢俱產品。

於報告期間，本集團收入為人民幣499.6百萬元（2018年：人民幣751.6百萬元），較上一期間減少約33.5%，主要由於銷售沙發、沙發套及其他傢俱產品產生的收入減少。

於報告期間，本集團毛利為人民幣71.1百萬元（2018年：人民幣229.3百萬元），較去年同期減少約69.0%，而毛利率由約30.5%減少至約14.2%。毛利率減少主要由於美國對中國內地產傢俱徵收關稅。

於報告期間，本集團虧損淨額為人民幣79.1百萬元，而去年同期為溢利淨額人民幣73.4百萬元。虧損淨額增加主要由於銷量減少及中美貿易戰的影響。

本公司截至2019年6月30日止6個月的每股普通股基本虧損為人民幣7.91分（2018年每股基本盈利：人民幣7.34分），乃根據本公司普通權益持有人應佔期內虧損約人民幣79.1百萬元（2018年期內溢利：約人民幣73.4百萬元）以及截至2019年6月30日止6個月普通股的加權平均數1,000,000,000股（2018年：1,000,000,000股）計算。

銷售成本

本集團的銷售成本由截至2018年6月30日止6個月的約人民幣522.2百萬元減少約17.9%至截至2019年6月30日止6個月的約人民幣428.5百萬元，主要由於銷售減少。

Management Discussion and Analysis

管理層討論及分析

Other net income and gains

The other net income and gains of the Group decreased from approximately RMB33.3 million for the six months ended 30 June 2018 to approximately RMB21.0 million for the six months ended 30 June 2019. Such decrease was mainly due to the decrease in net income of selling unused raw materials and scrap materials (2019: RMB0.6 million; 2018: RMB9.2 million) and decrease in interest income (2019: RMB0.6 million; 2018: RMB1.5 million).

Selling and distribution expenses

The selling and distribution expenses of the Group increased by approximately 10.0% from approximately RMB86.2 million for the six months ended 30 June 2018 to approximately RMB94.8 million for the six months ended 30 June 2019. Such increase was primarily due to the increase in salaries and rental of the new retail stores located in Hong Kong and the U.S..

Administrative expenses

The administrative expenses of the Group slightly decreased by approximately 6.0% from approximately RMB68.8 million for the six months ended 30 June 2018 to approximately RMB64.7 million for the six months ended 30 June 2019. Such decrease was primarily due to an one-off legal and professional expenses for the acquisition of Jennifer Convertibles in 2018.

Finance costs

The finance costs of the Group slightly increased by approximately 6.7% from approximately RMB12.0 million for the six months ended 30 June 2018 to approximately RMB12.8 million for the six months ended 30 June 2019. The increase in finance costs was mainly due to the increase in interest for lease liabilities.

Income tax credit/expense

The income tax expense decreased by approximately 105.0% from approximately RMB21.8 million for the six months ended 30 June 2018 to income tax credit approximately RMB1.1 million for the six months ended 30 June 2019 as the major subsidiaries in PRC suffered in loss as at the end of the Reporting Period which was mainly due to the decrease in sales volume and the impact from the Sino-US trade war. Currently, our principal subsidiaries in Mainland China are subject to an enterprise income tax rate of 15%.

其他收入及收益淨額

本集團其他收入以及收益淨額由截至2018年6月30日止6個月的約人民幣33.3百萬元減少至截至2019年6月30日止6個月約人民幣21.0百萬元。有關減幅主要由於銷售未使用原材料及廢料的淨收入減少(2019年:人民幣0.6百萬元;2018年:人民幣9.2百萬元)及利息收入減少(2019年:人民幣0.6百萬元;2018年:人民幣1.5百萬元)。

銷售及分銷開支

本集團銷售及分銷開支由截至2018年6月30日止6個月的約人民幣86.2百萬元增加約10%至截至2019年6月30日止6個月的約人民幣94.8百萬元。該增加主要由於薪金的增加以及位於香港及美國的新零售店的租金增加。

行政開支

本集團行政開支由截至2018年6月30日止6個月的約人民幣68.8百萬元輕微減少約6.0%至截至2019年6月30日止6個月約人民幣64.7百萬元。該減少主要由於2018年收購Jennifer Convertibles產生一次性法律及專業開支。

財務成本

本集團的財務成本由截至2018年6月30日止6個月的約人民幣12.0百萬元輕微增加約6.7%至截至2019年6月30日止6個月的約人民幣12.8百萬元。財務成本增加主要由於租賃負債利息增加。

所得稅抵免／開支

所得稅開支由截至2018年6月30日止6個月的約人民幣21.8百萬元減少約105.0%至截至2019年6月30日止6個月的所得稅抵免約人民幣1.1百萬元，乃由於報告期間末中國主要附屬公司處於虧損狀態(主要原因是銷量減少及中美貿易戰的影響)。目前，我們在中國內地的主要附屬公司須按15%稅率繳納企業所得稅。

Management Discussion and Analysis

管理層討論及分析

LIQUIDITY AND CAPITAL RESOURCES

Working capital

For the six months ended 30 June 2019, cash and cash equivalents of the Group decreased by approximately RMB85.9 million, which was comprised of the net cash flows generated from operating activities of approximately RMB90.6 million, net cash flows used in investing activities of approximately RMB40.9 million, and net cash flows used in financing activities of approximately RMB134.7 million, while approximately RMB0.9 million was the net exchange loss of foreign exchange rate changes.

Borrowing and pledge of assets

As at 30 June 2019, the Group's interest-bearing bank borrowings amounted to approximately RMB76.0 million (31 December 2018: approximately RMB142.2 million), all of which were repayable within 12 months from 30 June 2019. The bank loans' interest rates ranged from 4.3% to 6.5% (31 December 2018: 2.7% to 6.5%) per annum.

As at 30 June 2019, approximately RMB96.8 million (31 December 2018: approximately RMB94.0 million) restricted bank balances were pledged for bank borrowings and bills payables. Increase in restricted bank balance was mainly due to the increase in bills payables during the Reporting Period.

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/period and multiplied by 100%, decreased from approximately 38.7% as at 31 December 2018 to approximately 27.1% as at 30 June 2019, which was primarily due to the decrease in interest-bearing bank borrowings as at 30 June 2019.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 30 June 2019.

Trade and bills receivables

The trade and bills receivables of the Group decreased to approximately RMB526.7 million as at 30 June 2019 (31 December 2018: approximately RMB634.5 million), primarily due to the decrease in sales to our customers in the second quarter in 2019 as compared to the fourth quarter in 2018.

流動資金及資本來源

營運資金

截至2019年6月30日止6個月，本集團之現金及現金等價物減少約人民幣85.9百萬元，包括經營活動所得現金流量淨額約人民幣90.6百萬元，投資活動所用現金流量淨額約人民幣40.9百萬元及融資活動所用現金流量淨額約人民幣134.7百萬元，而約人民幣0.9百萬元為外幣匯率變動的匯兌虧損淨額。

借款及資產抵押

於2019年6月30日，本集團的計息銀行借款約為人民幣76.0百萬元(2018年12月31日：約人民幣142.2百萬元)，全部均須自2019年6月30日起12個月內償還。銀行貸款年利率介乎4.3%至6.5%之間(2018年12月31日：介乎2.7%至6.5%之間)。

於2019年6月30日，約人民幣96.8百萬元(2018年12月31日：約人民幣94.0百萬元)的受限制銀行結餘已用作銀行借款及應付票據的抵押。受限制銀行結餘增加主要由於報告期間應付票據增加。

資產負債比率

本集團的資產負債比率(按年/期末的計息銀行借款總額除以權益總額再乘以100%計算)從2018年12月31日的約38.7%減少至2019年6月30日的約27.1%，主要由於2019年6月30日的計息銀行借款減少所致。

或然負債

本集團於2019年6月30日並無任何重大或然負債。

貿易應收款項及應收票據

本集團於2019年6月30日的貿易應收款項及應收票據減少至約人民幣526.7百萬元(2018年12月31日：約人民幣634.5百萬元)，主要由於我們於2019年第二季度向客戶所作銷售較2018年第四季度有所減少。

Management Discussion and Analysis

管理層討論及分析

Trade and bills payables

The trade and bills payables of the Group increased to approximately RMB443.6 million as at 30 June 2019 (31 December 2018: approximately RMB416.8 million), primarily due to the slow down of payment to the suppliers for third party purchases to maintain the sufficiency of cash flow.

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 the six months ended 30 June 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 the six months ended 30 June 2019 and there was no hedging instruments outstanding as at 30 June 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 when and if appropriate.

HUMAN RESOURCES MANAGEMENT

Quality and dedicated staff are indispensable assets to the Group in striving its way to success in a market with severe competition. By providing comprehensive training and corporate culture education periodically, the employees are able to obtain on-going training and development in the sofa 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 that they are in line with market practice and regulatory requirements. As at 30 June 2019, the Group employed a work force of 2,159 (31 December 2018: 2,499). The total salaries and related costs including the directors' remuneration for the six months ended 30 June 2019 amounted to approximately RMB88.3 million (for the six months ended 30 June 2018: approximately RMB89.2 million).

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2019 (2018: HK1.8 cents).

貿易應付款項及應付票據

本集團於2019年6月30日的貿易應付款項及應付票據增加至約人民幣443.6百萬元(2018年12月31日：約人民幣416.8百萬元)，主要由於放緩就第三方採購向供應商付款以維持充足現金流量。

外匯風險

來自主要客戶的收入主要源自美國，而本集團的生產設備主要位於中國。因此，大部分銷售額以美元計值，本集團營運產生的成本一般以人民幣結算。因此，倘美元兌人民幣的匯價發生波動，則可能會對本集團的財務業績產生不利影響。截至2019年6月30日止6個月，本集團業務或流動資金並無因匯率波動而出現任何重大困難或受到重大影響。本集團於截至2019年6月30日止6個月並無使用任何金融工具作對沖之用，於2019年6月30日，本集團並無未償對沖工具。本集團將繼續對其現有業務及未來新投資所引致的匯率風險進行緊密監控。本集團將於適當時進一步實施必要的對沖安排，以降低任何重大的外匯風險。

人力資源管理

優秀及全情投入的員工是本集團不可或缺的資產，有助本集團於競爭激烈的市場中取得成功。本集團透過定期向員工提供全面培訓及企業文化教育，使員工亦可獲得沙發生產行業的持續培訓及事業發展機會。此外，本集團向所有員工提供符合業內慣例並具競爭力的薪酬組合及各項附加福利。本集團定期檢討人力資源及薪酬政策，確保有關政策符合市場慣例及監管要求。於2019年6月30日，本集團僱用2,159名員工(2018年12月31日：2,499名員工)。截至2019年6月30日止6個月的薪金及相關成本總額(包括董事薪酬)約為人民幣88.3百萬元(截至2018年6月30日止6個月：約人民幣89.2百萬元)。

中期股息

董事會已議決不就截至2019年6月30日止6個月宣派任何中期股息(2018年：1.8港仙)。

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 throughout the six months ended 30 June 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.

Independent Non-executive Directors

Under Rules 3.10(1) and 3.10(2) of the Listing Rules, the Company shall appoint sufficient number of independent non-executive Directors and at least one independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise. Pursuant to Rule 3.21 of the Listing Rules, the audit committee of a listed issuer shall only comprise non-executive directors with a minimum of three members and at least one being an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise.

企業管治守則

本公司致力維持高水平的企業管治標準，以保障股東權益及提升企業價值及問責性。本公司已採納載於上市規則附錄十四的《企業管治守則》(「**企業管治守則**」)的守則條文(「**守則條文**」)及建議最佳常規(如適用)。除下述披露外，截至2019年6月30日止6個月，本公司已應用及遵守守則條文的有關條文。

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

企業管治守則守則條文C.1.2規定，管理層應每月向董事會成員提供更新資料，載列有關發行人的表現、狀況及前景的公正及易於理解的評估，內容足以讓董事會全體及每一位董事履行彼等在上市規則第3.08條及第13章項下的職責。儘管本公司管理層並無定期向董事會成員提供每月更新資料，惟管理層於適當時候向董事會成員提供資料及更新資料。

獨立非執行董事

根據上市規則第3.10(1)及3.10(2)條，本公司須委任足夠數目的獨立非執行董事且至少一名獨立非執行董事具備適當的專業資格，或具備會計或相關財務管理專業知識。根據上市規則第3.21條，上市發行人的審核委員會應僅由非執行董事組成，至少有三名成員及至少一名應為具備適當專業資格或會計或相關財務管理專長的獨立非執行董事。

Other Information

其他資料

Notwithstanding the resignation of Mr. Shao Shaomin as an independent non-executive Director which was announced on 29 March 2019 but took effect on 12 April 2019, Mr. Pang Wing Hong was appointed as an independent non-executive Director with appropriate professional qualifications and related accounting or financial expertise on 12 April 2019. Therefore, the Company has at all times during the six months ended 30 June 2019 complied with Rules 3.10(1), 3.10(2) and 3.21 of the Listing Rules.

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 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 for the Reporting Period, and they all confirmed that they had fully complied with the required standard set out in the Model Code and its code of conduct regarding directors’ securities transactions for the Reporting Period.

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 for the six months ended 30 June 2019.

CHANGE OF DIRECTORS AND COMPOSITION OF BOARD COMMITTEES

The changes in information of the Directors since 31 December 2018 are set out below:

Independent non-executive Directors

The independent non-executive Director Mr. Shao Shaomin was appointed on 10 December 2016 and tendered his resignation on 29 March 2019 which took effect on 12 April 2019. Mr. Pang Wing Hong was appointed as an independent non-executive Director on 12 April 2019.

The independent non-executive Director Mr. Huang Wenli was appointed on 10 December 2016 and resigned on 28 May 2019. Mr. Chu Guodi was appointed as an independent non-executive Director on 28 May 2019.

For further details, please refer to the announcements of the Company dated 29 March 2019, 12 April 2019 and 28 May 2019, respectively.

儘管邵少敏先生已辭任獨立非執行董事(於2019年3月29日公佈但於2019年4月12日生效)，彭永康先生於2019年4月12日獲委任為具備適當專業資格及相關會計或財務專長的獨立非執行董事。因此，本公司於截至2019年6月30日止6個月一直符合上市規則第3.10(1)、3.10(2)及3.21條。

證券交易的標準守則

本公司已採納上市規則附錄十所載上市發行人董事進行證券交易的標準守則(「**標準守則**」)作為本公司董事進行證券交易的行為守則。本公司向所有董事及相關員工進行具體查詢，查詢其於報告期間是否遵守標準守則，彼等均確認於報告期間已全面遵守載列於標準守則中之要求準則及董事進行證券交易的行為守則。

購買、出售或贖回本公司的上市證券

截至2019年6月30日止6個月，本公司或其任何附屬公司概無購買、贖回或出售任何本公司的上市證券。

董事及董事委員會組成變更

自2018年12月31日以來，董事資料的變動載列如下：

獨立非執行董事

獨立非執行董事邵少敏先生於2016年12月10日獲委任及於2019年3月29日提呈辭任(於2019年4月12日生效)。彭永康先生於2019年4月12日獲委任為獨立非執行董事。

獨立非執行董事黃文禮先生於2016年12月10日獲委任及於2019年5月28日辭任。褚國弟先生於2019年5月28日獲委任為獨立非執行董事。

如欲了解更多詳情，請參閱本公司分別於2019年3月29日、2019年4月12日及2019年5月28日刊發的公告。

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANT

Save as those disclosed under the section headed "Connected Transactions and Continuing Connected Transactions" and the related party transactions as disclosed in note 20 to the unaudited condensed consolidated financial statements, no transactions, arrangements or contracts of significance in relation to the Company's business to which the Company or any of its subsidiaries was a party and in which a Director or a connected entity of a Director had a material interest, whether directly or indirectly, subsisted at 30 June 2019 or at any time during the six months ended 30 June 2019.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2019, the interests and short positions of each Director and chief executive of the Company in the shares of the Company, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO), or which were required to be entered in the register referred to in section 352 of the SFO, or which were required to be notified under the Model Code, are set out below:

(i) The Company

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

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

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

董事於重大交易、安排或合同中的權益

除「關連交易及持續關連交易」一節及未經審核簡明綜合財務報表附註20所披露的關連方交易外，於2019年6月30日或截至2019年6月30日止6個月內任何時間，概無與本公司業務有關且本公司或其任何附屬公司作為訂約方及董事或董事之關連實體直接或間接擁有實質利益的重大交易、安排或合同。

董事於證券之權益

於2019年6月30日，本公司各董事及最高行政人員於本公司或任何相聯法團(定義見證券及期貨條例(「證券及期貨條例」)第XV部)之本公司股份、相關股份及債權證中擁有根據證券及期貨條例第XV部第7及第8分部須通知本公司及聯交所(包括根據證券及期貨條例有關規定被視作或被視為擁有的權益或淡倉)或須記錄於證券及期貨條例第352條所述登記冊或根據標準守則須予通知的權益及淡倉載列如下：

(i) 本公司

附註1：字母「L」表示該人士在該等股份中的好倉。

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

Other Information 其他資料

(ii) Morris Capital (Note 1)

(ii) 慕容資本(附註1)

Name of director/chief executive 董事／最高行政人員姓名	Nature of Interest 權益性質	Number of securities (Note 1) 證券數目(附註1)	Approximate percentage of shareholding 佔股權概約百分比
Mr. Zou Gebing (Note 2) 鄒格兵先生(附註2)	Beneficial owner 實益擁有人	85 shares of US\$1 each (L) 85股每股1美元的股份(L)	85%

Note 1: Morris Capital holds more than 50% of the shares. Therefore, Morris Capital is the holding company and an associated corporation of the Company.

附註1：慕容資本持有50%以上的股份。因此，慕容資本為本公司的控股公司及相聯法團。

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

附註2：字母「L」代表該名人士於該等股份的好倉。

Save as disclosed above, none of the Directors, chief executives of the Company had any other personal, family, corporate and other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 30 June 2019.

除上文所披露者外，於2019年6月30日，本公司之董事及最高行政人員概無於本公司或其任何相聯法團(按證券及期貨條例第XV部賦予之涵義)之股份、相關股份或債權證擁有須記入根據證券及期貨條例第352條須予設存之登記冊或根據標準守則須通知本公司及聯交所之任何其他個人、家族、公司及其他權益或淡倉。

SUBSTANTIAL SHAREHOLDERS' INTEREST

As at 30 June 2019, the following persons (other than the Directors or the chief executive of the Company) have interests or short positions in the shares or underlying shares as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholders 股東名稱	Nature of Interest 權益性質	Number of securities (Note 1) 證券數目(附註1)	Approximate percentage of shareholding 佔股權概約百分比
Morris Capital (Note 2) 慕容資本(附註2)	Beneficial owner 實益擁有人	750,000,000 shares/股(L)	75% (L)
Wu Xiangfei (Note 3) 鄔向飛(附註3)	Interest of spouse 配偶權益	750,000,000 shares/股(L)	75% (L)

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

附註1：字母「L」表示該人士在該等股份中的好倉。

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

附註2：慕容資本是由鄒格兵先生擁有85%和鄔向飛女士擁有15%。

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

附註3：鄔向飛女士是鄒格兵先生的配偶。根據證券及期貨條例，鄔向飛女士將因此被視為擁有和鄒格兵先生持有的相同股份權益。

Save as disclosed above, the Company has not been notified of any other person (other than the Directors and chief executives of the Company) who had an interest or short position in the shares and/or underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO as at 30 June 2019.

除上文所披露者外，於2019年6月30日，本公司並無接獲任何其他人士(本公司董事及最高行政人員除外)通知，表示其於本公司股份及／或相關股份中持有須根據證券及期貨條例第XV部第2及第3分部向本公司披露之權益或淡倉。

主要股東之權益

於2019年6月30日，本公司根據證券及期貨條例第336條存置之股東登記冊顯示，下列人士(本公司董事或最高行政人員除外)於股份或相關股份中擁有相關權益或淡倉：

Other Information 其他資料

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the Company's business were entered into or existed during the six months ended 30 June 2019.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

There were no competing business of which a Director of the Company had a material interest, whether directly or indirectly, subsisted as at 30 June 2019 or at any time during the six months ended 30 June 2019.

DEED OF NON-COMPETITION

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

The Company has received the confirmation of the Non-Compete Covenantors' in respect of their compliance with the non-competition undertakings under the Deed of Non-competition during the six months ended 30 June 2019.

The independent non-executive Directors also reviewed the Non-Compete Covenantors' compliance with the non-competition undertakings. The independent non-executive Directors confirmed that the Non-Compete Covenantors were not in breach of the non-competition undertakings during the six months ended 30 June 2019.

管理合約

於截至2019年6月30日止6個月，概無訂立或存在有關本公司全部或任何重大部分業務的經營管理的合約。

購買股份或債權證之安排

本公司、其控股公司或其任何附屬公司於報告期間任何時間概無訂立任何安排，使董事(包括其配偶及18歲以下的子女)可藉購入本公司或任何其他法團之股份或債權證而獲益。

董事於競爭業務的權益

於2019年6月30日或截至2019年6月30日止6個月內的任何時間，概無董事於與本公司業務直接或間接構成競爭的業務中擁有任何重大權益。

不競爭契據

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

截至2019年6月30日止6個月，本公司已收到不競爭契約方按照不競爭契據遵守不競爭承諾的合規確認函。

獨立非執行董事亦已審查不競爭契約方對不競爭承諾的遵守情況。獨立非執行董事確認，不競爭契約方於截至2019年6月30日止6個月並無違反不競爭承諾。

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the Reporting Period, the rental expenses paid by the Group (as tenants) to Morris PRC (the landlord and a connected person of the Company) constituted non-exempted continuing connected transactions. The aggregated annual caps of the lease agreements for the year ended 31 December 2017 and 2018 and the years ending 31 December 2019 and 2020 are RMB15 million, RMB15 million, RMB15 million and RMB15 million, respectively. For the six months ended 30 June 2019, the rental expenses paid to Morris PRC were approximately RMB5.1 million which did not exceed the relevant annual cap for the same period. For further details of the lease agreements, please refer to the announcement of the Company dated 17 March 2017.

Mstar International Trading (HK) Limited, a wholly-owned subsidiary of the Company, entered into a sales agreement with Jennifer Convertibles Inc. on 1 January 2016, pursuant to which the Group agreed to supply sofas to Jennifer Convertibles Inc. The Group completed the acquisition of Jennifer Convertibles Inc. on 31 August 2018, whereupon Jennifer Convertibles Inc. became a wholly-owned subsidiary of the Company and thereby ceased to be a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, the transactions with Jennifer Convertible Inc. no longer constituted continuing connected transactions after 31 August 2018.

For further details, please refer to the annual report of the Company for the year ended 31 December 2018 and note 20 to the unaudited condensed consolidated financial statements in this report. For the six months ended 30 June 2019, the rental expenses paid to Morris PRC. were approximately RMB5.1 million which did not exceed the relevant annual cap for the same period.

MAJOR CUSTOMERS AND SUPPLIERS

During the six months ended 30 June 2019, sales to the Group's five largest customers and purchases from the five largest suppliers accounted for approximately 48.8% and 61.5% of the Group's total revenue and purchases for the six months ended 30 June 2019, respectively. The Group's largest customer accounted for around 13.3% of the Group's total revenue for the six months ended 30 June 2019. The Group's largest supplier accounted for around 21.3% of the Group's total purchase for the six months ended 30 June 2019.

關連交易及持續關連交易

於報告期間，本集團（作為租客）向慕容中國（為業主及本公司關連人士）支付租金開支構成非豁免持續關連交易。截至2017年及2018年12月31日止年度以及截至2019年及2020年12月31日止年度，租賃協議的總年度上限分別為人民幣15百萬元、人民幣15百萬元、人民幣15百萬元及人民幣15百萬元。截至2019年6月30日止6個月，支付予慕容中國的租金開支約為人民幣5.1百萬元，並無超出同期的相關年度上限。有關租賃協議的進一步詳情，請參閱本公司日期為2017年3月17日的公告。

於2016年1月1日，本公司全資附屬公司美星國際貿易（香港）有限公司與Jennifer Convertibles Inc.訂立銷售協議，據此，本集團同意向Jennifer Convertibles Inc.供應沙發。本集團於2018年8月31日完成收購Jennifer Convertibles Inc.，隨後Jennifer Convertibles Inc.成為本公司的全資附屬公司，並因此不再是本公司於上市規則第14A章項下的關連人士。因此，與Jennifer Convertible Inc.的交易於2018年8月31日後不再構成持續關連交易。

更多詳情請參閱本公司截至2018年12月31日止年度的年報及本報告未經審核簡明綜合財務報表附註20。截至2019年6月30日止6個月，支付予慕容中國的租金開支約為人民幣5.1百萬元，並無超出同期的相關年度上限。

主要客戶及供應商

於截至2019年6月30日止6個月，本集團向五大客戶之銷售額及向五大供應商之採購額分別佔本集團截至2019年6月30日止6個月總收益及總採購額約48.8%及61.5%。本集團最大客戶佔本集團截至2019年6月30日止6個月總收益約13.3%。本集團最大供應商佔本集團截至2019年6月30日止6個月總採購額約21.3%。

Other Information

其他資料

At no time during the six months ended 30 June 2019 did a Director, a close associate of a Director or a Shareholder (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest customers or suppliers.

RESUMPTION OF TRADING

As disclosed in the Company's announcement dated 28 March 2019, trading of the Company's shares was suspended as a result of the delay in publication of the annual results of the Company for the year ended 31 December 2018. As disclosed by the Company on 2 May 2019, it was proposed that subject to shareholders' approval, the appointment of Ernst & Young ("EY") as the Company's auditors be terminated and HLB Hodgson Impey Cheng Limited ("HLB") be appointed as the Company's auditors. On 27 May 2019, the Company received a letter from the Stock Exchange, in which the Stock Exchange sets out the following resumption guidance for the Company: (a) to address certain queries (the "Queries") identified by EY, disclose relevant information and findings and take appropriate remedial actions; (b) publish all outstanding financial results and address any audit modifications; and (c) inform the market of all material information for the Shareholders and investors to appraise its positions.

During the course of auditing the consolidated financial statements of the Group for the year ended 31 December 2018, EY, the former auditor, raised queries about (i) certain transactions in respect of the purchase and sales of leather, furniture and furniture-related products carried out by the Group in the PRC during the year ended 31 December 2018; (ii) the disclosures and accounting treatments for the relationships between two subsidiaries of the Group in the PRC and some of the customers and/or suppliers, in particular whether these customers and suppliers are independent from the Group. The Audit Committee of the Company has appointed Stevenson, Wong & Co. ("SWC") to conduct an independent investigation, with the assistance from HLB, the existing auditor (collectively, the "Investigators"), and to prepare an independent investigation report in respect of the Queries. On 9 July 2019, the Company and the Audit Committee received an independent investigation report dated 9 July 2019 issued by SWC (the "Independent Investigation Report"). The summary of the major findings of the Independent Investigation Report and the views of the Company and HLB on the contents of the Independent Investigation Report are set out in the Company's announcement dated 19 August 2019.

於截至2019年6月30日止6個月任何時間，概無董事、董事的緊密聯繫人或股東(就董事所知擁有本公司已發行股本5%以上權益者)於本集團五大客戶或供應商中擁有權益。

恢復買賣

誠如本公司日期為2019年3月28日之公告所披露，本公司股份因延遲刊發本公司截至2018年12月31日止年度的全年業績而暫停買賣。誠如本公司於2019年5月2日所披露，建議待股東批准後，終止委聘安永會計師事務所(「安永」)為本公司核數師，而委聘國衛會計師事務所有限公司(「國衛」)為本公司核數師。於2019年5月27日，本公司收到聯交所的函件，其中聯交所為本公司載列以下復牌指引：(a)回應安永提出的若干查詢(「查詢」)、披露相關信息及調查結果，並採取適當的補救措施；(b)刊發所有尚未公佈的財務業績並處理任何審計修訂；及(c)通知市場所有重要信息，以供股東及投資者評估其狀況。

於審核本集團截至2018年12月31日止年度綜合財務報表期間，前核數師安永就下列方面提出查詢：(i)本集團於截至2018年12月31日止年度於中所進行若干有關買賣皮革、傢俱及傢俱相關產品之交易；(ii)有關本集團兩間於中國之附屬公司與若干客戶及／或供應商之關係之披露及會計處理，特別是該等客戶及供應商是否獨立於本集團。本公司審核委員會已就查詢委任史蒂文生黃律師事務所(「史蒂文生黃」)在現任核數師國衛協助下(統稱「調查人員」)進行獨立調查並編製獨立調查報告。本公司及審核委員會於2019年7月9日收到一份由史蒂文生黃出具日期為2019年7月9日的獨立調查報告(「獨立調查報告」)。獨立調查報告主要調查結果概要以及本公司及國衛對獨立調查報告內容的看法載於本公司日期為2019年8月19日的公告。

Other Information 其他資料

After considering a series of investigations conducted by the Investigators, the Independent Investigation Report stated that the relevant suppliers and/or customers are subsisting companies independent from the Group, the relevant transactions were authentic. Based on the findings of the Independent Investigation Report stated above, the Audit Committee, the Company and HLB agreed with the findings and analysis of the Independent Investigation Report, and are of the view that the Queries are properly addressed.

Therefore, the Audit Committee agrees to the conclusion of the Independent Investigation Report. In addition, upon reviewing the Independent Investigation Report and together with the additional audit procedures performed by HLB, HLB is of the view that such issues will not constitute any material misstatement of the financial information in 2018, and had issued an unqualified audit opinion. On 10 July 2019, the Company published the announcement of final results for the year ended 31 December 2018 with an unmodified and unqualified opinion from HLB.

Since all conditions under the resumption guidance have been fulfilled to the Stock Exchange's satisfaction, the Company's shares resumed trading on the Stock Exchange with effect from 9:00 a.m. on 20 August 2019.

SHARE OPTION SCHEME

The Company operates a share option scheme (the “**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 30 June 2019 and there were no outstanding share options under the Share Option Scheme as at 30 June 2019 and the date of this report.

經調查人員進行一連串調查工作，獨立調查報告指出有關供貨商及／或客戶均為確實存在及獨立於本集團的公司，且有關交易確實屬真確。鑒於上述獨立調查報告的結果，審核委員會，本公司及國衛均同意獨立調查報告的調查結果及分析，並認為查詢已得到妥善解決。

因此，審核委員會認同獨立調查報告的結論。另外，於審閱獨立調查報告及國衛進行的額外審計程序後，國衛認為該等問題並不會對2018年財務資料構成任何重大錯誤陳述，並已出具無保留意見的審計意見。於2019年7月10日，本公司刊發截至2018年12月31日止年度的末期業績公告，連同國衛出具的非修正式及無保留意見。

由於復牌指引中的條件已經全部達成並獲聯交所信納，本公司股份已自2019年8月20日上午9時正起於聯交所恢復買賣。

購股權計劃

本公司設有購股權計劃（「**購股權計劃**」），讓本公司可向合資格人士授出購股權作為其對本集團所作出貢獻的獎勵。本公司已於2016年12月10日採納購股權計劃。由上市日期至2019年6月30日期間，本公司概無根據購股權計劃授出、行使或註銷任何購股權，且於2019年6月30日及本報告日期，購股權計劃項下並無尚未行使的購股權。

Other Information 其他資料

RESTRICTED SHARE AWARD SCHEME

The Board has approved the adoption of a restricted share award scheme (the “**Share Award Scheme**”) on 29 August 2019. The Share Award Scheme is not subject to the provisions of Chapter 17 of the Listing Rules. No Shareholders’ approval is required for the adoption, administration and implementation of the Share Award Scheme. No shares were awarded to eligible persons under the Share Award Scheme up to the date of this report.

AUDIT COMMITTEE

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Pang Wing Hong, Mr. Liu Haifeng and Mr. Chu Guodi. Mr. Pang Wing Hong is the chairman of the Audit Committee. The Audit Committee has reviewed the unaudited condensed consolidated interim results and interim report of the Group for the six months ended 30 June 2019, discussed with the management and is of opinion that it complies with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made.

By Order of the Board
Morris Holdings Limited
ZOU GEBING
Chairman
Hong Kong, 30 August 2019

受限制股份獎勵計劃

董事會已於2019年8月29日批准採納受限制股份獎勵計劃(「**股份獎勵計劃**」)。股份獎勵計劃毋須遵守上市規則第17章的規定。採納、管理及實施股份獎勵計劃毋須取得股東批准。截至本報告日期並無根據股份獎勵計劃獎勵任何股份予合資格人士。

審核委員會

審核委員會現時由三名獨立非執行董事彭永康先生、劉海峰先生及褚國弟先生組成。彭永康先生為審核委員會主席。審核委員會已審閱本集團截至2019年6月30日止6個月未經審核簡明綜合中期業績及中期報告，與管理層討論且認為其已符合適用會計準則、上市規則及法律規定，並已作出充分披露。

承董事會命
慕容控股有限公司
鄒格兵
主席
香港，2019年8月30日



MORRIS
HOLDINGS LIMITED

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慕容控股有限公司