



MORRIS  
HOLDINGS LIMITED

GLOBAL  
LEADER IN  
THE UPHOLSTERED  
SOFA INDUSTRY

軟體沙發行業的  
全球領導者

EXQUISITE MORRIS OFA  
精緻慕容

2019

ANNUAL REPORT

年報

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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## BOARD OF DIRECTORS

### Executive Directors

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

## 董事會

### 執行董事

鄒格兵先生(*主席兼行政總裁*)  
曾金先生  
沈志東先生  
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*)

## 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 REPRESENTATIVES

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*)

## AUDITORS

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

## 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

## 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)

## 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

CORPORATE INFORMATION (CONTINUED)  
公司資料 (續)

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](http://www.morrisholdings.com.hk)

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](http://www.morrisholdings.com.hk)



## FINANCIAL HIGHLIGHTS

### 財務摘要

- Revenue decreased by approximately 39.1% to approximately RMB980.3 million in 2019 (2018: approximately RMB1,610.0 million)
- Gross profit decreased by approximately 75.9% to approximately RMB103.1 million in 2019 (2018: approximately RMB428.0 million)
- Loss for the year was approximately RMB140.7 million in 2019 as compared with profit for the year of approximately RMB86.4 million in 2018
- Basic loss per share was approximately RMB14.07 cents in 2019 as compared with basic earnings per share of approximately RMB8.64 cents in 2018
- The Board did not recommend the payment of any dividend (2018: HK1.3 cents) for the year ended 31 December 2019
- 2019年收入減少約39.1%至約人民幣980.3百萬元(2018年：約人民幣1,610.0百萬元)
- 2019年毛利減少約75.9%至約人民幣103.1百萬元(2018年：約人民幣428.0百萬元)
- 與2018年年內溢利約人民幣86.4百萬元比較，2019年年內虧損約為人民幣140.7百萬元
- 與2018年每股基本盈利約人民幣8.64分比較，2019年每股基本虧損約為人民幣14.07分
- 董事會不建議就截至2019年12月31日止年度派付任何股息(2018年：1.3港仙)

## CHAIRMAN'S STATEMENT 主席報告

On behalf of the board (the “**Board**”) of directors (the “**Directors**”) of Morris Holdings Limited (the “**Company**”), I hereby present the annual report of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2019 (“**2019**” or the “**Reporting Period**”) to the shareholders of the Company (the “**Shareholders**”).

2019 was a very challenging year for the Group as we experienced increasing pressure from the trade-war between China and the US. To mitigate the US market risks, with hard efforts and strong execution of the management, our Group has successfully developed other markets. The Group will put more efforts in developing other matured and stable furniture markets so that our business will be better positioned avoiding concentrated country risks and benefit from the long-term global consumption growth.

Since our Group’s listing on the Main Board of The Hong Kong Stock Exchange Limited (the “**Stock Exchange**”) in 2017, we accelerated the pace of development of our retail business and establishment of our own brand. The determination to create a valuable and strong retail furniture brand is the long-term aim of the Group, and we will cautiously deploy resources during the uncertain times to develop our presence and enhance our brand image.

Product is the key to the long-term success of our business, and “Exquisite” product is the main theme for 2019 and years to come. We have devoted more time and effort to improve our product quality and style, to enhance the product value for our consumers. With our continuous focus on the R&D, we have received high technology enterprise recognition, and our research house has been awarded as the provincial level research center. We are looking forward to reaching more and more achievements with the aim to bring better products to customers.

本人謹此代表慕容控股有限公司(「本公司」)董事(「董事」)會(「董事會」)向本公司股東(「股東」)呈列本公司及其附屬公司(「本集團」)截至2019年12月31日止年度(「2019年」或「報告期間」)的年報。

2019年對本集團而言乃充滿挑戰的一年，我們面臨中美貿易戰帶來的與日俱增的壓力。為降低美國市場風險，憑藉管理層的不懈努力及強大執行力，本集團已成功開發其他市場。本集團將加大力度開發其他成熟及穩定的傢俱市場，使我們的業務能夠更好地避免集中的國家風險，並受益於長期的球消費增長。

自本集團於2017年在香港聯合交易所有限公司(「聯交所」)主板上市以來，我們加快步伐開發我們的零售業務及建立我們自己的品牌。創造有價值及強大的零售傢俱品牌的決心乃本集團的長期目標，我們將於不確定時期審慎部署資源，以開發我們的業務及提升我們的品牌形象。

產品乃我們業務長遠成功的關鍵，而「精緻」產品乃2019年及未來數年的主題。我們已投入更多時間及精力改善產品質量及風格，為消費者提升產品價值。由於我們持續專注於研發，我們已獲認可為高新技術企業，且我們的研究部門已獲評為省級研究中心。我們期待取得更多的成就，並為客戶帶來更好的產品。

## OUTLOOK

We expect to be faced with more challenges and opportunities in 2020. As a result, we will keep a close watch on the development of the situation, continue to refine our management and make timely adjustments to our operation and sales strategies.

Looking forward to 2020, I will continue to lead all staff of the Group to step onto the international stage and develop our self-owned brands, aiming at becoming a well-known furniture brand enterprise in the world.

### **Zou Gebing**

*Chairman and Executive Director*

Hong Kong, 8 May 2020

## 展望

我們預期將於2020年面臨更多的挑戰及機遇。因此，我們將密切關注形勢發展，繼續完善管理，並及時調整經營及銷售策略。

展望2020年，本人將繼續帶領本集團全體員工邁入國際舞台，發展自有品牌，致力於成為全球知名的傢俱品牌企業。

主席兼執行董事

**鄒格兵**

香港，2020年5月8日



## PROFILE OF DIRECTORS AND SENIOR MANAGEMENT 董事及高級管理層履歷

### EXECUTIVE DIRECTORS

**Mr. Zou Gebing**, aged 43, is the chairman and CEO of the Group and was appointed as an executive Director on 18 March 2016. He is responsible for overseeing and mapping the Group's growth strategy and overall management.

Prior to joining the Group, he was the marketing and development manager in Zhejiang Kasen Industrial Group Co., Ltd., and was deputy general manager in Hongyang Group Co., Ltd., from July 1997 to March 2000 and from May 2000 to March 2002, respectively, and had been mainly responsible for exploration and development of overseas markets of sofas and other furniture. He joined Morris Group Co., Ltd. ("**Morris PRC**") as part of its management team in May 2002, served as its vice chairman and general manager since February 2005, and became the chairman of Morris PRC in January 2012.

Mr. Zou obtained a bachelor's degree in English from Shanghai International Studies University in the PRC in July 1997 and a master's degree in business administration for senior management from Zhejiang University in the People's Republic of China (the "**PRC**") in March 2007. He had also served as a corporate tutor for MBA postgraduates in the Management School of Zhejiang University from April 2007 to March 2012. Mr. Zou was accredited as a senior economist by the Senior Economist Qualification Committee of Zhejiang Province in December 2007.

With over 18 years of industry experience as mentioned above, Mr. Zou is an experienced entrepreneur in furniture manufacturing related businesses.

Mr. Zou's spouse, Ms. Wu Xiangfei (one of the controlling shareholders of the Company), is a cousin of Mr. Shen's spouse.

### 執行董事

**鄒格兵先生**，43歲，為本集團主席兼行政總裁，於2016年3月18日獲委任為執行董事。彼負責監管及制定本集團的增長策略及整體管理。

於加入本集團之前，彼自1997年7月至2000年3月及自2000年5月至2002年3月分別於浙江卡森實業集團有限公司及海寧宏洋集團有限公司擔任營銷與發展經理及副總經理，主要負責海外沙發及其他傢俱市場的拓展及開發。彼於2002年5月加入慕容集團有限公司（「慕容中國」）的管理團隊，自2005年2月起擔任副主席兼總經理，並於2012年1月成為慕容中國的主席。

鄒先生於1997年7月及2007年3月分別獲得中華人民共和國（「中國」）上海外國語大學英語學士學位及中國浙江大學工商管理高級管理碩士學位。彼自2007年4月至2012年3月亦擔任浙江大學管理學院的MBA研究生企業導師。鄒先生於2007年12月獲得浙江省高級經濟師資格評審委員會授予高級經濟師資格。

憑藉上述逾18年的行業經驗，鄒先生已成為傢俱製造相關行業資深的企業家。

鄒先生的配偶、本公司控股股東鄒向飛女士為沈先生的配偶的表姊妹。

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)  
董事及高級管理層履歷(續)

**Mr. Zeng Jin**, aged 46, is the senior vice president and head of production and quality management of the Group and was appointed as an executive Director on 18 March 2016. He is responsible for overseeing production planning and manufacturing and quality management the Group. He has extensive experience in production and quality management.

Prior to joining the Group, he had worked as a technician in Shanghai Hongdun Anti-Counterfeit Material Co., Ltd. from August 1997 to May 1998. He had then worked at Uniplas (Shanghai) Co., Ltd. from May 1998 to September 2000. He then subsequently worked as a quality engineer at Krone Communications (Shanghai) Co., Ltd. from September 2000 to November 2001. He had then been employed as a plant manager assistant and manager in the engineering department of Shanghai Trayton Furniture Co., Ltd. from November 2001 to January 2005. He then joined Morris PRC and was appointed as a general manager assistant in January 2005 and then as a deputy general manager in November 2011. He was then employed by the Group as a senior vice president and the head of production and quality management immediately after completion of the business transfer in December 2015.

Mr. Zeng obtained his double bachelor's degrees in polymer science and computer software from the East China University of Science and Technology in Shanghai, PRC in July 1997 and a master of Business Administration degree from Donghua University in Shanghai, PRC in June 2008.

曾金先生，46歲，為本集團高級副總裁兼生產與質量管理主管，於2016年3月18日獲委任為執行董事。彼負責監管本集團的生產規劃以及生產及質量管理。曾先生於生產及質量管理方面擁有豐富經驗。

於加入本集團之前，彼自1997年8月至1998年5月擔任上海宏盾防偽材料有限公司的技術員，且自1998年5月至2000年9月任職於統合實業有限公司。其後，彼自2000年9月至2001年11月於科龍通訊系統(上海)有限公司擔任質量工程師。隨後，彼自2001年11月至2005年1月於上海特雷通傢俱有限公司擔任車間經理助理及工程部門經理。彼此後加入慕容中國，並分別於2005年1月及2011年11月獲委任為總經理助理及副總經理。於2015年12月業務轉讓完成後，彼即獲本集團委聘為高級副總裁兼生產與質量管理主管。

曾先生分別於1997年7月及2008年6月獲得中國上海華東理工大學高分子科學與計算機軟件專業的雙學士學位及中國上海東華大學工商管理碩士學位。

## PROFILE OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

### 董事及高級管理層履歷(續)

**Mr. Shen Zhidong**, aged 45, is a senior vice president of the Group and was appointed as an executive Director on 6 July 2017. He is also a director of Masia Industries Limited, a subsidiary of the Company in Cambodia. Mr. Shen is the head of administrative operations and human resources matters of the Group.

Mr. Shen had served in the government sectors in Haining for over ten years. From February 1999 to June 2010, Mr. Shen had served in the Organization Department of Haining Municipal Committee of the Communist Party of China in many positions including, among others, as a section member, a deputy section leader, a section leader, a committee member and a deputy bureau level coordinator. From June 2010 to January 2014, Mr. Shen served as the deputy director of the General Office of the People's Government of Haining. In January 2014, Mr. Shen was employed by Morris PRC as its vice president. He was employed by the Group as the senior vice president immediately after completion of the transfer of the furniture division of Morris PRC to the Group in December 2015.

Mr. Shen graduated from the Party School Open College of the Central Committee of the Communist Party of China in the study of economic management in December 2002.

Mr. Shen's spouse is a cousin of Ms. Wu Xiangfei, one of the controlling shareholders of the Company and the spouse of Mr. Zou.

沈志東先生，45歲，為本集團高級副總裁，於2017年7月6日獲委任為執行董事。彼亦為本公司的柬埔寨附屬公司 Masia Industries Limited 的董事。沈先生總管本集團的行政事務及人力資源事宜。

沈先生曾任職於海寧政府部門超過十年。自1999年2月至2010年6月，沈先生先後於中共海寧市委組織部擔任多項職位，其中包括科員、副科長、科長、部務會議成員及副局級組織員。自2010年6月至2014年1月，沈先生擔任海寧市人民政府辦公室副主任。於2014年1月，沈先生獲慕容中國聘為副總裁。彼於2015年12月慕容中國完成將傢俱業務轉讓予本集團後，隨即獲本集團委聘為高級副總裁。

沈先生於2002年12月獲得中國中央黨校函授學院經濟管理專業本科學位。

沈先生的配偶為本公司控股股東、鄒先生的配偶鄒向飛女士的表姊妹。



## PROFILE OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

### 董事及高級管理層履歷(續)

**Mr. Wu Yueming**, aged 36, is the general manager of the administrative department of the Company and was appointed as an executive Director on 6 June 2018. He is mainly responsible for coordinating and managing back office support works and public relations of the Company. He is also a director of Zhejiang Apollo Leather Products Co., Ltd. and Zhejiang Morris Fashion Home Co., Ltd., each a subsidiary of the Company. Mr. Wu joined Morris PRC in 2005 where he worked as a technician of semi-finished sofa production. He was subsequently promoted to manager of the logistics department in September 2010, deputy office director in April 2012 and standing deputy office director in August 2014 at Morris PRC. He was then employed as the general manager of the administrative department of the Company in January 2017. He obtained the qualification of assistant economist issued by the Haining City Human Resources and Social Security Bureau in November 2014. He also obtained the graduation certificate from the Normal College of the Dongbei University of Finance and Economics in administration management through distance learning in July 2016.

吳月明先生，36歲，為本公司行政部總經理，於2018年6月6日獲委任為執行董事。彼主要負責協調及管理本公司後勤辦公室支援工作及本公司的公共關係。彼亦為浙江阿波羅皮革製品有限公司及浙江慕容時尚家居有限公司的董事，該兩家公司均為本公司的附屬公司。吳先生於2005年加入慕容中國並擔任半成品沙發生產技術員。彼隨後於2010年9月晉升為慕容中國物流部經理、於2012年4月晉升為辦公室副主任及於2014年8月晉升為辦公室常務副主任。彼於2017年1月受聘為本公司行政部總經理。彼於2014年11月獲得海寧市人力資源和社會保障局頒發的助理經濟師資格，亦通過遠程學習於2016年7月自東北財經大學普通高等學校獲得行政管理專業的畢業證書。

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Liu Haifeng**, aged 45, was appointed as an independent non-executive Director on 6 July 2017 and is mainly responsible for supervising and providing independent judgement to the Board. He is also the chairman of the Nomination Committee and a member of each of the Audit Committee and Remuneration Committee.

Mr. Liu has been a tutor to master students in public administration of faculties of humanities of Donghua University since 2011 and a deputy manager of Donghua University Master of Public Administration Center since September 2014.

Mr. Liu obtained his master degree in education from Shanghai Normal University in June 2004. Mr. Liu later obtained his doctoral degree in management science and engineering from Donghua University School of Business and Management in June 2009. He then later completed his postdoctoral study in applied economics at Fudan University and obtained his certificate of postdoctoral in May 2014.

**Mr. Pang Wing Hong**, aged 49, was appointed as an independent non-executive Director on 12 April 2019 and is mainly responsible for supervising and providing independent judgement to the Board. He is also the chairman of the Audit Committee and a member of each of the Nomination Committee and Remuneration Committee. He has over 20 years of experience in financial management, accounting, auditing and corporate finance. He obtained a Bachelor of Business Administration degree, majoring in professional accountancy, from the Chinese University of Hong Kong in 1994 and a Master of Business Administration degree from the University of Adelaide, Australia in 2008. He has been an associate member of the Hong Kong Institute of Certified Public Accountants since 1998 and a fellow member of the Association of Chartered Certified Accountants since 2002. Mr. Pang has been the chief financial officer of Miko International Holdings Limited (stock code: 1247), a company listed on the Stock Exchange since October 2015. From April 2015 to October 2015, Mr. Pang was the chief financial officer of China Green (Holdings) Limited (stock code: 904), a company listed on the Stock Exchange.

## 獨立非執行董事

**劉海峰先生**，45歲，於2017年7月6日獲委任為獨立非執行董事，主要負責監督及向董事會提供獨立判斷。彼亦為提名委員會主席兼審核委員會及薪酬委員會成員。

劉先生自2011年起擔任東華大學人文學院公共管理專業碩士研究生導師，並自2014年9月起任職東華大學MPA中心副主任。

劉先生於2004年6月自上海師範大學取得教育碩士學位。劉先生於2009年6月自東華大學管理學院取得管理科學與工程博士學位。其後，彼於復旦大學完成應用經濟學之後博士研究，並於2014年5月取得後博士證書。

**彭永康先生**，49歲，於2019年4月12日獲委任為獨立非執行董事，主要負責監督及向董事會提供獨立判斷。彼亦為審核委員會主席兼提名委員會及薪酬委員會成員。彼於財務管理、會計、審核及企業融資方面積累逾20年經驗。彼持有由香港中文大學於1994年頒發的工商管理學士學位，主修專業會計，並持有由澳洲阿德萊德大學於2008年頒發的工商管理碩士學位。彼自1998年起為香港會計師公會會員及自2002年起英國特許公認會計師公會資深會員。彭先生自2015年10月起為聯交所上市公司米格國際控股有限公司(股份代號：1247)的首席財務官。於2015年4月至2015年10月，彭先生為聯交所上市公司中國綠色食品(控股)有限公司(股份代號：904)的首席財務總監。

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)  
董事及高級管理層履歷(續)

**Mr. Chu Guodi**, aged 41, was appointed as an independent non-executive Director on 28 May 2019 and is mainly responsible for supervising and providing independent judgement to the Board. He is also the chairman of the Remuneration Committee and a member of each of the Nomination Committee and Audit Committee. He has over 17 years of experience as a practicing lawyer in China. He is currently a partner of 浙江海翔律師事務所 (Zhejiang Haixiang Law Firm\*). Mr. Chu has been an independent director of 浙江華鐵建築安全科技股份有限公司 (Zhejiang Huatie Construction Safety Science And Technology Co., Ltd.\*), a company listed on Shanghai Stock Exchange with a stock code of 603300, since June 2014 and an independent director of 兄弟科技股份有限公司 (Brother Enterprises Holding Co., Ltd.\*), a company listed on Shenzhen Stock Exchange with a stock code of 002562, since April 2017.

Mr. Chu is a member of 中華全國律師協會 (All-China Lawyers' Association\*). He graduated from Zhejiang University with a bachelor degree of law.

褚國弟先生，41歲，於2019年5月28日獲委任為獨立非執行董事，主要負責監督及向董事會提供獨立判斷。彼亦為薪酬委員會主席兼提名委員會及審核委員會成員。彼擁有逾17年中國執業律師的經驗。彼現時為浙江海翔律師事務所的合夥人。褚先生自2014年6月起為於上海證券交易所上市的浙江華鐵建築安全科技股份有限公司(股份代號：603300)的獨立董事，並自2017年4月起為於深圳證券交易所上市的兄弟科技股份有限公司(股份代號：002562)的獨立董事。

褚先生為中華全國律師協會會員。彼畢業於浙江大學，取得法律學士學位。

\* For reference only



## PROFILE OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

### 董事及高級管理層履歷(續)

**Mr. Shao Shaomin**, aged 55, was appointed as an independent non-executive Director on 10 December 2016 and resigned on 12 April 2019. He is mainly responsible for supervising and providing independent judgment to the Board. He is also the chairman of the Audit Committee and a member of each of the Remuneration and Nomination Committees.

Mr. Shao acted as a deputy county chief of Deqing County of Zhejiang Province, a deputy chief of the Issuance and Listing Department of Zhejiang Securities and Futures Management Office and the head of the Listed Company Supervision Department and Inspection Department of Zhejiang Supervision Bureau of China Securities Regulatory Commission.

Mr. Shao graduated from Zhejiang University in the PRC with a doctoral degree in Economics in June 2004. Mr. Shao received independent director training in Shanghai National Accounting Institute in the PRC in December 2008. Mr. Shao was designated as a senior accountant by the Senior Accounting Professional Assessment Committee of Zhejiang Province in December 1998 and was admitted as a non-practicing member of the Chinese Institute of Certified Public Accountants in December 2009. Mr. Shao was also appointed as an accredited arbitrator in Hangzhou Arbitration Commission in June 2013.

Mr. Shao's positions in other companies include (i) vice president and director in Cosmos Group Co., Ltd. (stock code: 002133, SZSE); and (ii) independent director in Yinlun Co., Ltd., Zhejiang China Light & Textile Industrial City Group Co., Ltd. (stock code: 600790, SSE) and Nanfang Zhongjin Environment Co., Ltd (stock code: 300145, SZSE).

邵少敏先生，55歲，於2016年12月10日獲委任為獨立非執行董事並於2019年4月12日辭任。彼主要負責監督及向董事會提供獨立判斷。彼亦為審核委員會主席及薪酬委員會及提名委員會成員。

邵先生擔任浙江省德青縣副縣長、浙江省證券和期貨監督管理辦公室發行上市部副主任及中國證監會浙江監管局上市公司監管處稽查處處長。

邵先生於2004年6月畢業於中國浙江大學，獲得經濟學博士學位。邵先生於2008年12月於中國上海國家會計學院接受獨立董事的培訓。邵先生於1998年12月獲浙江省會計專業人員高級職務評審委員會授予高級會計師稱號，並於2009年12月獲認可為中國註冊會計師協會的非執業會員。邵先生亦於2013年6月獲委任為杭州市仲裁委員會仲裁員。

邵先生在其他公司擔任的職位包括於(i)廣宇集團股份有限公司(股票代號：002133，深交所)擔任副總裁及董事；及(ii)浙江銀輪機械股份有限公司、浙江中國輕紡城集團股份有限公司(股票代號：600790，上交所)和南方中金環境股份有限公司(股票代號：300145，深交所)擔任獨立董事。

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)  
董事及高級管理層履歷(續)

**Mr. Huang Wenli**, aged 38, was appointed as an independent non-executive Director on 10 December 2016 and resigned on 28 May 2019. He is mainly responsible for supervising and providing independent judgment to the Board. He is also the chairman of the remuneration committee of the Company (the “**Remuneration Committee**”) and a member of each of the audit committee of the Company (the “**Audit Committee**”) and nomination committee of the Company (the “**Nomination Committee**”).

Mr. Huang was appointed as a researcher at the China University of Finance and Economics in June 2016. Mr. Huang received his doctorate in Mathematics from Zhejiang University in June 2011 and became a postdoctoral researcher at the China University of Science and Technology in Anhui Province in December 2011. During the period, Mr. Huang received the second prize of China Postdoctoral Science Fund. From August 2013 to September 2015, Mr. Huang is a visiting scholar at the Columbia Business School.

Based on his education background and research experience, Mr. Huang possesses the requisite knowledge relating to finance, risk control and China economy.

Mr. Huang’s positions in other companies include independent director in Jiangsu China Star New Materials Technology Co., Ltd. (stock code: 836256, National Equities Exchange and Quotations, China (“**NEEQ**”)), Zhejiang Jinghua Laser Technology Co., Ltd. (stock code: 603607, Shanghai Stock Exchange, China (“**SSE**”)), Zhejiang Tailin BioEngineering Co., Ltd (stock code: 833327, Shenzhen Stock Exchange, China (“**SZSE**”)) and Beijing Xinxiang Weichuang Sci&Tech Co., Ltd (stock code: 833554, NEEQ).

黃文禮先生，38歲，於2016年12月10日獲委任為獨立非執行董事並於2019年5月28日辭任。彼主要負責監督及向董事會提供獨立判斷。彼亦為本公司薪酬委員會(「**薪酬委員會**」)主席及本公司審核委員會(「**審核委員會**」)與本公司提名委員會(「**提名委員會**」)成員。

黃先生於2016年6月獲委任為浙江財經大學中國金融研究研究員。黃先生於2011年6月獲得浙江大學數學博士學位，並於2011年12月成為安徽中國科學技術大學博士後研究員，期間黃先生獲得中國博士後科學基金面上二等資助。自2013年8月至2015年9月，黃先生為哥倫比亞商學院訪問學者。

根據其教育背景及研究經驗，黃先生具備與財務、風險監控及中國經濟有關的所需知識。

黃先生在其他公司擔任的職位包括於江蘇華星新材料科技股份有限公司(股票代號：836256，中國全國中小企業股份轉讓系統(「**股轉系統**」))、浙江京華激光科技股份有限公司(股票代號：603607，中國上海證券交易所(「**上交所**」))、浙江泰林生物技術股份有限公司(股票代號：833327，中國深圳證券交易所(「**深交所**」))和北京新翔維創科技股份有限公司(股票代號：833554，股轉系統)擔任獨立董事。

## SENIOR MANAGEMENT

**Ms. Peng Yuling**, aged 56, was appointed as the chief financial officer of the Group on 31 December 2015. She is responsible for managing the financial operations and accounting functions of the Group. Prior to joining the Group, Ms. Peng served as a finance manager, a deputy general manager and a director at Haining Jisheng Textile Co., Ltd. from February 1994 to November 2001. Ms. Peng then subsequently served as a deputy finance manager and a director at Zhejiang Jianshi Industry Co., Ltd. and a deputy general manager and a director at Haining Jishun Garments Co., Ltd., from December 2001 to December 2005 and from December 2006 to January 2012, respectively. Ms. Peng joined Morris PRC as the chief financial officer in February 2012 and was employed by the Group as the chief financial officer immediately after completion of the business transfer in December 2015. Ms. Peng graduated from the Party School of the Central Committee of the Communist Party of China in the PRC in the study of Economic Management in December 2000. She was accredited as a senior accountant by the Assessment Committee of Senior Accountant Qualification of Zhejiang Province in December 2003.

**Ms. Shen Jiangping**, aged 46, was appointed as the director of human resources of the Group on 31 December 2015. She is responsible for overseeing recruitment, staff training, reward management and human resources matters of the Group. Ms. Shen joined Morris PRC in October 2001 and worked at the human resources department of Morris PRC. Ms. Shen was then promoted to deputy manager and manager in the human resources department of Morris PRC in April 2002 and December 2011, respectively. Ms. Shen was subsequently appointed as manager in the finance department of Morris PRC in June 2014. Ms. Shen was employed by the Group as the director of human resources immediately after completion of the business transfer in December 2015. Ms. Shen completed a three year program in accounting at the School of Distance Learning of Zhejiang University in the PRC in June 2007. Ms. Shen was accredited as a first level corporate human resources professional by the Ministry of Human Resources and Social Security of the PRC in December 2010.

## 高級管理層

**彭玉玲女士**，56歲，於2015年12月31日獲委任為本集團首席財務官。彼負責主管本集團的財務營運及會計工作。於加入本集團之前，彭女士自1994年2月至2001年11月擔任海寧吉盛製衣有限公司的財務經理、副總經理兼董事。彭女士隨後自2001年12月至2005年12月及自2006年12月至2012年1月分別擔任浙江吉恩仕實業股份有限公司的副財務經理兼董事，以及擔任海寧吉順製衣有限公司的副總經理兼董事。彭女士於2012年2月作為首席財務官加入慕容中國並於2015年12月業務轉讓完成後即獲本集團委聘為首席財務官。彭女士於2000年12月於中國中共中央黨校畢業，修讀經濟管理。彼於2003年12月獲浙江省會計專業人員高級職務評審委員會評定為高級會計師。

**沈江萍女士**，46歲，於2015年12月31日獲委任為本集團人力資源部主任。彼負責監管本集團的招聘、員工培訓、獎勵管理及人力資源事宜。沈女士於2001年10月加入慕容中國，在慕容中國的人力資源部工作。隨後，沈女士分別於2002年4月及2011年12月獲提拔為慕容中國的人力資源部副經理及經理。沈女士其後於2014年6月獲委任為慕容中國財務部經理。於2015年12月業務轉讓完成後，沈女士即獲本集團委聘為人力資源部主任。沈女士於2007年6月於中國浙江大學遠程教育學院完成三年會計學課程。沈女士亦於2010年12月獲中華人民共和國人力資源和社會保障部授予一級企業人力資源管理師稱號。



### BUSINESS REVIEW

During the 2019 financial year, the Group continued to develop new markets and invest in product design and research and development, and establishment and expansion of sales channels. However, due to the escalation of the Sino-US trade war, the Group's revenue decreased from approximately RMB1,610.0 million in 2018 to approximately RMB980.3 million in 2019, representing a decrease of approximately 39.1%. Loss for the year was approximately RMB140.7 million in 2019, as compared with profit for the year of approximately RMB86.4 million in 2018.

#### Business development in North America

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

#### Retail business development in China and Hong Kong

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

### 業務回顧

於2019財政年度內，本集團繼續開拓新市場、投資於產品設計及研究與開發，並建立及擴大銷售渠道。然而，由於中美貿易戰升級，本集團的收入由2018年的約人民幣1,610.0百萬元減少至2019年的約人民幣980.3百萬元，減幅約為39.1%。與2018年年內溢利約人民幣86.4百萬元比較，2019年年內虧損約為人民幣140.7百萬元。

#### 北美的業務發展

中國與美國之間的貿易和關稅糾紛導致全球宏觀經濟整體放緩。美國作為我們最大的市場，對本集團的整體業績構成了最不利的影響。我們在美國的批發及零售業務均無法帶來令人滿意的表現。為了降低風險，本集團通過管理層的努力致力開發其他市場，希望藉此為本集團未來的發展奠定堅實的基礎。

#### 於中國及香港的零售業務發展

截至2019年12月，本集團在中國內地一共擁有2間自營零售店及2間代理店，分佈於國內不同省份。於2019年3月，本集團旗下品牌「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12月，本集團分別在灣仔、沙田及荃灣開設3間自營零售店，在馬鞍山開設1間店中店，並在九龍灣、銅鑼灣及元朗開設4個寄售點。本集團亦在部分分店引入裝潢配套服務，打造一條龍裝潢、傢俱擺設服務，為香港市場注入慕容的時尚家居設計意念。

### Product research and development

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

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

## FINANCIAL REVIEW

For the year of 2019, the principal business activities of Group comprise the manufacturing and sales of sofas, sofa covers and other furniture products.

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

### 產品的研究與開發

產品是我們的業務長期取得成功的關鍵，而「精緻」產品則是2019年及未來數年的主題。我們已投入更多時間和精力以改善我們的產品質量及風格，為消費者提升產品價值。

本集團一直以來都非常注重研究與開發(「研發」)投入和產品革新。通過不斷專注於研發，我們已獲認為高科技企業，而我們的研究室獲評為省級研究中心。我們的研究工作旨在為客戶帶來更好的產品。

### 財務回顧

於2019年，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。

年內，本集團收入約為人民幣980.3百萬元(2018年：約人民幣1,610.0百萬元)，較去年減少約39.1%，主要由於中美貿易戰，導致銷售沙發、沙發套及其他傢俱產品產生的收入減少，尤其是北美市場的收入。

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 管理層討論及分析(續)

The Group's gross profit for the year was approximately RMB103.1 million (2018: approximately RMB428.0 million), representing a decrease of approximately 75.9% as compared with last year. The gross profit margin decreased from approximately 26.6% to approximately 10.5%, primarily due to the imposition of U.S. tariffs on furniture imported from Mainland China. The net loss of the Group amounted to approximately RMB140.7 million during the year, as compared with the net profit of RMB86.4 million in last year. The increase in net loss was mainly attributable to the decrease in sales volume and impact from the Sino-US trade war.

The Company's basic loss per ordinary share was RMB14.07 cents for the year of 2019 (basic earnings per share in 2018: RMB8.64 cents) based on the loss for the year attributable to ordinary equity holders of the Company of approximately RMB140.4 million (2018: profit for the year of approximately RMB86.4 million), and the weighted average number of ordinary shares of 998,379,710 after excluding treasury shares for the year of 2019 (2018: 1,000,000,000).

#### Cost of sales

The cost of sales of the Group decreased by approximately 25.8% from approximately RMB1,182.0 million in 2018 to approximately RMB877.2 million in 2019, which was primarily due to the decrease in revenue.

#### Gross profit

The gross profit of the Group decreased by approximately 75.9% from approximately RMB428.0 million in 2018 to approximately RMB103.1 million in 2019. The gross profit margin decreased from approximately 26.6% in 2018 to approximately 10.5% in 2019, primarily due to the additional tariff levied on the Group's export products and the decreased utilization of manufacturing capacity due to the decrease in sales.

年內，本集團毛利約為人民幣103.1百萬元(2018年：約人民幣428.0百萬元)，較去年減少約75.9%。毛利率由約26.6%下降至約10.5%，主要由於美國對自中國內地進口的傢俱徵收關稅。年內，本集團的年內虧損淨額約為人民幣140.7百萬元，而去年則為溢利淨額人民幣86.4百萬元。虧損淨額的增加主要由於銷量減少及中美貿易戰的影響。

本公司於2019年的每股普通股基本虧損為人民幣14.07分(2018年每股基本盈利：人民幣8.64分)，乃根據本公司普通股權益持有人應佔年內虧損約人民幣140.4百萬元(2018年：年內溢利約人民幣86.4百萬元)以及2019年的普通股加權平均數998,379,710股(扣除庫存股份後)(2018年：1,000,000,000股)計算。

#### 銷售成本

本集團銷售成本由2018年約人民幣1,182.0百萬元減少約25.8%至2019年約人民幣877.2百萬元，主要是由於收入減少所致。

#### 毛利

本集團毛利由2018年約人民幣428.0百萬元減少約75.9%至2019年約人民幣103.1百萬元。毛利率由2018年約26.6%減少至2019年約10.5%，主要是由於對本集團的出口產品徵收額外關稅，以及由於銷售減少導致產能的使用有所減少。

### Other net income and gains

The other net income and gains of the Group slightly decreased from approximately RMB85.8 million in 2018 to approximately RMB85.5 million in 2019. Such slight decrease was primarily due to the decreases in gain on disposal of property, plant and equipment, fair value change on derivative component of convertible loan, sales of raw materials and compensation on factory relocation, but partially offset by the increases in net exchange gains, government subsidies, rental income and fair value change on contingent consideration receivables.

### Selling and distribution expenses

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

### Administrative expenses

The administrative expenses of the Group decreased by approximately 17.9% from approximately RMB153.8 million in 2018 to approximately RMB126.2 million in 2019, which was primarily due to the non-recurrence in 2019 of the increased legal and professional expenses and consultation fee for the acquisition of Jennifer Convertibles, Inc. (“**Jennifer Convertibles**”) in 2018, and the implementation of cost-control measures.

### Finance costs

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

### 其他淨收入及收益

本集團其他收入及收益淨額由2018年約人民幣85.8百萬元略減至2019年約人民幣85.5百萬元。有關輕微減幅主要是由於出售物業、廠房及設備的收益減少、可換股貸款衍生部分的公允值變動、銷售原材料及廠房搬遷補償所致，惟部分被匯兌收益淨額、政府補貼、租金收入及應收或然代價的公允值變動所抵銷。

### 銷售及分銷開支

本集團銷售及分銷開支由2018年約人民幣207.6百萬元微跌約7.6%至2019年約人民幣191.9百萬元。有關減幅主要是由於營銷成本減少。

### 行政開支

本集團行政開支由2018年約人民幣153.8百萬元跌約17.9%至2019年約人民幣126.2百萬元，主要是由於在2019年不再產生就2018年收購Jennifer Convertibles, Inc. (「**Jennifer Convertibles**」)而增加的法律及專業開支及顧問費，以及實施成本控制措施。

### 融資成本

本集團融資成本由2018年約人民幣24.9百萬元增加約17.9%至2019年約人民幣29.3百萬元，主要是由於租賃會計新方法生效，導致租賃負債利息增加約人民幣13.5百萬元，惟部分被銀行貸款及可換股貸款的利息減少所抵銷。



### Income tax credit/(expense)

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

## LIQUIDITY AND CAPITAL RESOURCES

### Working capital

For 2019, cash and cash equivalents of the Group decreased by approximately RMB52.9 million, which was comprised of the net cash flows generated from operating activities of approximately RMB132.9 million, net cash flows used in investing activities of approximately RMB94.7 million, and net cash flows used in financing activities of approximately RMB83.5 million, while approximately RMB7.6 million was the net exchange loss of foreign exchange rate changes.

### Borrowing and pledge of assets

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

### Gearing ratio

The gearing ratio of the Group, which is total interest-bearing bank borrowings divided by total equity as at the end of the year and multiplied by 100%, increased from approximately 38.7% as at 31 December 2018 to approximately 112.0% as at 31 December 2019, which was primarily due to the increase in total equity and repayment of interest-bearing bank borrowings during 2019.

### 所得稅抵免／(開支)

與2018年的所得稅開支約人民幣13.9百萬元比較，本集團2019年所得稅抵免約為人民幣38.3百萬元。此外，實際稅率較2018年約13.8%下調。2018年的所得稅開支撥回2019年所得稅抵免的主要由於本年度的虧損情況及去年超額撥備所致。

## 流動資金及資本來源

### 營運資金

於2019年，本集團現金及現金等價物減少約人民幣52.9百萬元，包括經營活動所得現金流量淨額約人民幣132.9百萬元，投資活動所用現金流量淨額約人民幣94.7百萬元及融資活動所用現金流量淨額約人民幣83.5百萬元，而約人民幣7.6百萬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12月31日，本集團的計息銀行借款約為人民幣220.8百萬元，全部均須自2019年12月31日起12個月內償還。銀行貸款年利率介乎3.2%至6.5%。

### 資產負債比率

本集團資產負債比率(按年末的計息銀行借款總額除以權益總額再乘以100%計算)由2018年12月31日約38.7%增加至2019年12月31日約112.0%，主要是由於2019年的權益總額增加及償還計息銀行借款。

### Capital commitments

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

### Contingent liabilities

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

### Trade and bills receivables

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

### Trade and bills payables

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

### 資本承擔

本集團於2019年及2018年12月31日並無任何資本承擔。

### 或然負債

本集團於2019年12月31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12月31日的貿易應收款項及應收票據減少至約人民幣217.0百萬元(2018年12月31日：人民幣634.5百萬元)，主要是由於本集團於2019年第四季度向客戶所作銷售較2018年同期大幅減少。

### 貿易應付款項及應付票據

本集團於2019年12月31日的貿易應付款項及應付票據減少至約人民幣389.3百萬元(2018年12月31日：人民幣416.8百萬元)，主要是由於在2019年第四季度向本集團供應商作出的採購較2018年同期減少。為監控本集團現金流量狀況，財務部將每月向高級管理層呈交現金流量表。

### Foreign exchange exposure

Revenue from major customers is mainly from the U.S. while the production facilities of the Group are mainly located in the PRC. Accordingly, most of the sales are denominated in U.S. dollar while the costs arising from the Group's operations are generally settled in RMB. As a result, fluctuations in the value of U.S. dollar against RMB could adversely affect the financial results of the Group. During 2019, the Group did not experience any material difficulties or impacts on its operations or liquidity as a result of currency exchange fluctuation. The Group did not use any financial instruments for hedging purposes during 2019 and there was no hedging instruments outstanding as at 31 December 2019. The Group will continue to monitor closely the exchange rate risk arising from its existing operations and new investments in the future. The Group will further implement the necessary hedging arrangement to mitigate any significant foreign exchange risk when and if appropriate.

### SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

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

### 外匯風險

來自主要客戶的收入主要源自美國，而本集團的生產設施主要位於中國。因此，大部分銷售額以美元計值，而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波動，則可能會對本集團的財務業績產生不利影響。於2019年，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2019年並無使用任何金融工具作對沖之用，本集團於2019年12月31日亦無未償還對沖工具。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。

### 重大投資以及重大收購及出售附屬公司

本集團於報告期間並無任何其他重大投資，亦無任何重大收購或出售本集團附屬公司或聯營公司。

## HUMAN RESOURCES MANAGEMENT

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

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

## 人力資源管理

本集團管理層認為人才是企業長期發展的基礎。本集團擬透過建設及鞏固本公司的品牌名稱增強其企業形象。「慕容五心」：雄心、信心、決心、恆心及忠心為我們的核心價值，本集團擬建設與眾不同的企業文化。透過有關企業文化的定期培訓及教育，本集團為其員工提供個人成長機會，並增強員工對本集團的歸屬感。此外，本集團為其員工提供具競爭力的薪酬待遇及與行業慣例一致的各種福利。同時，本集團致力創造良好的工作環境，並在員工之間建設團隊精神。本集團按季度進行「績效評優」，並進行「慕容巨匠」評選活動，激勵本集團技術人員的士氣。本集團定期審核人力資源政策，以確保有關政策與市場慣例一致及符合監管規定。截至2019年12月31日，本集團僱用2,065名員工(2018年12月31日：2,499名員工)。2019年的薪金總額及相關成本總額(不包括董事薪酬)約為人民幣181.1百萬元(2018年：人民幣184.9百萬元)。

本公司設立購股權計劃，讓本公司向合資格人士授出購股權作為其對本集團作出貢獻的獎勵。購股權計劃於2016年12月10日獲本公司採納。本公司於上市日期起至2019年12月31日止期間並無根據購股權計劃授出、行使或註銷任何購股權，而於截至2019年12月31日及本報告日期，購股權計劃項下概無尚未行使購股權。



## PRINCIPAL RISKS AND UNCERTAINTIES

### 主要風險及不確定因素

The followings are part of the key risks and uncertainties identified by the Group. There may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

#### FINANCIAL AND ECONOMIC RISK

##### Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements so as to ensure sufficient reserves of cash and adequate committed lines of funding from major financial institutions (when applicable) to meet its liquidity requirements in the short and long term. The Group's cash and cash equivalents as at 31 December 2019 maintained at a satisfactory level. As at 31 December 2019, the Group had no significant capital commitment.

##### Foreign currency risk

Revenue from major customers is mainly from the U.S. while the production facilities of the Group are mainly operates in the PRC. Accordingly, most of the sales are denominated in U.S. dollar while the costs arising from its operations are generally settled in RMB. As a result, fluctuations in the value of U.S. dollars against RMB could adversely affect the financial results of the Group. During 2019, the Group did not experience any material difficulties or impacts on its operations or liquidity as a result of currency exchange fluctuation.

The Group did not use any financial instruments for hedging purposes during 2019 and there was no hedging instruments outstanding as at 31 December 2019. The Group will continue to monitor closely the exchange rate risk arising from its existing operations and new investments in the future. The Group will further implement the necessary hedging arrangement to mitigate any significant foreign exchange risk when and if appropriate.

以下是本集團識別的部分主要風險及不確定因素。除下文所示風險及不確定因素外，本集團亦可能存在目前尚不知悉或現時不重要但未來可能變得重要的其他風險及不確定因素。

#### 金融與經濟風險

##### 流動資金風險

本集團政策為定期監察其流動資金需要，以確保短期及長期內有充足現金儲備及獲主要金融機構提供足夠的承諾資金額度（如適用）。本集團於2019年12月31日的現金及現金等價物維持在滿意水平。於2019年12月31日，本集團概無重大資本承擔。

##### 外匯風險

來自主要客戶的收入主要源自美國，而本集團的生產設施主要位於中國。因此，大部分銷售額以美元計值，而本集團營運產生的成本一般以人民幣結算。因此，美元兌人民幣的匯價波動，則可能會對本集團的財務業績產生不利影響。於2019年，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2019年並無使用任何金融工具作對沖之用，本集團於2019年12月31日亦無未償還對沖工具。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。

## PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

### 主要風險及不確定因素 (續)

#### Credit risk

The Group's credit risk is primarily attributable to trade receivables. Credit evaluations are performed on all credit customers taking into account the customer's payment history and current ability to pay, any information specific to the customer and the economic environment in which the customer operates. The credit period is generally one to two months, extending up to three to six months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. Impairment losses are recorded for those overdue balances where there is objective evidence of impairment.

The Group has concentration risk in respect of trade receivables due from the Group's five largest customers who accounted for approximately 75.8% and 67.7% of the Group's total trade receivables as at 31 December 2019 and 2018 respectively. The credit risk exposure to trade receivables balance has been and will continue to be monitored by the Group on an ongoing basis.

#### Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest-bearing bank borrowings. The Group monitors the interest rate exposure on a continuous basis and adjusts the portfolio of bank deposits and borrowings where necessary.

#### Economy of U.S. market

As the majority of the Group's revenue is derived from the U.S., its results of operations and financial condition therefore depend on the U.S. economy. The Group's profitability and business growth are affected by the uncertainty of macroeconomic conditions and uncertain economic outlook and political conditions in U.S..

The U.S. economy faces challenges such as budget deficits, public debt, lack of labor market dynamism and change in political instability. Moreover, Donald Trump, elected President in November 2016, has changed the U.S. trade policies with China, which could bring adverse impact to the business of the Group.

The Group has evaluated the business risk from the change in trade policies of U.S. with China, and would explore different means to mitigate such risks stemming therefrom.

#### 信貸風險

本集團的信貸風險主要歸因於貿易應收款項。本集團將評估所有信貸客戶的信貸狀況，信貸評估計及客戶的付款歷史和當前還款能力、與客戶及其經營所在經濟環境有關的任何資訊。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。每位客戶設有最高信貸限額。本集團致力嚴格控制其未償還應收款額，逾期結餘由高級管理層定期檢討。倘出現減值的客觀證據，方可就該等逾期結餘記錄減值虧損。

本集團面臨來自五大客戶的貿易應收款項的集中風險，該等貿易應收款項於2019年及2018年12月31日分別約佔本集團貿易應收款項總額的約75.8%及67.7%。本集團已經並將持續監察關於貿易應收款項結餘的信貸風險。

#### 利率風險

本集團面臨利率變動對計息銀行借款產生影響的利率風險。本集團持續監察利率風險，並在必要時調整銀行存款及借款的組合。

#### 美國市場的經濟

由於本集團的大部分收入來自美國，故其經營業績及財務狀況取決於美國經濟。本集團的盈利能力及業務增長受宏觀經濟狀況的不確定性以及美國不明朗的經濟展望和政治狀況影響。

美國經濟面臨預算赤字、公債、勞動力市場動力不足及政局不穩變動等挑戰。此外，於2016年11月當選總統的當勞·特朗普更改了美國對華貿易政策，此舉可能對本集團業務帶來不利影響。

本集團已評估美國對華貿易政策變更產生的業務風險，並將探索各種不同方法以緩解由此引起的該等風險。

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain high standards of corporate governance to protect the interests of its Shareholders and to enhance corporate value and accountability. The Board has reviewed the Company's corporate governance practices and is satisfied that save as disclosed below, the Company has complied with all code provisions ("**Code Provisions**") and, where applicable, the recommended best practices of the Corporate Governance Code (the "**Corporate Governance Code**") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") since 12 January 2017, the date on which the Shares were listed on the Stock Exchange (the "**Listing Date**") and up to the date of this report.

According to Code Provision A.2.1., the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company has appointed Mr. Zou Gebing as both the chairman and the chief executive officer of the Company. The Board believes that vesting the roles of the chairman and chief executive officer in the same individual would enable the Company to achieve higher responsiveness, efficiency and effectiveness when formulating business strategies and executing business plans. The Board believes that the balance of power and authority is sufficiently maintained by the operation of the senior management and the Board, which comprises experienced and high-calibre individuals. The Board currently comprises four executive Directors (including Mr. Zou Gebing) and three independent non-executive Directors and therefore has a fairly strong independence element in its composition. The Board will nevertheless review the structure and composition of the Board from time to time in light of prevailing circumstances, in order to maintain a high standard of corporate governance practices of the Company.

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.

## 企業管治常規

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。董事會已審閱本公司的企業管治常規，並信納除下文披露者外，自2017年1月12日（即股份在聯交所上市日期（「上市日期」）直至本報告日期，本公司已遵守載列於聯交所證券上市規則（「上市規則」）附錄十四的企業管治守則（「企業管治守則」）所有守則條文（「守則條文」）及建議最佳常規（如適用）。

根據守則條文A.2.1，主席及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本公司主席兼行政總裁。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定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。



The Company will continue to review its corporate governance practices in order to enhance its corporate governance standard, comply with regulatory requirements and meet the growing expectations of shareholders and investors of the Company.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as a code of conduct of the Company for Directors’ securities transactions. The Company has made specific enquiry with all Directors and the relevant employees regarding any non-compliance with the Model Code during the Reporting Period, and they all confirmed that they had fully complied with the required standard set out in the Model Code and its code of conduct regarding directors’ securities transactions throughout the Reporting Period.

## BOARD OF DIRECTORS

The Board is responsible for overseeing the management, businesses, strategic directions and financial performance of the Group. The Board holds regular meetings to discuss the Group’s businesses and operations. All important issues are discussed in a timely manner. The Board delegates to the management the daily operations of the Group under the directions set out by the management and the Board. The Board has established various committees and has delegated to the Audit Committee, the Remuneration Committee, and the Nomination Committee of the Board (collectively, the “**Board Committees**”) various duties. All the Board Committees perform their distinct roles in accordance with their respective terms of reference.

Pursuant to the internal guidelines of the Group, the Board shall meet at least four times a year. Additional board meetings will be held when warranted. The Directors at all times have full and timely access to information of the Group. There is a procedure for Directors to seek independent professional advice whenever deemed necessary by them at the expense of the Company, as appropriate.

本公司將繼續檢討其企業管治常規，提升企業管治水平、遵守監管規定並滿足本公司股東及投資者日益增長的期望。

## 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**」)作為董事進行證券交易的行為守則。本公司向全體董事及相關員工進行具體查詢，查詢其於報告期間有否遵守標準守則，彼等均確認已於報告期間全面遵守標準守則所載規定準則及董事進行證券交易的行為守則。

## 董事會

董事會負責監管本集團的管理、業務、策略方向及財務表現。董事會定期舉行會議，討論本集團的業務及營運。董事會須及時討論所有重要事項。董事會將本集團的日常營運授予管理層，彼等須根據管理層及董事會制定的指示行事。董事會已成立多個委員會並向董事會的審核委員會、薪酬委員會及提名委員會(統稱「**董事委員會**」)委派多項職責。所有董事委員會均根據其各自的職責範圍履行其不同的責任。

根據本集團的內部指引，董事會每年至少召開四次會議。如有需要可另外召開董事會會議。任何時候，董事均能全面、及時獲取本集團的資料。本公司設有程序，使董事可於其認為需要時尋求獨立專業意見，費用由本公司承擔(如適用)。



CORPORATE GOVERNANCE REPORT (CONTINUED)  
企業管治報告 (續)

Directors receive at least 14 days prior written notice of a regular meeting and may propose matters for discussion to be included in the agenda. The minutes of Board meetings are prepared by the company secretary with details of the decisions reached, any concerns raised and dissenting views expressed. Copies of the final versions of Board minutes are sent to the Directors for their information and records. The draft minutes are sent to all Directors within a reasonable time after each meeting for their comments before being formally signed. The signed minutes are kept in safe custody by the company secretary and are available for inspection by the Directors.

Insurance coverage in respect of Directors' and officers' liability has been arranged by the Company.

As of the date of this report, the composition of the Board is as follows:

Executive Directors:

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

The biographies of the Directors are set out in "Profile of Directors and Senior Management" on page 8 to page 16 of this annual report.

董事在常規會議之前至少14日內收到事先書面通知，並可提出討論事宜列入議程。董事會會議記錄由公司秘書編製，詳細介紹了所達成的決議、提出的任何疑慮和不同意見。董事會會議記錄的最終版本副本將發送給董事，以供參考及記錄。會議紀要在每次會議後、正式簽署前的合理時間內發送給所有董事，以供提出意見。簽署的會議記錄由公司秘書妥善保管，以供董事查閱。

本公司已安排投購有關董事及高級職員責任的保險。

於本報告日期，董事會的組成如下：

執行董事：

鄒格兵先生(主席兼行政總裁)  
曾金先生  
沈志東先生  
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)

董事履歷載於本年報第8至16頁的「董事與高級管理層履歷」。

CORPORATE GOVERNANCE REPORT (CONTINUED)  
企業管治報告(續)

During the Reporting Period, the attendance of the individual Directors at the meetings is set out below: 於報告期間，各董事出席會議情況如下：

Name of Director	董事姓名	Number of meetings attended/eligible to attend during the Reporting Period				
		Remuneration Committee	Nomination Committee	Audit Committee	Board	General Meeting
		薪酬委員會	提名委員會	審核委員會	董事會	股東大會
<b>Executive Directors</b>	<b>執行董事</b>					
Mr. Zou Gebing	鄒格兵先生	N/A 不適用	N/A 不適用	N/A 不適用	11/11	2/2
Mr. Zeng Jin	曾金先生	N/A 不適用	N/A 不適用	N/A 不適用	11/11	2/2
Mr. Wu Yueming	吳月明先生	N/A 不適用	N/A 不適用	N/A 不適用	11/11	2/2
Mr. Shen Zhidong	沈志東先生	N/A 不適用	N/A 不適用	N/A 不適用	11/11	2/2
<b>Independent non-executive Directors</b>	<b>獨立非執行董事</b>					
Mr. Shao Shaomin (Note 1)	邵少敏先生(附註1)	N/A 不適用	N/A 不適用	N/A 不適用	1/1	N/A 不適用
Mr. Huang Wenli (Note 2)	黃文禮先生(附註2)	N/A 不適用	N/A 不適用	2/2	4/4	1/1
Mr. Pang Wing Hong (Note 3)	彭永康先生(附註3)	2/2	1/1	4/4	9/9	2/2
Mr. Chu Guodi (Note 4)	褚國弟先生(附註4)	2/2	1/1	2/2	6/6	1/1
Mr. Liu Haifeng	劉海峰先生	2/2	1/1	4/4	11/11	2/2

Notes:

附註：

- (1) Mr. Shao Shaomin resigned on 12 April 2019.
- (2) Ms. Huang Wenli resigned on 28 May 2019.
- (3) Mr. Pang Wing Hong was appointed on 12 April 2019.
- (4) Mr. Chu Guodi was appointed on 28 May 2019.

- (1) 邵少敏先生於2019年4月12日辭任。
- (2) 黃文禮先生於2019年5月28日辭任。
- (3) 彭永康先生於2019年4月12日獲委任。
- (4) 褚國弟先生於2019年5月28日獲委任。

## INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The role of the independent non-executive Directors is to provide independent and objective opinions to the Board, giving adequate control and balances for the Company to protect the overall interests of the Shareholders and the Company.

They serve actively on the Board and Board Committees to provide their independent and objective views. In compliance with Rules 3.10(1) and 3.10A of the Listing Rules, the Company has appointed three independent non-executive Directors, representing more than one-third of the Board. One of the independent non-executive Directors has the appropriate professional qualifications in accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

The Board must satisfy itself that an independent non-executive Director does not have any material relationship with the Group. The Board is guided by the criteria of independence as set out in the Listing Rules in determining the independence of Directors.

The Board members have no financial, business, family or other material/relevant relationships with each other, save as disclosed under the section headed "Profile of Directors and Senior Management" in this annual report. The Company has received annual confirmation of independence from all the independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Board is of the view that all the independent non-executive Directors are independent in accordance with the Listing Rules.

The independent non-executive Director Mr. Shao Shaomin was appointed on 10 December 2016 and resigned on 12 April 2019. Mr. Pang Wing Hong was appointed as an independent non-executive Director on 12 April 2019, replacing Mr. Shao's directorship in the Company. 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, replacing Mr. Huang's directorship in the Company. Mr. Liu Haifeng was appointed on 6 July 2017. They are subject to retirement by rotation in accordance with the articles of association of the Company (the "Articles"). Please refer to "Corporate Governance Practices" on page 27 of this report for further details.

## 獨立非執行董事的獨立性

獨立非執行董事的角色乃向董事會提供獨立及客觀的意見，為本公司提供足夠的制約及平衡，以保障股東及本公司整體利益。

彼等於董事會及董事委員會上積極提供其獨立及客觀的意見。本公司已遵照上市規則第3.10(1)及3.10A條，委任三名獨立非執行董事，佔董事會人數超過三分之一。其中一名獨立非執行董事具備上市規則第3.10(2)條所規定的適當會計專業資格或相關財務管理專業知識。

董事會確信，獨立非執行董事與本集團並無任何重大關係。董事會在確定董事獨立性時，遵循上市規則所載獨立標準。

除本年報「董事與高級管理層履歷」一節所披露者外，董事會成員之間並無財務、商業、家庭或其他重大／相關的關係。本公司已收到全體獨立非執行董事根據上市規則第3.13條提交的年度獨立性確認書。董事會認為，根據上市規則全體獨立非執行董事均為獨立人士。

獨立非執行董事邵少敏先生於2016年12月10日獲委任並於2019年4月12日辭任。彭永康先生於2019年4月12日獲委任為獨立非執行董事，接替邵先生的本公司董事職務。黃文禮先生於2016年12月10日獲委任並於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，接替黃先生的本公司董事職務。劉海峰先生於2017年7月6日獲委任。彼等須根據本公司組織章程細則（「細則」）輪值退任。有關進一步詳情，請參閱本報告第27頁的「企業管治常規」。

## DIRECTORS' TRAINING

All Directors are provided with timely updates on the Company's performance, financial position and prospects to enable the Board as a whole and each Director to discharge their duties. In addition, the Company arranges for and provides continuous professional development training and relevant materials to the Directors to help ensure they are apprised of the latest changes in the commercial, legal and regulatory environment in which the Group conducts its business and to refresh their knowledge and skills on the roles, functions and duties of a listed company director. The Directors have provided to the Company their record of continuous professional development training, and they have participated in training activities in the following manner:

1. Reading materials on Directors' duties, compliance issues for listed companies and/or legal and regulatory requirements;
2. Reading materials on corporate governance and financial reporting; and
3. Reading materials on risk management and internal control.

## Dividend policy

On 10 December 2018, the Company adopted a new dividend policy that may declare and distribute dividends to the shareholders of the Company, provided that the Group records a profit after tax and that the declaration and distribution of dividends does not affect the normal operations of the Group. The Company intends to pay out an annual dividend payment at a payout ratio of not less than 30% of the Group's consolidated net profit after tax for the then financial year after taking into consideration of certain factors stated in the Company's announcement dated 10 December 2018.

## 董事的培訓

所有董事均獲提供有關本公司的表現、財務狀況及前景的最新資料，以助董事會（作為一個整體）及各董事履行職責。另外，本公司為董事安排並提供持續專業發展培訓和相關資料，以確保彼等了解本集團經營業務的商業、法律和監管環境的最新變化，並重溫其關於上市公司董事角色、職能和職責的知識和技能。董事向本公司提供其持續專業發展培訓記錄，並以如下方式參加培訓活動：

1. 閱讀關於董事職責、上市公司的合規問題及／或法律及法規要求的資料；
2. 閱讀企業管治和財務報告資料；及
3. 閱讀風險管理和內部監控資料。

## 股息政策

於2018年12月10日，本公司已採納新股息政策，可向本公司股東宣派及派付股息，惟須以本集團錄得除稅後溢利且宣派及派付股息不會對本集團正常營運構成影響為前提。經考慮本公司日期為2018年12月10日的公告所載若干因素後，本公司擬按不少於本集團於當時財政年度除稅後綜合淨利潤30%的派付比率支付年度股息。



### Board Diversity Policy (“Diversity Policy”)

The Company adopted a policy of having a diversity in the composition of Board members so as to enhance the quality of its performance. In designing the Board’s composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against selection criteria, having regard for the benefits of diversity on the Board.

The Nomination Committee will monitor the implementation of the Diversity Policy and, from time to time, review the Diversity Policy to ensure its effectiveness.

### Nomination Policy

The Board is responsible for selection and appointment of Directors. The Nomination Policy of the Board (the “**Nomination Policy**”) sets out the criteria, process and procedures for the Nomination Committee to recommend suitable candidates for directorship with a view to ensuring that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company’s business.

The Nomination Committee shall consider a number of factors in making nominations, including but not limited to the skills and experience of the candidate, the commitment that the candidate is expected to devote to the Board and the competence of the candidate in satisfying relevant legal and regulatory requirements. The Company adopted the Diversity Policy as stated in the previous section for achieving diversity on the Board with reference to the Company’s business model and specific needs. The candidate to be nominated as an INED must satisfy the independence criteria set out in Rule 3.13 of the Listing Rules.

### 董事會多元化政策(「多元化政策」)

本公司已採納董事會成員多元化政策，以提升其表現質素。在設計董事會組成時，董事會多元化加以考慮各方面，包括但不限於性別、年齡、文化和教育背景、種族、專業經驗、技能、知識以及服務年資。所有董事會任命均以用人唯才為原則，並在考慮人選時以充分顧及董事會成員多元化的裨益為甄選準則。

提名委員會將監察多元化政策的執行情況，並不時檢討多元化政策，以確保其行之有效。

### 提名政策

董事會負責挑選及委任董事。董事會提名政策(「**提名政策**」)載列提名委員會建議合適董事人選的準則、過程及程序，藉以確保董事會在切合本公司業務需要的技能、經驗及觀點多元化之間取得平衡。

提名委員會將於提名時考慮多項因素，包括但不限於候選人的技能及經驗、候選人預期為董事會作出的承諾以及候選人能否符合相關法律及法規規定。本公司經參考本公司的業務模式及特定需求，採納上一節所述多元化政策，以達致董事會多元化。獲提名為獨立非執行董事的候選人必須符合上市規則第3.13條所載獨立性標準。

If the Nomination Committee determines that an additional or replacement director is required, the Committee may take such measures that it considers appropriate in connection with its identification and evaluation of a candidate. The Nomination Committee may propose to the Board a candidate recommended or offered for nomination by a shareholder of the Company as a nominee for election to the Board. On making recommendation, the Nomination Committee may submit the candidate's personal profile to the Board for consideration. The Board may appoint the candidate(s) as director(s) to fill a casual vacancy(ies) or as an addition to the Board or recommend such candidate to shareholders for election or re-election (where appropriate) at the general meeting.

## BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board Committees are established with defined written terms of reference. The terms of reference of the Board Committees are posted on the Company's website and the website of the Stock Exchange and are available to the Shareholders upon request.

All members of each Board Committee are independent non-executive Directors.

## AUDIT COMMITTEE

The Audit Committee was established with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process, internal control system and risk management system of the Group, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

倘提名委員會確定需要新增或更換董事，委員會可採取其認為適當的措施，以物色及評估人選。提名委員會可向董事會建議由本公司股東推薦或提名的人選作為候任董事。於提出建議時，提名委員會可向董事會提交候選人的個人簡歷以供考慮。董事會可委任該候選人擔任董事以填補臨時空缺或作為新增董事，或向股東推薦該候選人以供於股東大會選任或重選(如適用)。

## 董事委員會

董事會已成立三個委員會，即審核委員會、薪酬委員會及提名委員會，目的是為監察本公司特定事務。所有董事委員會均制定明確的書面職權範圍。董事委員會各自的職權範圍載於本公司及聯交所網站，股東可要求索取有關資料。

各董事委員會的成員均為獨立非執行董事。

## 審核委員會

本公司已成立審核委員會，並依照上市規則第3.21條及企業管治守則訂明其書面職權範圍。審核委員會的主要職責為檢討及監督本集團的財務報告程序、內部監控制度及風險管理制度，監察審核程序以及履行董事會授予的其他職責與責任。

Members of the Audit Committee are Mr. Pang Wing Hong (appointed on 12 April 2019), Mr. Liu Haifeng and Mr. Chu Guodi (appointed on 28 May 2019). They are all independent non-executive Directors. Mr. Pang Wing Hong currently serves as the chairman of the Audit Committee, replacing Mr. Shao Shaomin, who resigned on 12 April 2019.

Pursuant to the meeting of the Audit Committee on 8 May 2020, the Audit Committee reviewed, among other things, the audited financial statements for 2019 with recommendations to the Board for approval and discussed with the management and the external auditors the accounting policies and practices which may affect the Group, the report prepared by the external auditors covering major findings in the course of the audit and the accounting and financial reporting matters.

## REMUNERATION COMMITTEE

The Remuneration Committee was established with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code. The primary duties of the Remuneration Committee are to establish and review the policy and structure of the remuneration for the Directors and senior management and make recommendations on the remuneration packages of individual Directors and senior management and on other employee benefit arrangements.

The Remuneration Committee consists of all the independent non-executive Directors, namely Mr. Chu Guodi, Mr. Liu Haifeng and Mr. Pang Wing Hong. Mr. Chu Guodi currently serves as the chairman of the Remuneration Committee, replacing Mr. Huang Wenli who resigned on 28 May 2019.

The Remuneration Committee has assessed the performance of the Directors and senior management of the Company, and reviewed and recommended to the Board the remuneration policy and structure relating to the Directors and senior management of the Company.

審核委員會成員為彭永康先生(於2019年4月12日獲委任)、劉海峰先生及褚國弟先生(於2019年5月28日獲委任)。彼等均為獨立非執行董事。彭永康先生目前擔任審核委員會主席，接替於2019年4月12日辭任的邵少敏先生。

根據審核委員會於2020年5月8日舉行的會議，審核委員會已審閱(其中包括)2019年的經審核財務報表並向董事會建議予以批准，與管理層及外聘核數師討論影響本集團的會計政策與常規、外聘核數師編製的報告(當中涵蓋其於審核過程中的重大發現)以及會計及財務報告事宜。

## 薪酬委員會

本公司已成立薪酬委員會，並依照上市規則第3.25條及企業管治守則訂明其書面職權範圍。薪酬委員會的主要職責為制定與檢討董事及高級管理層的薪酬政策及架構，並就個別董事及高級管理層的薪酬待遇以及其他僱員福利安排提出建議。

薪酬委員會由全體獨立非執行董事褚國弟先生、劉海峰先生及彭永康先生組成。褚國弟先生目前擔任薪酬委員會主席，接替於2019年5月28日辭任的黃文禮先生。

薪酬委員會已評估本公司董事及高級管理層的表現，檢討與本公司董事及高級管理層有關的薪酬政策及架構並向董事會提供建議。

The remuneration for the Directors and senior management comprises basic salary, retirement benefits and discretionary bonus. Details of the amount of emoluments of Directors paid for 2019 are set out in note 8 to the financial statements.

## NOMINATION COMMITTEE

The Nomination Committee was established with written terms of reference in compliance with the Corporate Governance Code. The primary duties of the Nomination Committee are to make recommendations to the Board on appointments of the Directors, to assess the independence of the independent non-executive Directors, to take up references and to consider related matters.

The Nomination Committee consists of all the independent non-executive Directors, namely Mr. Chu Guodi, Mr. Liu Haifeng and Mr. Pang Wing Hong. Mr. Liu Haifeng currently serves as the chairman of the Nomination Committee.

The Nomination Committee carries out the process of selecting and recommending candidates for directorships by making reference to the balance of expertise, skills, experience, professional knowledge, personal integrity and time commitments of such individuals, the requirements of the business of the Group and other relevant statutory requirements and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary.

董事及高級管理層薪酬包括基本工資、退休福利及酌情花紅。於2019年支付的董事酬金金額詳情載於財務報表附註8。

## 提名委員會

本公司已成立提名委員會，並依照企業管治守則訂明其書面職權範圍。提名委員會的主要職責為就委任董事向董事會提出建議，評估獨立非執行董事的獨立性，取得證明以及考慮相關事宜。

提名委員會由全體獨立非執行董事褚國弟先生、劉海峰先生及彭永康先生組成。劉海峰先生目前擔任提名委員會主席。

提名委員會負責就均衡知識、技能、經驗、專業知識、個人誠信及投入時間以及就本集團業務需要及其他相關法定規則及規例，進行甄選及推薦候任董事人選程序。有需要時或會委任外部招聘代理進行招聘及甄選程序。



Further, pursuant to the terms of reference of the Nomination Committee, the Nomination Committee, when reviewing the composition of the Board, will have regard to the diversity of the Board, which includes gender, age, cultural and educational background, length of service, skills, knowledge and professional experience of the Board. The Company recognises and embraces the benefits of diversity of Board members.

The Nomination Committee has reviewed the policy for the nomination of Directors, the structure, size and composition of the Board and assessed independence of the independent non-executive Directors.

## CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties set out in code provision D.3.1 of the Corporate Governance Code, namely:

- (i) to develop and review the Company's policies and practices on corporate governance;
- (ii) to review and monitor the training and continuous professional development of Directors and senior management;
- (iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (iv) to develop, review and monitor the code of conduct and compliance manual (including in relation to securities trading) applicable to employees and Directors; and
- (v) to review the Company's compliance with the Corporate Governance Code and disclosure in the corporate governance report in the Company's annual report.

The Board will continue to review the Company's policies and practices on corporate governance and legal and regulatory compliance, training and continuous professional development participations of the Directors, as well as the Company's compliance with the Corporate Governance Code.

此外，根據提名委員會的職權範圍，提名委員會在檢討董事會的組成時，將考慮到董事會多元化，其中包括性別、年齡、文化和教育背景、服務年資、技能、知識以及專業經驗。本公司承認並擁護董事會成員多元化的利益。

提名委員會已檢討董事會的董事提名政策、架構、人數及組成，並評估獨立非執行董事的獨立性。

## 企業管治職能

董事會負責履行企業管治守則的守則條文D.3.1所載企業管治職責，即：

- (i) 制定及檢討本公司在企業管治方面的政策及常規；
- (ii) 檢討及監察董事及高級管理層的培訓及持續專業發展；
- (iii) 檢討及監察本公司在遵守法律及監管規定方面的政策及常規；
- (iv) 制定、檢討及監察適用於僱員及董事的行為守則及合規手冊(包括與證券交易有關)；及
- (v) 檢討本公司遵守企業管治守則的情況及在本公司年報的企業管治報告所作披露。

董事會將繼續檢討本公司在遵守企業管治及法律與監管規定方面的政策及常規、董事的培訓及持續專業發展參與情況以及本公司遵守企業管治守則的情況。

## AUDITORS' REMUNERATION

During 2019, the total fees paid/payable in respect of services provided by the Group's external auditors are set out below:

		2019 2019年 RMB'000 人民幣千元
Audit and audit related services	審計及審計相關服務	1,481
Non-audit services: Taxation and other professional services	非審計服務：稅務及其他專業服務	88
		<hr/> 1,569

## COMPANY SECRETARY

The company secretary is responsible for handling company secretarial matters including compliance with the companies ordinance. On 28 February 2019, Ms. Ho resigned from the role as the company secretary of the Company. On 1 September 2019, Mr. Lam Hoi Lam was appointed as the company secretary of the Company.

## DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Board, supported by the finance and accounting department, is responsible for the preparation of the financial statements of the Group that give a true and fair view. In preparing the financial statements, the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants have been adopted. Appropriate accounting policies have also been used and applied consistently. The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

## 核數師酬金

於2019年，本集團外聘核數師就其所提供服務已獲支付／應獲支付的總費用如下：

	2019 2019年 RMB'000 人民幣千元
	1,481
	88
	<hr/> 1,569

## 公司秘書

公司秘書負責處理公司秘書事宜(包括遵守公司條例)。於2019年2月28日，何女士辭任本公司的公司秘書職務。於2019年9月1日，林海麟先生獲委任為本公司的公司秘書。

## 董事對財務報表的責任

在財務及會計部門的協助下，董事會負責編製本集團真實與公平的財務報表。編製財務報表時，已採納香港會計師公會頒佈的香港財務報告準則，並貫徹使用和運用適當的會計政策。董事並不知悉任何可能會對本集團持續經營能力造成重大疑慮的事件或情況的重大不確定因素。

The statement by the auditors of the Company regarding their reporting responsibilities on the financial statements of the Group is included in the Report of the Independent Auditors on pages 67 to 80 of this annual report.

本公司核數師就本集團財務報表的申報責任聲明載於本年報第67至80頁的獨立核數師報告。

## RISK MANAGEMENT AND INTERNAL CONTROL

## 風險管理及內部監控

The management has the responsibility to maintain appropriate and effective risk management and internal control systems, and the Board has the responsibility to review and monitor the effectiveness of the Group's risk management and internal control systems at least annually covering material controls, including financial, operational and compliance controls, to ensure that the systems in place are adequate and effective. The Group adopts a risk management system which manages the risk associated with its business and operations. The system comprises the following phases:

管理層負責維持合適及有效的風險管理及內部監控制度，而董事會負責至少每年檢討及監察本集團的風險管理及內部監控制度(涵蓋包括財務、營運及合規監控等重要監控)的有效性，以確保現時制度的足夠性及有效性。本集團採納風險管理制度以管理有關其業務及營運的風險。該制度包括以下層面：

Identification: Identify ownership of risks, business objectives and risks that could affect the achievement of objectives.

Evaluation: Analyse the likelihood and impact of risks and evaluate the risk portfolio accordingly.

Management: Consider the risk responses, ensure effective communication to the Board and on-going monitor the residual risks.

識別： 識別風險所有權、業務目標及可能影響目標達成的風險。

評估： 分析風險的可能性及影響並對風險組合作出相應評估。

管理： 考慮風險應對，確保與董事會有效溝通並持續監察剩餘風險。

CORPORATE GOVERNANCE REPORT (CONTINUED)  
企業管治報告(續)

The Company has in place an internal control system which is compatible with The Committee of Sponsoring Organizations of the Treadway Commission (“**COSO**”) 2013 framework. The COSO framework enables the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The five key components of the COSO framework are shown as follows:

本公司已制定符合特雷德韋委員會贊助組織委員會(The Committee of Sponsoring Organizations of the Treadway Commission, 「**COSO**」)於2013年發出的框架的內部監控制度。COSO框架可促使本集團達致營運有效性及效率性、財務報告可靠性以及遵守適用法律及法規的目標。COSO框架由以下五個關鍵部分組成：

Control Environment:	A set of standards, processes and structures that provide the basis for carrying out internal control across the Group.	監控環境： 為本集團開展內部監控提供基礎的一套標準、程序及結構。
Risk Assessment:	A dynamic and iterative process for identifying and analysing risks to achieve the Group’s objectives, forming a basis for determining how risks should be managed.	風險評估： 識別及分析風險以達成本集團目標並就確定如何管理風險形成依據的動態交互流程。
Control Activities:	Action established by policies and procedures to help ensure that management directives to mitigate risks to the achievement of objectives are carried out.	監控行動： 政策及程序為幫助確保減輕風險以達成目標的管理層指令獲執行而制定的行動。
Information and Communication:	Internal and external communication to provide the Group with the information needed to carry out day-to-day controls.	資訊及通訊： 為本集團提供進行日常監控所需資訊的內部及外部通訊。
Monitoring:	Ongoing and separate evaluations to ascertain whether each component of internal control is present and functioning.	監察： 為確定內部監控的各組成部分是否存在及運行而進行的持續及單獨評估。



CORPORATE GOVERNANCE REPORT (CONTINUED)  
企業管治報告(續)

The Group's risk management and internal control systems are, however, designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group has conducted an annual review on whether there is a need for an internal audit department. Given the Group's relatively simple corporate and operation structure, as opposed to diverting resources to establish a separate internal audit department, the Board, supported by the Audit Committee, is directly responsible for risk management and internal control systems of the Group and for reviewing its effectiveness.

During the Reporting Period, the Company engaged an external independent adviser with professional staff in possession of relevant expertise to conduct an independent review of the risk management and internal control systems of the Group in order to maintain high standards of corporate governance. The review plan has been approved by the Board and the Audit Committee. The Board and the Audit Committee had also reviewed the resources, staff qualifications and experience and training programs of the external independent adviser and considered they are adequate and sufficient.

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company is aware of the relevant obligations under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO") and the Listing Rules.

然而，本集團的風險管理及內部監控制度旨在管理而非消除不能達成業務目標的風險，並僅可對重大錯誤陳述或損失提供合理但並非絕對的保證。

本集團已就是否需要設立內部審計部門進行年度檢討。鑑於本集團的公司及業務架構相對簡單，並不適合分散資源成立獨立內部審計部門，董事會在審核委員會的協助下直接負責本集團的風險管理及內部監控制度並檢討其有效性。

於報告期間，本公司委聘外部獨立顧問（包括具備相關專業知識的專業人員）對本集團風險管理及內部監控制度進行獨立檢討，以維持高水準的企業管治。檢討計劃已獲董事會及審核委員會批准。董事會及審核委員會亦已檢討外部獨立顧問的資源、員工資格及經驗以及培訓計劃並認為相關資源、員工資格及經驗以及培訓計劃屬充足及充分。

就處理及發佈內幕消息的程序及內部監控措施而言，本公司知悉香港法例第571章證券及期貨條例（「證券及期貨條例」）及上市規則下的相關責任。

In order to enhance the Group's system of handling inside information, and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures, the Group also adopts and implements an inside information policy and procedures. Certain reasonable measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Group, which include:

1. The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.
2. Confidentiality covenants will be in place when the Group enters into significant negotiations.

In addition, all employees are required to strictly adhere to the rules and regulations regarding the management of inside information, including that all employees who, because of his/her office or employment, is likely to be in possession of inside information in relation to the Company, are required to comply with the securities transaction rules adopted by the Company which are on terms no less exacting than those required under the Listing Rules.

為加強本集團的內幕消息處理制度並確保其公開披露資料的真實性、準確性、完整性與及時性，本集團亦採納並實施內幕消息政策及程序。本集團已不時採納若干合理措施以確保存在適當保障以防止違反有關本集團的披露規定，其中包括：

1. 僅少數僱員可按需要查閱相關資料。掌握內幕消息的僱員充分熟知彼等的保密責任。
2. 本集團進行重大磋商時將會訂立保密條款。

此外，所有僱員須嚴格遵守有關內幕消息管理的規則及規定，包括任何因其職位或僱傭關係有可能掌握有關本公司內幕消息的所有僱員須遵守本公司所採納的證券交易規則，其條款不遜於上市規則的規定。

The Board and the Audit Committee had reviewed the adequacy and effectiveness of the Group's risk management and internal control systems during the Reporting Period and up to the date of this report and believes that the existing systems are adequate and effective.

## SHAREHOLDERS' RIGHTS

The general meetings of the Company provide a forum for the Shareholders to exchange views directly with the Board. Subject to provisions of the applicable laws in the Cayman Islands and the Listing Rules, the Articles require that an annual general meeting ("AGM") of the Company to be held each year and at the venue as determined by the Board. Each general meeting, other than an AGM, is called an extraordinary meeting.

According to the Articles, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

## PROCEDURES FOR PUTTING FORWARD PROPOSALS BY SHAREHOLDERS AT GENERAL MEETING

To put forward proposals at a general meeting of the Company, a Shareholder should lodge a written notice of his/her/its proposal (the "Proposal") with his/her/its detailed contact information to the principal place of business of the Company in Hong Kong. The identity of the Shareholder and his/her/its request will be verified with the Company's branch share registrar in Hong Kong and upon confirmation by the Company's branch share registrar that the request is proper and in order and made by a Shareholder, the Board will determine in its sole discretion whether the Proposal may be included in the agenda for the general meeting. If the request has been verified as not in order, the Shareholder will be advised of this outcome and, accordingly, a general meeting will not be convened as requested.

董事會及審核委員會已於報告期間及直至本報告日期檢討本集團風險管理及內部監控制度的足夠性及有效性，並認為現有制度充分而且有效。

## 股東權利

本公司股東大會為股東提供直接與董事會交換意見的論壇。根據開曼群島的適用法律條文及上市規則，細則規定本公司須每年舉行一次股東週年大會（「股東週年大會」），會議地點由董事會釐定。非股東週年大會的各股東大會為特別大會。

根據細則，任何一名或多名股份持有人於遞呈請求日期持有附帶於本公司股東大會投票的權利的本公司實繳股本不少於十分之一，則有權隨時向董事會或本公司秘書發出書面請求，要求董事會召開股東特別大會，以處理有關請求書中所指明的任何事項。

如果在遞呈請求21日內，董事會並無召開會議，請求人本人可以相同方式召開會議，而請求人可向本公司報銷其因董事會未能召開會議而招致的一切合理費用。

## 股東在股東大會上提呈建議的程序

為於本公司股東大會上提呈建議，股東須以書面形式將其建議（「建議」）連同詳細聯絡資料呈交至本公司的香港主要營業地點。本公司將向其香港股份過戶登記分處核實股東身份及其要求，於獲得本公司股份過戶登記分處確認股東作出的要求屬恰當及適當後，董事會將全權酌情釐定是否在股東大會議程內加入建議。倘該要求經核實屬不適當，則股東將獲告知有關結果，並不會按要求召開股東大會。

## PUTTING ENQUIRIES BY SHAREHOLDERS TO THE BOARD

Shareholders may at any time make a request for the Company's information to the extent such information is publicly available and the Company has an investor relationship personnel to attend to enquiries from the Shareholders. Details of the contact person are set out below:

Name: Mr. Xu Jing  
Telephone: (852) 2106 3218  
Email: benson.xu@morrisholdings.com.hk

Shareholders may also make enquiries with the Board at the general meetings of the Company and/or by sending them to the Company's principal place of business in Hong Kong at the following correspondence address and addressing to the Board:

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

Shareholders should direct their questions about their shareholdings, share transfer, share registration and payment of dividend to Tricor Investor Services Limited (the Company's branch share registrar in Hong Kong). Contact details of Tricor Investor Services Limited are set out below:

Address: Level 54, Hopewell Centre 183 Queen's Road East Hong Kong  
Telephone: (852) 2980 1333  
Fax: (852) 2810 8185  
Email: is-enquiries@hk.tricorglobal.com

## 股東向董事會提出詢問

股東可隨時索取本公司資料，惟有關資料須為可公開查閱，本公司亦有投資者關係人員處理來自股東的詢問。聯絡人的詳情載列如下：

姓名：徐景先生  
電話：(852) 2106 3218  
電郵：benson.xu@morrisholdings.com.hk

股東亦可於本公司股東大會上向董事會提出詢問及／或透過將有關詢問發送至本公司的香港主要營業地點並提交予董事會提出詢問，通訊地址如下：

地址：香港銅鑼灣威非路道18號萬國寶通中心20樓2001室

股東如對名下股權、股份轉讓、股份登記及派付股息有任何疑問，應向本公司的香港股份過戶登記分處卓佳證券登記有限公司提出。卓佳證券登記有限公司的聯絡方式詳情載列如下：

地址：香港皇后大道東183號合和中心54樓  
電話：(852) 2980 1333  
傳真：(852) 2810 8185  
電郵：is-enquiries@hk.tricorglobal.com



## COMMUNICATION WITH SHAREHOLDERS

The Board and senior management maintain a continuing dialogue with the Shareholders and investors through various channels including the Company's AGM to answer Shareholders' questions. The chairman and other members of the Board are present at the AGM. The annual report and AGM circular is distributed to all the Shareholders at least 20 clear business days before the AGM.

## INVESTOR RELATIONS

The Company establishes different communication channels with investors to update them with the latest business development and financial performance including the AGM, the publication of annual reports, announcements and circulars on the websites of the Stock Exchange and the Company in order to maintain a high level of transparency.

## MEMORANDUM AND ARTICLES OF ASSOCIATION

The Company adopted an amended and restated memorandum of association on 10 December 2016 and amended and restated articles of association on the Listing Date.

## 與股東溝通

董事會及高級管理層透過多種渠道(包括召開本公司股東週年大會以回答股東的疑問)與股東和投資者維持持續的對話。董事會主席及其他成員均出席股東週年大會。本公司於股東週年大會前至少足20個營業日向全體股東派發年報及股東週年大會通函。

## 投資者關係

本公司與投資者建立不同的通訊途徑，以便彼等知悉最新業務發展及財務表現，包括股東週年大會、於聯交所及本公司網站刊發年報、公告及通函，以維持高度透明。

## 組織章程大綱及細則

本公司已於2016年12月10日採納經修訂及重列的組織章程大綱以及於上市日期採納經修訂及重列的組織章程細則。

## DIRECTORS' REPORT 董事會報告

The Directors present this annual report and the audited consolidated financial statements of the Company for 2019.

### BUSINESS REVIEW

The review of business performance of the Group, the Group's business prospect and the financial key performance indicators during 2019 are set out in the sections headed "Financial Highlights", "Chairman's Statement" and "Management Discussion and Analysis" on page 5, pages 6 to 7 and pages 17 to 24 respectively of this annual report. The content is part of this directors' report.

### PRINCIPAL RISKS AND UNCERTAINTIES FACING THE COMPANY

The principal risks and uncertainties of the Group during the Reporting Period is set out in the sections headed "Principal Risks and Uncertainties" on pages 25 to 26 respectively of this annual report. The content is part of this directors' report.

### ENVIRONMENTAL PROTECTION AND COMPLIANCE WITH LAW AND REGULATIONS

The Group is committed to supporting the environmental sustainability. Being manufacturing and trading companies in the PRC, the Group is subject to various environmental laws and regulations set by the PRC national, provincial and municipal governments. Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations. During 2019, the Group has complied with relevant laws and regulations that have significant impact on the operations of the Group. Further, any changes in applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

A report on the environmental, social and governance aspects is prepared in accordance with Appendix 27 to the Listing Rules will be published on the Company's and the Stock Exchange's websites as close as possible to, and in any event no later than three months after, the publication of the Company's annual report.

董事謹此提呈本公司的2019年年報及經審核綜合財務報表。

### 業務回顧

本集團於2019年的業務表現回顧、本集團業務前景及關鍵財務表現指標載於本年報第5頁的「財務摘要」、第6至7頁的「主席報告書」及第17至24頁的「管理層討論及分析」章節，有關內容為本董事會報告的一部分。

### 本公司面臨的主要風險及不確定因素

於報告期間，本集團的主要風險及不確定因素載於本年報第25至26頁的「主要風險及不確定因素」一節，有關內容為本董事會報告的一部分。

### 環境保護及遵守法律法規

本集團致力支持環境的可持續發展。作為中國的製造和貿易公司，本集團須遵守中國國家、省及市政府制定的各項環保法律及法規。本集團已設定合規程序確保遵守適用法律、規則及規例。於2019年，本集團已遵守對本集團營運有重大影響的相關法律及法規。此外，有關僱員及有關營運單位不時留意相關法律、規則及規例的變動。

有關環境、社會及管治方面的報告乃根據上市規則附錄二十七編製，並將於盡可能接近本年報及在任何情況下不遲於本公司年報公佈的三個月後分別在本公司及聯交所網站刊載。

## RELATIONSHIP WITH STAKEHOLDERS

The Group recognises that employees, customers and business partners are keys to its sustainable development. The Group is committed to establishing a close and caring relationship with its employees, providing quality services to its customers and enhancing cooperation with its business partners.

## EMPLOYEES

Human resources are one of the greatest assets of the Company and the Company regards the personal development of its employees as highly important. The Group wants to continue to be an attractive employer for committed employees.

The Company endeavors to motivate its employees with clear career objectives and provides opportunities for advancement and improvement of their skills. The Group provides on-the-job training and development opportunities to its staff members.

## SUPPLIERS

The Group has developed long-term relationships with a number of its raw material suppliers and take great care to ensure that they share the Group's commitment to quality. The Group carefully selects its suppliers and requires them to satisfy certain assessment criteria including track record, experience, reputation, ability to produce high-quality products and quality control effectiveness.

## CUSTOMERS

The Group is committed to providing safe products to its customers. The Group endeavors to ensure the safety and quality of furniture products via stringent quality control measures and regular communication with customers.

## COMMUNITY

The Group will continue to contribute to the harmonious society through social contributions and participation in public service and donation activities.

## 與持份者的關係

本集團深明僱員、客戶及業務夥伴是其可持續發展的關鍵。本集團致力與僱員建立密切及關顧的關係，為客戶提供優質服務，並加強與其業務夥伴的合作。

## 僱員

人力資源為本公司最大資產之一，本公司高度重視僱員的個人發展。本集團有意繼續作為盡忠職守僱員的負責任僱主。

本公司致力激勵其僱員，提供清晰的事業目標以及提供機會增進及完善其技能。本集團亦為員工提供在職培訓及發展機會。

## 供應商

本集團與多名原材料供應商建立長期合作關係，並盡力確保彼等遵守本集團對質量的承諾。本集團審慎挑選供應商，並要求彼等達到若干評估標準，包括往績記錄、經驗、聲譽、生產優質產品的能力及質量監控效率。

## 客戶

本集團致力為客戶提供安全產品。本集團透過採納嚴格質量監控措置及定期與客戶溝通，銳意確保傢俱產品安全優質。

## 社區

本集團將繼續透過惠澤社會以及參與公共服務及捐款活動，為社會和諧作出貢獻。

## PRINCIPAL ACTIVITIES

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.

## RESULTS AND APPROPRIATIONS

The results of the Group for 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 81 of this annual report.

The Board did not recommend the payment of any dividend for the year ended 31 December 2019.

## TAX RELIEF

The Company is not aware of any relief from taxation available to Shareholders by reason of their holding of the shares of the Company.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements during 2019 in the property, plant and equipment of the Group are set out in note 13 to the consolidated financial statements.

## SHARE CAPITAL

Details of share capital of the Company are set out in note 29 to the Company's financial statements.

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

Save as disclosed in the paragraph headed "Restricted Share Award Scheme" below, the Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company during 2019.

## 主要業務

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。

## 業績及分派

本集團於2019年的業績載於本年報第81頁的綜合損益及其他全面收益表。

董事會不建議就截止2019年12月31日止年度派付任何股息。

## 稅項減免

本公司並不知悉有任何股東因持有本公司股份而享有稅項減免。

## 物業、廠房及設備

本集團物業、廠房及設備於2019年的變動詳情載於綜合財務報表附註13。

## 股本

本公司股本詳情載於本公司財務報表附註29。

## 購買、出售或贖回本公司的上市證券

除下文「受限制股份獎勵計劃」一節所披露者外，於2019年，本公司或其附屬公司概無購買、出售或贖回任何本公司的上市證券。



## DISTRIBUTABLE RESERVES

As at 31 December 2019, the distributable reserves of the Company amounted to approximately RMB105.5 million (31 December 2018: RMB144.2 million).

## FIVE YEAR FINANCIAL SUMMARY

Five year financial summary are set in the sections headed "Five Year Financial Summary" on page 212 of this annual report.

## DIRECTORS

The Directors during 2019 and up to the date of this annual report were:

### Executive Directors:

Mr. ZOU Gebing (*Chairman and CEO*)  
Mr. ZENG Jin  
Mr. SHEN Zhidong  
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)

In accordance with paragraph 83(3) of the Articles, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of shareholders after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

## 可供分派儲備

於2019年12月31日，本公司可供分派儲備約為人民幣105.5百萬(2018年12月31日：人民幣144.2百萬)。

## 五年財務概要

五年財務概要載於本年報第212頁的「五年財務概要」一節。

## 董事

於2019年及截至本年報日期的董事如下：

### 執行董事：

鄒格兵先生(主席兼行政總裁)  
曾金先生  
沈志東先生  
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)

根據細則第83(3)段，任何獲董事會委任填補臨時空缺的董事任期須直至彼獲委任後首屆股東大會舉行時屆滿，屆時須於該會上重選連任，而任何獲董事會委任加入現有董事會的董事任期將於本公司下屆股東週年大會舉行時屆滿，屆時符合資格重選連任。

## DIRECTORS' REPORT (CONTINUED)

### 董事會報告 (續)

Further, pursuant to paragraph 84(1) of the Articles, one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement at an AGM at least once every three years and, being eligible, offer themselves for re-election for the forthcoming year. According to paragraph 84(2) of the Articles, any Director appointed by the Board pursuant to Article 83(3) shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation. Therefore, Mr. Zou Gebing, Mr. Shen Zhidong and Mr. Liu Haifeng will also retire at the forthcoming AGM and will offer themselves for re-election.

### DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for a fixed term of three years commencing from the Listing Date or the date of appointment, unless terminated by not less than three months' notice in writing served by either party on the other expiring at the end of the initial term.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company. There is no specific term or proposed length of service for the independent non-executive Directors under the letters of appointment. They are subject to retirement by rotation and re-election at AGM of the Company at least once every three years and until terminated by not less than three months' notice in writing served by either the Company or the respective independent non-executive Director.

No Directors being proposed for re-election at the forthcoming AGM has a service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

此外，根據細則第84(1)段，當時三分之一董事須輪值告退，惟每名董事須最少每三年於股東週年大會上輪值告退一次，並符合資格重選連任來年的董事職務。根據細則第84(2)段，在釐定須輪值告退的特定董事或董事人數時，董事會根據細則第83(3)條委任的任何董事不得計算在內。因此，鄒格兵先生、沈志東先生及劉海峰先生將於應屆股東週年大會上退任，並符合資格重選連任。

### 董事的服務合約

每名執行董事已與本公司訂立服務合約，固定任期為自上市日期或委任日期起計三年，除非任何一方在初始任期結束到期時發出不少於三個月的書面通知予以終止。

每名獨立非執行董事已與本公司訂立委任函。根據委任函，概無就獨立非執行董事訂明特定任期或建議服務年期。彼等須最少每三年於股東週年大會上輪值告退及重選一次，直至本公司或相關獨立非執行董事發出不少於三個月的書面通知予以終止為止。

擬於應屆股東週年大會上重選的董事概無與本公司或其附屬公司訂立本集團不作賠償(法定賠償除外)則不得於一年內終止的服務合約。

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as those disclosed under the section headed "Connected Transactions and Continuing Connected Transactions" and the related party transactions as disclosed in note 35 to the 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 as at 31 December 2019 or at any time during 2019.

## DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2019, the interests and short positions of each Director and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of 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, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, are set out below:

### (i) The Company

Name of Director/ chief executive 董事/主要行政人員姓名	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、安排或合約中的權益

除「關連交易及持續關連交易」一節及綜合財務報表附註35所披露的關連方交易所披露者外，於2019年12月31日或於2019年任何時間，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的關連實體直接或間接擁有重大權益的重大交易、安排或合約。

## 董事於證券的權益

於2019年12月31日，各董事及本公司主要行政人員於本公司或其任何相聯法團（按證券及期貨條例第XV部賦予的涵義）的股份、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條文彼等被視為或被當作擁有的權益或淡倉）或根據證券及期貨條例第352條須列入該條所述登記冊或須符合標準守則的權益及淡倉載列如下：

### (i) 本公司

附註1：字母「L」代表該名人士於該等股份的好倉。

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

(ii) Morris Capital (Note 1)

Name of Director/ chief executive 董事／主要行政人員姓名	Nature of Interest 權益性質
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Mr. Zou Gebing 鄒格兵先生	Beneficial owner 實益擁有人
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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.

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

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 31 December 2019.

(ii) 慕容資本(附註1)

Number of securities (Note 2) 證券數目 (附註2)	Approximate percentage of shareholding 佔股權概約百分比
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85 Shares of US\$1 each (L) 85 股每股面值 1 美元的股份 (L)	85%
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附註1：慕容資本持有50%以上股份。因此，慕容資本為本公司的控股公司及相聯法團。

附註2：字母「L」代表該名人士於該等股份的好倉。

除上文所披露者外，於2019年12月31日，董事及本公司主要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部賦予的涵義)的股份、相關股份或債權證中擁有須列入根據證券及期貨條例第352條存置的登記冊或須根據標準守則通知本公司及聯交所的任何其他個人、家族、公司及其他權益或淡倉。



## SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 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:

Shareholders 股東	Nature of interest 權益性質	Number of Shares/underlying Shares held (Note 1) 所持股份/ 相關股份數目 (附註1)	Percentage of Shares of the Company in issue 佔本公司 已發行股份 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 (L) 750,000,000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 (L) 750,000,000股(L)	75% (L)

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

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

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.

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 31 December 2019.

## 主要股東的權益

於2019年12月31日，以下人士(董事或本公司主要行政人員除外)於股份或相關股份中擁有須列入本公司根據證券及期貨條例第336條存置的登記冊的權益或淡倉：

Number of Shares/underlying Shares held (Note 1) 所持股份/ 相關股份數目 (附註1)	Percentage of Shares of the Company in issue 佔本公司 已發行股份 百分比
750,000,000 Shares (L) 750,000,000股(L)	75% (L)
750,000,000 Shares (L) 750,000,000股(L)	75% (L)

附註1：字母「L」代表該名人士於該等股份的好倉。

附註2：慕容資本由鄒格兵先生擁有85%及由鄔向飛女士擁有15%。

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或被當作於鄒格兵先生擁有權益的同等數目股份中擁有權益。

除上文所披露者外，於2019年12月31日，本公司並無接獲任何其他人士(董事及本公司主要行政人員除外)通知，表示其於本公司股份及/或相關股份中擁有須根據證券及期貨條例第XV部第2及3分部向本公司披露的權益或淡倉。

## MANAGEMENT CONTRACTS

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 2019.

## EMOLUMENT POLICY

The Group is well aware of the importance of incentivising and retaining its employees. The Group offers competitive remuneration packages to its employees and makes contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing fund for its employees. The Remuneration Committee is set up for reviewing the Group's emolument policy and remuneration package of the Directors and chief executive of the Group, having regard to the Group's overall operating results, individual performance and comparable market practices.

## RESTRICTED SHARE AWARD SCHEME

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

## 管理合約

於2019年，概無訂立或存在有關本公司全部或任何重大部分業務的管理及行政合約。

## 薪酬政策

本集團深知獎勵及留聘其僱員的重要性。本集團向其僱員提供具競爭力的薪酬待遇，並為僱員的社會保障保險基金(包括退休金計劃、醫療保險、工傷保險、失業保險及生育保險)及住房公積金作出供款。本公司已成立薪酬委員會，以根據本集團的整體經營業績、個人表現及可資比較市場慣例，檢討本集團的薪酬政策以及本集團董事及主要行政人員的薪酬待遇。

## 限制性股份獎勵計劃

董事局於2019年8月29日(「**採納日期**」)採納限制性股份獎勵計劃(「**獎勵計劃**」)，作為挽留及激勵僱員的獎勵，以有利於本集團持續運作及發展。於回顧年度內，根據獎勵計劃規則及信託契據之條款，獎勵計劃的受託人以總代價約2,536,415港元(包括交易成本)購入之方式，收購本公司14,800,000股股份，佔本公司於採納日期約1.48%的已發行股本。

Details of the remuneration of the Directors for 2019 are set out in note 8 to the consolidated financial statements of this annual report.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year 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 had a material interest, whether directly or indirectly, subsisted as at 31 December 2019 or at any time during 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 annual confirmation of the Non-Compete Covenantors in respect of their compliance with the non-competition undertakings under the Deed of Non-competition during 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 2019.

2019年的董事薪酬詳情載於本年報綜合財務報表附註8。

## 購買股份或債權證的安排

於年內任何時間，本公司、其控股公司或其附屬公司概無訂立任何安排，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的股份或債權證而獲益。

## 董事於競爭業務的權益

於2019年12月31日或於2019年任何時間，概無董事於競爭業務中直接或間接擁有任何重大權益。

## 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」）均已與本公司訂立日期為2016年12月10日的不競爭契據（「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的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的任何業務。

於2019年，本公司已收到不競爭契約方就彼等根據不競爭契據遵守不競爭承諾所發出的年度確認。

獨立非執行董事亦已審閱不競爭契約方遵守不競爭承諾的情況。獨立非執行董事確認，不競爭契約方於2019年並無違反不競爭承諾。

## CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

### Non-Exempt Continuing Connected Transactions

During 2019, the Group had the following non-exempt continuing connected transactions, details of which are set out below:

#### The Lease Agreements with Morris PRC

Zhejiang Morris Fashion Home Co., Ltd (formerly known as "Haining Gelin Furniture Co., Ltd."), ("**Zhejiang Morris Fashion home**"), Zhejiang Apollo Leather Products Co., Ltd. ("**Zhejiang Apollo Leather Products**"), Haining Morris Home Gallery Co., Ltd. ("**Haining Morris home Gallery**"), and Haining Morris International Home Furnishings Co., Ltd. ("**Haining Morris International**"), each as tenant entered into the lease agreements with Morris PRC as landlord on 1 January 2016 for the lease of various premises located in Haining, Zhejiang Province, PRC for factory, direct sale store and office use. However, as the area of leased properties was insufficient to meet the production requirements of the Group, Zhejiang Morris Fashion Home, Haining Morris Home Gallery and Haining Morris International (each as tenant) entered into lease agreements with Morris PRC (as landlord) on 17 March 2017 for the lease of leased properties located in Haining, Zhejiang Province, PRC for factory, exhibition hall, dormitory, canteens, office and research and development center use for a term of three years commencing from 17 March 2017 and expiring on 16 March 2020. The major terms of the lease agreements are as follows:

## 關連交易及持續關連交易

### 非豁免持續關連交易

於2019年，本集團的非豁免持續關連交易詳情如下：

#### 與慕容中國的租賃協議

浙江慕容時尚家居有限公司(前稱「海寧格林家具有限公司」,「**浙江慕容時尚家居**」、浙江阿波羅皮革製品有限公司(「**浙江阿波羅皮革製品**」)、海寧慕容世家家居有限公司(「**海寧慕容世家家居**」)及海寧慕容國際家居有限公司(「**海寧慕容國際**」)(各自作為租客)與慕容中國(作為業主)於2016年1月1日分別就租賃位於中國浙江省海寧市的多處作廠房、直銷店及辦公室用途的物業訂立租賃協議。然而，由於租賃物業面積無法滿足本集團的生產需求，浙江慕容時尚家居、海寧慕容世家家居及海寧慕容國際(各自作為租客)與慕容中國(作為業主)於2017年3月17日分別就租賃位於中國浙江省海寧市作廠房、展廳、宿舍、食堂、辦公室及研發中心用途的租賃物業訂立租賃協議，租期自2017年3月17日起至2020年3月16日止為期三年。租賃協議的主要條款如下：



DIRECTORS' REPORT (CONTINUED)  
董事會報告 (續)

Lease agreements 租賃協議	Term 期限	Tenant 租客	Landlord 業主	Leased area (sq. m.) 租賃面積 (平方米)	Rent per annum (RMB) 年租 (人民幣元)
Zhejiang Apollo Leather Products Lease Agreement 浙江阿波羅皮革製品租賃協議	1 January 2016 to 1 January 2026 (both days inclusive) 2016年1月1日至2026年1月1日 (包括首尾兩日)	Zhejiang Apollo Leather Products 浙江阿波羅皮革製品	Morris PRC 慕容中國	40,226.08	2,896,277.76
Haining Gelin Furniture Lease Agreement 海寧格林家具租賃協議	1 January 2016 to 1 January 2026 (both days inclusive) 2016年1月1日至2026年1月1日 (包括首尾兩日)	Zhejiang Morris Fashion Home (formerly known as "Haining Morris Home Gelin Furniture") 浙江慕容時尚家居 (前稱「海寧格林家具」)	Morris PRC 慕容中國	19,990.35	1,439,305.20
Haining Morris Home Gallery Lease Agreement 海寧慕容世家家居租賃協議	1 January 2016 to 1 January 2026 (both days inclusive) 2016年1月1日至2026年1月1日 (包括首尾兩日)	Zhejiang Morris Fashion Home (formerly known as "Haining Morris Home Gallery Furniture") 浙江慕容時尚家居 (前稱「海寧慕容世家家居」)	Morris PRC 慕容中國	39,312.00	2,830,464.00
Haining Morris International Lease Agreement 海寧慕容國際租賃協議	1 January 2016 to 1 January 2026 (both days inclusive) 2016年1月1日至2026年1月1日 (包括首尾兩日)	Zhejiang Morris Fashion Home (formerly known as "Haining Morris International") 浙江慕容時尚家居 (前稱「海寧慕容國際」)	Morris PRC 慕容中國	1,000.00	72,000.00
Haining Morris Home Gallery Lease Agreement 海寧慕容世家家居租賃協議	17 March 2017 to 16 March 2020 (both days inclusive) 2017年3月17日至2020年3月16日 (包括首尾兩日)	Zhejiang Morris Fashion Home (formerly known as "Haining Morris Home Gallery Furniture") 浙江慕容時尚家居 (前稱「海寧慕容世家家居」)	Morris PRC 慕容中國	40,474.00	2,914,128.00
Haining Morris Home Gallery Lease Agreement 海寧慕容世家家居租賃協議	17 March 2017 to 16 March 2020 (both days inclusive) 2017年3月17日至2020年3月16日 (包括首尾兩日)	Zhejiang Morris Fashion Home (formerly known as "Haining Morris Home Gallery Furniture") 浙江慕容時尚家居 (前稱「海寧慕容世家家居」)	Morris PRC 慕容中國	20,532.00	1,478,304.00
Haining Gelin Furniture Lease Agreement 海寧格林家具租賃協議	17 March 2017 to 16 March 2020 (both days inclusive) 2017年3月17日至2020年3月16日 (包括首尾兩日)	Zhejiang Morris Fashion Home (formerly known as "Haining Morris Home Gelin Furniture") 浙江慕容時尚家居 (前稱「海寧格林家具」)	Morris PRC 慕容中國	19,723.00	1,420,056.00
Haining Gelin Furniture Lease Agreement 海寧格林家具租賃協議	17 March 2017 to 16 March 2020 (both days inclusive) 2017年3月17日至2020年3月16日 (包括首尾兩日)	Zhejiang Morris Fashion Home (formerly known as "Haining Morris Home Gelin Furniture") 浙江慕容時尚家居 (前稱「海寧格林家具」)	Morris PRC 慕容中國	9,300.00	669,600.00
Haining Morris International Lease Agreement 海寧慕容國際租賃協議	17 March 2017 to 16 March 2020 (both days inclusive) 2017年3月17日至2020年3月16日 (包括首尾兩日)	Zhejiang Morris Fashion Home (formerly known as "Haining Morris International") 浙江慕容時尚家居 (前稱「海寧慕容國際」)	Morris PRC 慕容中國	6,400.00	460,800.00
Haining Morris International Lease Agreement 海寧慕容國際租賃協議	17 March 2017 to 16 March 2020 (both days inclusive) 2017年3月17日至2020年3月16日 (包括首尾兩日)	Zhejiang Morris Fashion Home (formerly known as "Haining Morris International") 浙江慕容時尚家居 (前稱「海寧慕容國際」)	Morris PRC 慕容中國	4,608.00	331,776.00

The aggregated annual caps of the lease agreements for the years ended 31 December 2017, 2018, 2019 and 2020 are RMB15 million, RMB15 million, RMB15 million and RMB15 million, respectively. For further details of the lease agreement, please refer to the announcement of the Company dated 17 March 2017.

As the entire issued share capital of Morris PRC is owned by Mr. Zou Gebing and Ms. Wu Xiangfei, Morris PRC is, accordingly, an associate of Mr. Zou Gebing and is therefore a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules.

#### Sales Agreement with Jennifer Convertibles

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.

Details of the above continuing connected transactions are further summarised as follows:

Name of connected party 關聯方名稱	Nature of transaction 交易性質	Transaction amount for 2019 2019年交易金額 RMB'000 人民幣千元	Annual Cap for 2019 2019年年度上限 RMB'000 人民幣千元
Morris PRC 慕容中國	Lease of properties 物業租賃	13,218	15,000

The continuing connected transactions mentioned above have been reviewed by the independent non-executive Directors who have confirmed that the transactions have been entered into: (a) in the ordinary and usual course of business of the Company; (b) on normal commercial terms; and (c) in accordance with the relevant agreement governing such transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

截至2017年、2018年、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。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。

由於慕容中國全部已發行股本由鄒格兵先生及鄔向飛女士擁有，因此，根據上市規則第14A.07條，慕容中國為鄒格兵先生的聯繫人，故慕容中國為本公司的關連人士。

#### 與Jennifer Convertibles的銷售協議

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。

上述持續關連交易的詳情進一步概述如下：

上述持續關連交易乃經獨立非執行董事審閱，彼等確認該等交易乃：(a)於本公司的日常及一般商業過程中；(b)按正常商業條款；及(c)根據規管交易的有關協議訂立，其條款屬公平合理，且符合股東整體利益。

## DIRECTORS' REPORT (CONTINUED)

### 董事會報告 (續)

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Company in this annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Save as disclosed above, a summary of significant related party transactions, which do not constitute connected transactions or continuing connected transactions, made during 2019 is disclosed in note 35 to the financial statements.

## CORPORATE GOVERNANCE REPORT

The corporation governance report of the Group during the Reporting Period is set out in the sections headed "Corporate Governance Report" on pages 27 to 45 of this annual report.

## MAJOR CUSTOMERS AND SUPPLIERS

During 2019, sales to the Group's five largest customers and purchases from the five largest suppliers accounted for approximately 49.8% and 65.4% of the total revenue and purchases for the year, respectively. The Group's largest customer accounted for around 21.2% of the total revenue for the year. The Group's largest supplier accounted for around 21.8% of the total purchase for the year.

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

本公司核數師已獲聘根據香港會計師公會頒佈的香港核證工作準則第3000號(修訂)「審核或審閱歷史財務資料以外的核證工作」及參照實務說明第740號「關於上市規則所述持續關連交易的核數師函件」就本集團的持續關連交易作出報告。核數師已根據上市規則第14A.56條發出無保留意見函件，當中載有核數師對本公司於本年報所披露的持續關連交易的調查結果及結論。本公司已將核數師函件副本送呈聯交所。

除上文所披露者外，於2019年作出的並不構成關連交易或持續關連交易的重大關聯方交易的概要於財務報表附註35披露。

## 企業管治報告

本集團於報告期間的企業管治報告載於本年報第27至45頁的「企業管治報告」一節。

## 主要客戶及供應商

於2019年，本集團向五大客戶的銷售額及向五大供應商的採購額分別佔本年度總收益及總採購額約49.8%及65.4%。本集團最大客戶佔本年度總收益約21.2%。本集團最大供應商佔本年度總採購額約21.8%。

於2019年任何時間，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。

## PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto. The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against the Directors and officers arising out of corporate activities. The level of the coverage is reviewed annually.

## EQUITY-LINKED AGREEMENT

Save as disclosed in this annual report relating to share option scheme, no equity-linked agreements were entered into during 2019 or subsisted as at 31 December 2019.

## SHARE OPTIONS SCHEME

The share options scheme (the "**Share Option Scheme**") was adopted by the Company on 10 December 2016. The Share Option Scheme allows the Company to grant options to the following eligible person(s) (the "**Eligible person(s)**"), namely, any full-time or part-time employee of the Company or any member of the Group, including any executive Director, non-executive Director and independent non-executive Director, adviser and consultant of the Group. The purpose of the Share Option Scheme is to enable the Company to grant options to the Eligible Persons as incentives or rewards for their contribution to the Group.

## 獲准許的彌償條文

根據細則，每名董事均有權從本公司的資產中獲得彌償，以應付彼在執行其職責時或就此可能蒙受或招致的所有損失或責任。本公司就董事及高級人員因企業活動而引致針對董事或高級人員的法律行動安排適當的保險，並每年檢討保險覆蓋水平。

## 股票掛鈎協議

除本年報就購股權計劃所披露者外，概無於2019年訂立或於2019年12月31日存在的股票掛鈎協議。

## 購股權計劃

本公司於2016年12月10日採納購股權計劃(「**購股權計劃**」)。購股權計劃使本公司可向以下合資格人士(「**合資格人士**」)授出購股權：本公司或本集團任何成員公司的任何全職或兼職僱員，包括本集團任何執行董事、非執行董事及獨立非執行董事、顧問及諮詢人。購股權計劃旨在使本公司可向合資格人士授出購股權作為彼等對本集團作出貢獻的鼓勵或回報。



The principal terms of the Share Option Scheme are summarised as follows:

1. The limit on the total number of Shares which may be issued upon exercise of all options under the Share Option Scheme and any other share option schemes which may be adopted by the Group from time to time pursuant to which options to subscribe for Shares may be granted (the "Other Schemes") must not, in aggregate, exceed 10% of the Shares in issue as at the Listing Date (which shall be 100,000,000 Shares) unless Shareholders' approval has been obtained, and which must not exceed 30% of the Shares in issue from time to time.

As at 31 December 2019 and the date of this report, the total number of Shares available for issue under the Share Option Scheme is 100,000,000 Shares, which represents 10% of the issued Shares as at 31 December 2019 or the date of this report.

2. The total number of Shares issued and to be issued upon exercise of the options granted to an Eligible Person under the Share Option Scheme and Other Schemes in any 12-month period must not exceed 1% of the Shares in issue from time to time, and provided that if approved by Shareholders in general meeting with such Eligible Persons abstained from voting, the Company may make further grant of options to such Eligible Person notwithstanding that the further grant would result in the Shares issued and to be issued upon exercise of all options granted and to be granted under the Share Option Scheme and Other Scheme in the 12-month period up to and including the date of the further grant representing in aggregate over 1% of the Shares in issue from time to time.
3. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Board to each Eligible Person provided that the period within which the option must be exercised shall not be more than 10 years from the date of the grant of option.
4. HK\$1.00 shall be paid by the grantee to the Company by way of consideration for the grant.

購股權計劃的主要條款概述如下：

1. 購股權計劃及本集團可能不時採納並據此授出可認購股份的購股權的任何其他購股權計劃(「其他計劃」)項下所有購股權獲行使而可能發行的股份總數，合共不得超過於上市日期已發行股份的10%(即100,000,000股股份)，除非已獲股東批准並不得超過不時已發行股份的30%。

於2019年12月31日及本報告日期，根據購股權計劃可供發行的股份總數為100,000,000股，相當於2019年12月31日或本報告日期已發行股份的10%。

2. 於任何12個月期間，根據購股權計劃及其他計劃授予合資格人士的購股權獲行使而已發行及將予發行的股份總數，不得超過不時已發行股份的1%。經股東在股東大會上批准且有關於合資格人士放棄投票的情況下，本公司可以向該合資格人士進一步授予購股權，即使於12個月期間直至進一步授出當日(包括該日)進一步授予的購股權將導致購股權計劃及其他計劃項下所有已授出及將予授出的購股權獲行使而已發行及將予發行的股份合共超過不時已發行股份的1%。
3. 根據購股權計劃的條款，購股權可於董事會決定和通知每名合資格人士期間的任何時間行使，前提為行使購股權期限不得超過自授出購股權之日起計10年。
4. 承授人須向本公司支付授出代價1.00港元。

5. The subscription price for the Shares subject to options will be a price determined by our Board and notified to each participant and shall be the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the options, which must be a trading day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant of the options; and (iii) the nominal value of a Share.
6. Share Option Scheme shall be valid and effective for a period of 10 years commencing on the Listing Date.

Other details of the Share Option Scheme are set out in the Prospectus. No share option has been granted by the Company under the Share Option Scheme since its adoption up to 31 December 2019.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles although there is no restriction against such rights under the Companies Law of the Cayman Islands.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, the Directors confirm that the Company has maintained a sufficient public float as required under the Listing Rules since the Listing Date.

## INDEPENDENT AUDITORS

The previous auditor of the Group, EY was re-appointed as auditor of the Group at the last AGM of the Company held on 17 May 2018 to hold office until the conclusion of the following AGM of the Company. However, as the Company and EY had been unable to reach an agreement on the estimated additional fees as detailed in the Company's announcement dated 2 May 2019, HLB Hodgson Impey Cheng Limited ("HLB") was appointed as the new auditor of the Group with effect from 21 May 2019 upon the removal of EY, until the conclusion of the following AGM of the Company.

5. 受購股權規限的股份認購價將由董事會釐定，並知會各參與人士，價格須為下列各項的最高者：(i)於授出購股權日期(必須為交易日)聯交所每日報價表所載的股份收市價；(ii)於緊接授出購股權當日前五個交易日聯交所每日報價表所載的股份平均收市價；及(iii)股份面值。
6. 購股權計劃自上市日期起計10年。

購股權計劃的其他詳情載於招股章程。自採納購股權計劃起直至2019年12月31日，本公司並無根據購股權計劃授出任何購股權。

## 優先購買權

細則並無有關優先購買權的條文，而開曼群島公司法亦無限制有關權利。

## 足夠公眾持股量

根據本公司可從公眾渠道取得的資料及據董事所知，董事確認，本公司自上市日期起一直維持足夠上市規則要求的足夠公眾持股量。

## 獨立核數師

本集團前核數師安永在本公司於2018年5月17日舉行的上屆股東週年大會上獲續聘為本集團核數師，任期至本公司下屆股東週年大會結束時為止。然而，誠如本公司日期為2019年5月2日的公告所詳述，由於本公司與安永一直未能就估計額外費用達成協議，於罷免安永後，國衛會計師事務所有限公司(「國衛」)自2019年5月21日起獲委任為本集團新核數師，任期至本公司下屆股東週年大會結束時為止。

Save as disclosed above, there were no other changes in the auditors of the Company during the past three years.

The consolidated financial statements of the Company for the years ended 31 December 2018 onwards were audited by HLB, who will retire at the AGM and a resolution for the re-appointment as the auditors of the Company will be proposed at the forthcoming AGM.

## CONVERTIBLE LOAN

On 5 January 2018, the Company entered into a convertible loan agreement (“**Convertible Loan Agreement**”) with International Finance Corporation (“**IFC**”), pursuant to which IFC agreed to lend, and the Company agreed to borrow, a convertible loan (“**Convertible Loan**”) in an aggregate principal amount of HK\$200,000,000. Please refer to the announcements of the Company dated 5 January 2018 and 24 January 2018 for further details. Pursuant to the Convertible Loan Agreement and as one of the conditions of disbursement, each of Mr. Zou, Ms. Wu Xiangfei, Mr. Zou’s spouse and one of the controlling shareholders of the Company, Morris PRC, a company owned as to 85% by Mr. Zou and as to 15% by Ms. Wu, and IFC entered into a share retention and undertaking agreement pursuant to which, among others, Mr. Zou has undertaken to at all times maintain his controlling stake (being not less than 51% interests) in the Company and Morris PRC and not to transfer his shares in Morris Capital, one of the controlling shareholders of the Company and owned as to 85% by Mr. Zou and 15% by Ms. Wu, or Morris PRC if, giving effect to such transfer, Mr. Zou will not be able to maintain his controlling stake in the Company or Morris PRC mentioned above for so long as any part of the Convertible Loan is outstanding or any amount is available for disbursement under the Convertible Loan Agreement and for so long as IFC holds any equity securities of the Company.

除上文所披露外，本公司核數師於過去三年並無其他變動。

本公司截至2018年12月31日止年度起綜合財務報表已由國衛審計，其將於股東週年大會上退任，而續聘其為本公司核數師的決議案將於應屆股東週年大會上提呈。

## 可換股貸款

於2018年1月5日，本公司與國際金融公司訂立可換股貸款協議（「**可換股貸款協議**」），據此，國際金融公司同意借出而本公司同意借入本金總額為200,000,000港元的可換股貸款（「**可換股貸款**」）。有關進一步詳情，請參閱本公司日期為2018年1月5日及2018年1月24日的公告。根據可換股貸款協議及作為發放條件之一，鄒先生、鄒向飛女士（鄒先生配偶）、本公司控股股東之一慕容中國（由鄒先生及鄒女士分別擁有85%及15%的公司）與國際金融公司各自訂立股份保留及承諾協議，據此（其中包括），鄒先生承諾於所有時間維持其於本公司及慕容中國的控股股份（即不少於51%權益）且不會轉讓其於慕容資本（本公司控股股東之一，由鄒先生及鄒女士分別擁有85%及15%）或慕容中國的股份，倘進行相關轉讓，鄒先生將不能保留上述於本公司或慕容中國的控股股份，只要可換股貸款的任何部分尚未償還，或任何款項根據可換股貸款協議可供發放，以及只要國際金融公司持有本公司的任何股本證券。

As a result of the suspension in trading in the shares of the Company from 28 March 2019, 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, 12 June 2019 and 30 September 2019, the Company entered into four amendment agreements respectively with the lender of the convertible loan for the agree schedule of certain permitted prepayments of the convertible loan. As at 31 December 2019, the outstanding principal of the convertible loan was HK\$110,967,128. Under the agreed schedule as provided in the abovementioned amendment agreements, for the period from 15 June 2019 to 31 December 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;
- h) an amount of HK\$6,000,000 on or prior to 30 September 2019;

由於本公司股份自2019年3月28日起暫停買賣，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、2019年6月12日及2019年9月30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四份修訂協議。於2019年12月31日，可換股貸款的未償還本金為110,967,128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12月31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；
- h) 於2019年9月30日或之前支付6,000,000港元；



- |  |                                   |
|--|-----------------------------------|
| i) an amount of HK\$7,000,000 on or prior to 28 October 2019;      | i) 於2019年10月28日或之前支付7,000,000港元；  |
| j) an amount of HK\$7,000,000 on or prior to 28 November 2019; and | j) 於2019年11月28日或之前支付7,000,000港元；及 |
| k) an amount of HK\$7,000,000 on or prior to 28 December 2019;     | k) 於2019年12月28日或之前支付7,000,000港元。  |

In December 2019, the Company's subsidiary has pledged our Cambodia lease rights and respective tenant lease rights to IFC. In February 2020, the Company has received the waiver letter from IFC, allowing the Company to not make any payments to IFC from January to April 2020.

於2019年12月，本公司的附屬公司已將我們的柬埔寨租賃權及各自的租戶租賃權抵押予國際金融公司。於2020年2月，本公司收到國際金融公司的豁免函件，允許本公司於2020年1月至4月期間不須向國際金融公司支付任何款項。

## EVENT AFTER THE REPORTING PERIOD

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

## 報告期間其後事項

誠如本公司日期為2020年3月22日的公告所披露，於2020年1月及2月，由於消費者情緒轉差及新型冠狀病毒疫情(「**疫情**」)爆發導致全球供應鏈中斷，本集團的銷售表現進一步惡化。估計本集團於2020年1月及2月來自中國出口的銷售額較2019年同期減少約52%。本集團於美國的家俱零售業務(「**美國家俱零售業務**」)受到疫情嚴重打擊。隨著美國(包括目標集團零售網絡所處東部州份)受感染人士增加，美國家俱零售業務的管理層決定停止美國零售店舖營業。市場對疫情對零售影響的持續時間的估計由三至十八個月不等，對此我們亦無法確定。於疫情爆發前，美國家俱零售業務正與機構及投資者就資金及投資建議進行磋商，以補充其營運資金。隨著疫情的發展及停止美國零售店舖營業，美國家俱零售業務的管理層正尋求緊急的法律及財務意見，採取各種措施以保存業務價值及止損。倘因事件發展而觸發任何披露規定，本公司將於適當時候另行刊發公告。

## DIRECTORS' REPORT (CONTINUED)

### 董事會報告 (續)

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

## APPRECIATION

I would like to take this opportunity to thank my fellow Directors, as well as the management and all employees for the contribution they have made towards the Group’s continued progress, and to thank all the Shareholders, customers and business partners for their support.

On Behalf of the Board

### **ZOU Gebing**

*Chairman and Executive Director*

Hong Kong, 8 May 2020

於2020年3月31日，本公司向慕容集團有限公司(「慕容中國」)及鄒格兵先生(「保證人」)遞交選擇權通知，表明其決定行使認沽選擇權以要求慕容中國按平倉價35百萬美元購回Jennifer Convertibles。慕容中國及保證人於同日接納選擇權通知。行使認沽選擇權及應收款項出售事項構成本公司之須予披露及關連交易。本公司將向股東寄發通函，並將召開股東特別大會，獨立股東將於會上就該等交易進行投票。有關認沽選擇權及應收款項出售事項的進一步詳情載於本公司日期為2020年3月31日的須予披露及關連交易公告。

## 致謝

本人謹藉此機會感謝董事、管理層及全體員工對本集團持續發展所作貢獻，亦向股東、客戶及業務夥伴的鼎力支持衷心致謝。

代表董事會

*主席兼執行董事*

**鄒格兵**

香港，2020年5月8日

# INDEPENDENT AUDITORS' REPORT

## 獨立核數師報告



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### INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MORRIS HOLDINGS LIMITED (Incorporated in the Cayman Islands with limited liability)

獨立核數師報告  
致慕容控股有限公司股東  
(於開曼群島註冊成立之有限公司)

## OPINION

We have audited the consolidated financial statements of Morris Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 81 to 211, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditors’ responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “**Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## 意見

我們已審計列載於第81至211頁的慕容控股有限公司(「**貴公司**」)及其附屬公司(統稱「**貴集團**」)的綜合財務報表，此綜合財務報表包括於2019年12月31日的綜合財務狀況表與截至該日止年度的綜合損益及其他全面收益表、綜合權益變動表和綜合現金流量表，以及綜合財務報表附註，包括主要會計政策概要。

我們認為，該等綜合財務報表已根據香港會計師公會(「**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**」)真實而中肯地反映了 貴集團於2019年12月31日的綜合財務狀況以及截至該日止年度的綜合財務表現及綜合現金流量，並已遵照香港公司條例的披露規定妥為擬備。

## 意見的基礎

我們已根據香港會計師公會頒佈的香港審計準則(「**香港審計準則**」)進行審計。我們在該等準則下承擔的責任已在本報告「核數師就審計綜合財務報表承擔的責任」部分中作進一步闡述。根據香港會計師公會頒佈的專業會計師道德守則(「**守則**」)，我們獨立於 貴集團，並已履行守則中的其他道德責任。我們相信，我們所獲得的審計憑證能充足及適當地為我們的審計意見提供基礎。

## MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2.1 in the consolidated financial statements, which indicates that the Group incurred a loss of approximately RMB140,690,000 for the year ended 31 December 2019 and, as of that date the Group had net current liabilities of approximately RMB156,731,000. As stated in Note 2.1, these events or conditions, along with other matters as set forth in Note 2.1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the "Material uncertainty related to going concern" section, we have determined that matters described below to be the key audit matters to be communicated in our report.

## 有關持續經營的重大不確定因素

我們注意到綜合財務報表附註2.1表明，於截至2019年12月31日止年度，貴集團產生虧損約人民幣140,690,000元，截至該日期，貴集團有流動負債約人民幣156,731,000元。誠如附註2.1所述，該等事件或條件連同附註2.1所載的其他事項表明，存在重大不確定因素可能對貴集團的持續經營能力構成重大疑慮。我們並無就此事項修改意見。

## 關鍵審計事項

關鍵審計事項是根據我們的專業判斷，認為對本期綜合財務報表的審計最為重要的事項。這些事項是在對綜合財務報表整體進行審計並形成意見的背景下來進行處理的，我們不對這些事項提供單獨的意見。除「有關持續經營的重大不確定因素」一節所述事項外，我們已識別下述事項為將於本報告溝通的關鍵審計事項。



**Key audit matters**

**關鍵審計事項**

*Provision against obsolete and slow-moving inventories*

陳舊及積壓存貨撥備

Refer to Note 17 to the consolidated financial statements and accounting policies on Note 2.4 to the consolidated financial statements  
茲提述綜合財務報表附註17及綜合財務報表附註2.4所載會計政策

As at 31 December 2019, the Group recorded inventories of approximately RMB169,509,000 after reversal of provision against obsolete and slow-moving inventories of RMB12,451,000, which accounted for 12.6% of the Group's total assets.

於2019年12月31日，貴集團於陳舊及積壓存貨撥備撥回人民幣12,451,000元後錄得存貨約人民幣169,509,000元，佔貴集團資產總值的12.6%。

**How our audit addressed the key audit matter**

**本行如何處理關鍵審計事項**

Our procedures in relation to management's impairment assessment of provision against obsolete and slow moving inventories included:

我們就管理層的陳舊及積壓存貨撥備減值評估進行的程序包括：

- Evaluating the estimates made by management and used to determine the provision obsolete and slow-moving inventories during the year and compare to the provisions made in prior year;
- 評估管理層所作出用於確定年內陳舊及積壓存貨撥備的估計，並與過往年度作出的撥備進行比較；

## KEY AUDIT MATTERS (CONTINUED)

### Key audit matters

#### 關鍵審計事項

##### *Provision against obsolete and slow-moving inventories (Continued)*

##### 陳舊及積壓存貨撥備(續)

The provision against obsolete and slow-moving inventories is estimated based on the net realisable value of the inventories with reference to the latest invoice prices and current market conditions. The Group manufactures sofas, sofa covers and other furniture products which are subject to changing consumer demands and fashion trends of the sofa industry, and this increases the level of judgement involved in estimating inventory provision. We focused on this area because significant judgement is required to assess the provision for items which may be ultimately obsolete or sold below cost as a result of a reduction in consumer demand. Such judgements include management's expectations for future sales of goods and product durability and market value of materials used in the production.

陳舊及積壓存貨撥備乃參照最新發票價格及當前市況根據存貨可變現淨值估計。貴集團為沙發、沙發套及其他傢俱產品生產商，面對沙發行業不斷變化的消費者需求及時尚趨勢，使估計存貨撥備涉及的判斷水平有所提高。我們關注該領域，此乃由於評估因消費者需求減少而可能最終過時或以低於成本價格銷售的項目撥備需要作出重大判斷。此等判斷包括管理層對日後商品銷售的期望及產品耐用性以及生產所用材料的市場價值。

We focused on this area due to the size of the balances and the judgement exercised by management in determining the obsolete and slow-moving inventories.

我們關注該領域乃由於結餘規模以及管理層於確定陳舊及積壓存貨時行使的判斷。

## 關鍵審計事項(續)

### How our audit addressed the key audit matter

#### 本行如何處理關鍵審計事項

- Performing a recalculation, on a sample basis, of the inventory provision made on individual inventories;
- 抽樣重新計算就個別存貨作出的存貨撥備；
- Sample checking on the subsequent selling price of finished goods; and
- 抽樣檢查製成品其後售價；及
- Checking the aging profile of inventories, the historical sales and usage records of the inventories.
- 檢查存貨的賬齡情況、過往銷售及使用記錄。

Based on the procedures performed, we consider management's judgement and estimates in the assessment provision against obsolete and slow-moving inventories, to be supported by the available evidence.

根據已進行的程序，我們認為，管理層於評估陳舊及積壓存貨撥備時的判斷及估計具備可得證據支持。

## KEY AUDIT MATTERS (CONTINUED)

### Key audit matters

#### 關鍵審計事項

*Expected credit loss ("ECL") assessment of trade receivables*

貿易應收款項預期信貸虧損(「預期信貸虧損」)評估

Refer to Note 18 to the consolidated financial statements and accounting policies on Note 2.4 to the consolidated financial statements  
茲提述綜合財務報表附註18及綜合財務報表附註2.4所載會計政策

As at 31 December 2019, the Group had trade receivables of gross carrying amount of approximately RMB234,847,000 and allowance for ECL of approximately RMB17,829,000, the net carrying amount of trade receivable account for 16.1% of the Group's total assets.

於2019年12月31日，貴集團的貿易應收款項賬面總值約為人民幣234,847,000元及預期信貸虧損撥備約為人民幣17,829,000元，貿易應收款項的賬面淨值佔貴集團資產總值的16.1%。

In general, the trade receivable credit terms granted by the Group to the customers ranged between one to four months. Management performed periodic assessment on the recoverability of the trade receivables and the sufficiency of provision for impairment based on information including credit profile of different customers, ageing of the trade receivables, historical settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances, and on-going trading relationships with the relevant customers. Management also considered forward-looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the impairment assessment.

一般而言，貴集團向客戶授出的貿易應收款項信貸期介乎一至四個月。管理層根據不同客戶信貸概況、貿易應收款項賬齡、過往結算記錄、後續結算狀況、預期時間及未償還結餘變現金額等資料，以及與相關客戶的持續貿易關係，定期評估貿易應收款項的可收回性及減值撥備是否充足。管理層亦已考慮可能影響客戶償還未償還結餘能力的前瞻性資料，以估計減值評估的預期信貸虧損。

## 關鍵審計事項(續)

### How our audit addressed the key audit matter

#### 本行如何處理關鍵審計事項

Our procedures in relation to management's impairment assessment included:

我們就管理層減值評估進行的程序包括：

- Understanding and evaluating the key controls that the Group has implemented to manage and monitor its credit risk, and validating the control effectiveness on a sample basis;
- 了解及評估貴集團為管理及監察其信貸風險而實施的關鍵控制措施，並抽樣驗證控制措施的有效性；
- Checking, on a sample basis, the ageing profile of the trade receivables as at 31 December 2019 to the underlying financial records and post year-end settlements to bank receipts;
- 抽樣檢查於2019年12月31日的貿易應收款項賬齡與相關財務記錄，以及年末後銀行收據的結算狀況；

KEY AUDIT MATTERS (CONTINUED)

關鍵審計事項(續)

Key audit matters

關鍵審計事項

How our audit addressed the key audit matter

本行如何處理關鍵審計事項

*Expected credit loss ("ECL") assessment of trade receivables (Continued)*

貿易應收款項預期信貸虧損(「預期信貸虧損」)評估(續)

Refer to Note 18 to the consolidated financial statements and accounting policies on Note 2.4 to the consolidated financial statements  
茲提述綜合財務報表附註18及綜合財務報表附註2.4所載會計政策

We focused on this area due to the impairment assessment of trade receivables under the expected credit losses model involved the use of significant management judgements and estimates.

我們關注該領域乃由於根據預期信貸虧損模式進行貿易應收款項減值評估涉及運用重大管理層判斷及估計。

- Inquiring of management for the status of each of the material trade receivables past due as at year end and corroborating explanations from management with supporting evidence, such as performing public search of credit profile of selected customers, understanding on-going business relationship with the customers based on trade records, check historical and subsequent settlement records of and other correspondence with the customers; and
- 向管理層查詢於年末逾期的各項重大貿易應收款項的狀況，並以支持證據證明管理層的有關解釋，例如對選定客戶的信貸狀況進行公開查詢、根據交易記錄了解與客戶的持續業務關係、檢查過往及其後結算記錄，以及與客戶的其他通訊；及



KEY AUDIT MATTERS (CONTINUED)

Key audit matters

關鍵審計事項

*Expected credit loss ("ECL") assessment of trade receivables (Continued)*

貿易應收款項預期信貸虧損(「預期信貸虧損」)評估(續)

關鍵審計事項(續)

How our audit addressed the key audit matter

本行如何處理關鍵審計事項

- Assessing the appropriateness of the expected credit loss provisioning methodology, examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the expected credit losses.
- 評估預期信貸虧損撥備方法是否適當，抽樣檢查主要輸入數據以評估其準確性及完整性，並質疑用於釐定預期信貸虧損的假設(包括過往及前瞻性資料)。

Based on the procedures performed, we consider management's judgement and estimates in the ECL assessment of trade receivable, to be supported by the available evidence.

根據已進行的程序，我們認為，管理層於貿易應收款項預期信貸虧損評估的判斷及估計具備可得證據支持。

## KEY AUDIT MATTERS (CONTINUED)

### Key audit matters

#### 關鍵審計事項

*Contingent consideration receivables*

應收或然代價

Refer to Note 16 to the consolidated financial statements and accounting policies on Note 2.4 to the consolidated financial statements  
茲提述綜合財務報表附註16及綜合財務報表附註2.4所載會計政策

As at 31 December 2019, the Group recorded a contingent consideration receivables of RMB234,425,000 which will be received after 2020.

於2019年12月31日，貴集團錄得將於2020年後收取的應收或然代價人民幣234,425,000元。

The Group entered into the sale and purchase agreement with the vendor for the acquisition of Jennifer Convertibles Inc. and its subsidiaries, the Group recognised a contingent consideration receivables at fair value in according to the guarantee terms in the sales and agreements. These fair value measurements require management's estimation and significant judgement on post-acquisition performance of the acquired businesses and discount rates used.

貴集團與賣方就收購Jennifer Convertibles Inc. 及其附屬公司訂立買賣協議，貴集團根據買賣協議的擔保條款按公允值確認應收或然代價。有關公允值計量需要管理層對所收購業務的收購後表現及所用貼現率作出估計及重大判斷。

## 關鍵審計事項(續)

### How our audit addressed the key audit matter

#### 本行如何處理關鍵審計事項

Our procedures in relation to the fair values assessment of contingent consideration receivables included:

我們就應收或然代價公允值評估進行的程序包括：

- Understanding, evaluating and validating management's key control over the contingent consideration payables assessment process;
- 了解、評估及證實管理層對應付或然代價評估程序實施的關鍵控制措施；
- Checking the contingent consideration payables calculation prepared by management against the formula stated in the sale and purchase agreement for each of the acquired businesses;
- 將管理層所編製應付或然代價計算與各項所收購業務的買賣協議所載公式核實；

## KEY AUDIT MATTERS (CONTINUED)

### Key audit matters

#### 關鍵審計事項

*Contingent consideration receivables (Continued)*

應收或然代價(續)

Refer to Note 16 to the consolidated financial statements and accounting policies on Note 2.4 to the consolidated financial statements  
茲提述綜合財務報表附註16及綜合財務報表附註2.4所載會計政策

Contingent consideration receivables are remeasured at fair value at each reporting date, and may be affected by changes in the estimation of post-acquisition performance of the acquired businesses. Any resulting gain or loss is recognised in the consolidated statement of profit or loss and other comprehensive income. For the year ended 31 December 2019, a fair value gain RMB5,257,000 was recognised.

於各報告日期，應收或然代價按公允價值重新計量，並可能因所收購業務的收購後表現估計有變而受到影響。任何因此產生的盈虧於綜合損益及其他全面收益表確認。截至2019年12月31日止年度，已確認公允價值虧損人民幣5,257,000元。

We focused on this area as the assessment made by management involved significant estimates and judgements in relation to the post-acquisition performance of individual businesses and discount rates applied, which may be affected by unexpected changes in future market or economic conditions or significant events or circumstances related to the acquired businesses.

我們關注該領域乃由於管理層就個別業務的收購後表現及所用貼現率所作評估涉及運用重大估計及判斷，並可能因未來市場或經濟狀況或與所收購業務有關的重大事件或情況出現無法預料的變動而受到影響。

## 關鍵審計事項(續)

### How our audit addressed the key audit matter

#### 本行如何處理關鍵審計事項

- Evaluating performance forecasts used in the contingent consideration receivables calculation, testing the mathematical accuracy of the underlying calculation of consideration payables and agreeing them to the financial projection prepared by management for the specific financial period stipulated by the sale and purchase agreement; analysing the key assumptions adopted by management with reference to their business plan and historical actual results to assess the quality of management's financial projection;
- 評估應收或然代價計算所用表現預測，測試相關應付代價計算的算術準確性，同意管理層就買賣協議訂明的特定財政期間所編製財務預測，分析管理層所採納關鍵假設，並經參考其業務計劃及過往實際業績，以評估管理層財務預測的質量；
- Comparing the discount rates used by management against market information and internal data;
- 將管理層所用貼現率與市場資料及內部數據比較；
- Assessing the events and circumstances emerging since the last assessment which triggered the remeasurement; comparing the performance forecasts to the business plan prepared by management and obtaining evidence of those events or circumstances to support the remeasurement.
- 評估自上一次評估以來發生且可觸發重新計量的事件及情況，比較管理層所編製業務計劃的表現預測，並取得有關事件或情況的證據以支持重新計量。

## OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon (the "Other Information").

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF THE DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## 刊載於年報內的其他信息

董事須對其他信息負責。其他信息(「其他信息」)包括刊載於年報內的信息，但不包括綜合財務報表及我們的核數師報告。

我們對綜合財務報表的意見並不涵蓋其他信息，我們亦不對該等其他信息發表任何形式的鑒證結論。

就我們對綜合財務報表的審計而言，我們的責任是閱讀其他信息，在此過程中，考慮其他信息是否與綜合財務報表或我們在審計過程中所了解的情況存在重大抵觸或者似乎存在重大錯誤陳述的情況。基於我們已執行的工作，如果我們認為其他信息存在重大錯誤陳述，我們需要報告該事實。在這方面，我們沒有任何報告。

## 董事及審核委員會就綜合財務報表承擔的責任

董事須負責根據香港會計師公會頒佈的香港財務報告準則及香港公司條例的披露規定擬備真實而中肯的綜合財務報表，並對其認為為使綜合財務報表的擬備不存在由於欺詐或錯誤而導致的重大錯誤陳述所需的內部監控負責。



## RESPONSIBILITIES OF THE DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

## AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. We report our opinion solely to you, as a body and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

## 董事及審核委員會就綜合財務報 表承擔的責任(續)

在擬備綜合財務報表時，董事負責評估貴集團持續經營的能力，並在適用情況下披露與持續經營有關的事項，以及使用持續經營為會計基礎，除非董事有意將貴集團清盤或停止經營，或別無其他實際的替代方案。

審核委員會負責監督貴集團的財務報告過程。

## 核數師就審計綜合財務報表承擔 的責任

我們的目標是對綜合財務報表整體是否不存在由於欺詐或錯誤而導致的重大錯誤陳述取得合理保證，並出具包括我們意見的核數師報告。我們僅對全體股東(作為整體)報告我們的意見，除此以外，本報告並無其他用途。我們不會就核數師報告的內容向任何其他人士負上或承擔任何責任。

合理保證是高水平的保證，但不能保證按照香港審計準則進行的審計，在某一重大錯誤陳述存在時總能發現。錯誤陳述可以由欺詐或錯誤引起，如果合理預期其單獨或匯總起來可能影響綜合財務報表使用者依賴綜合財務報表所作出的經濟決定，則有關的錯誤陳述可被視作重大。

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF  
THE CONSOLIDATED FINANCIAL STATEMENTS  
(CONTINUED)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

核數師就審計綜合財務報表承擔  
的責任(續)

在根據香港審計準則進行審計的過程中，我們運用了專業判斷，保持了專業懷疑態度。我們亦：

- 識別和評估由於欺詐或錯誤而導致綜合財務報表存在重大錯誤陳述的風險，設計及執行審計程序以應對這些風險，以及獲取充足和適當的審計憑證，作為我們意見的基礎。由於欺詐可能涉及串謀、偽造、蓄意遺漏、虛假陳述，或凌駕於內部監控之上，因此未能發現因欺詐而導致的重大錯誤陳述的風險高於未能發現因錯誤而導致的重大錯誤陳述的風險。
- 了解與審計相關的內部監控，以設計適當的審計程序，但目的並非對貴集團內部監控的有效性發表意見。
- 評價董事所採用會計政策的恰當性及作出會計估計和相關披露的合理性。

## AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## 核數師就審計綜合財務報表承擔 的責任(續)

- 對董事採用持續經營會計基礎的恰當性作出結論。根據所獲取的審計憑證，確定是否存在與事項或情況有關的重大不確定性，從而可能導致對 貴集團的持續經營能力產生重大疑慮。如果我們認為存在重大不確定性，則有必要在核數師報告中提請使用者注意綜合財務報表中的相關披露。假若有關的披露不足，則我們應當發表非無保留意見。我們的結論是基於核數師報告日止所取得的審計憑證。然而，未來事項或情況可能導致 貴集團不能持續經營。
- 評價綜合財務報表的整體列報方式、結構和內容，包括披露，以及綜合財務報表是否中肯反映交易和事項。
- 就 貴集團內實體或業務活動的財務信息獲取充足、適當的審計憑證，以便對綜合財務報表發表意見。我們負責 貴集團審計的方向、監督和執行。我們為審計意見承擔全部責任。

除其他事項外，我們與審核委員會溝通了計劃的審計範圍、時間安排及重大審計發現等，包括我們在審計中識別出內部監控的任何重大缺陷。

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF  
THE CONSOLIDATED FINANCIAL STATEMENTS  
(CONTINUED)

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditors' report is Hon Koon Fai, Alex.

**HLB Hodgson Impey Cheng Limited**  
Certified Public Accountants

**Hon Koon Fai, Alex**  
Practising Certificate Number: P05029

Hong Kong, 8 May 2020

核數師就審計綜合財務報表承擔  
的責任(續)

我們還向審核委員會提交聲明，說明我們已符合有關獨立性的相關專業道德要求，並與彼等溝通有可能合理地被認為會影響我們獨立性的所有關係和其他事項，以及在適用的情況下，相關的防範措施。

從與審核委員會溝通的事項中，我們確定哪些事項對本期綜合財務報表的審計最為重要，因而構成關鍵審計事項。我們在核數師報告中描述這些事項，除非法律法規不允許公開披露這些事項，或在極端罕見的情況下，如果合理預期在我們報告中溝通某事項造成的負面後果超過產生的公眾利益，我們決定不應在報告中溝通該事項。

出具本獨立核數師報告的審計項目董事是韓冠輝。

**國衛會計師事務所有限公司**  
執業會計師

**韓冠輝**  
執業證書號碼：P05029

香港，2020年5月8日



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

## 綜合損益及其他全面收益表

Year ended 31 December 2019  
截至2019年12月31日止年度

		Notes 附註	2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
<b>Revenue</b>	<b>收入</b>	5	<b>980,298</b>	1,610,043
Cost of sales	銷售成本		(877,211)	(1,181,999)
Gross profit	毛利		<b>103,087</b>	428,044
Other income and gains	其他收入及收益	5	<b>85,549</b>	85,791
Allowance for expected credit losses in respect of financial assets carried at amortised cost, net	按攤銷成本列賬的金融資產的預期信貸虧損撥備淨額		<b>(15,579)</b>	(2,331)
Impairment loss on property, plant and equipment	物業、廠房及設備的減值虧損		<b>(2,346)</b>	–
Impairment loss on right-of-use assets	使用權資產減值虧損		<b>(6,773)</b>	–
Selling and distribution expenses	銷售及分銷開支		<b>(191,938)</b>	(207,606)
Administrative expenses	行政開支		<b>(117,073)</b>	(153,770)
Other expenses and losses	其他開支及虧損		<b>(4,539)</b>	(24,972)
Finance costs	融資成本	6	<b>(29,331)</b>	(24,870)
<b>(Loss)/profit before tax</b>	<b>除稅前(虧損)/溢利</b>	7	<b>(178,943)</b>	100,286
Income tax credit/(expense)	所得稅抵免/(開支)	10	<b>38,253</b>	(13,881)
<b>(Loss)/profit for the year</b>	<b>年內(虧損)/溢利</b>		<b>(140,690)</b>	86,405
<b>Other comprehensive (loss)/income:</b> <i>Other comprehensive (loss)/income may be reclassified to profit or loss in subsequent periods:</i>	<b>其他全面(虧損)/收益</b> <i>於其後期間可能重新分類至損益的其他全面(虧損)/收益:</i>			
Exchange differences on translation of financial statements	換算財務報表的匯兌差額		<b>(5,969)</b>	15,814
<b>Total comprehensive (loss)/income for the year</b>	<b>年內全面(虧損)/收益總額</b>		<b>(146,659)</b>	102,219
(Loss)/profit attributable to:	應佔(虧損)/溢利:			
Owners of the Company	本公司擁有人		<b>(140,436)</b>	86,405
Non-controlling interests	非控股股東權益		<b>(254)</b>	–
			<b>(140,690)</b>	86,405
Total comprehensive (loss)/income attributable to:	應佔全面(虧損)/收益總額:			
Owners of the Company	本公司擁有人		<b>(146,397)</b>	102,219
Non-controlling interests	非控股股東權益		<b>(262)</b>	–
			<b>(146,659)</b>	102,219
<b>(Loss)/earnings per share attributable to ordinary equity holders of the Company</b>	<b>本公司普通權益持有人應佔每股(虧損)/盈利</b>			
Basic and diluted (RMB cents)	基本及攤薄(人民幣分)	12	<b>(14.07)</b>	8.64

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## 綜合財務狀況表

As at 31 December 2019  
於2019年12月31日

		Notes 附註	2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
<b>Non-current Assets</b>	<b>非流動資產</b>			
Property, plant and equipment	物業、廠房及設備	13	71,480	59,096
Prepaid land lease payments	預付土地租賃款項	14	–	8,074
Right-of-use assets	使用權資產	15	227,972	–
Contingent consideration receivables	應收或然代價	16	234,425	226,318
Deferred tax assets	遞延稅項資產	27	9,020	6,866
Total non-current assets	非流動資產總值		542,897	300,354
<b>Current Assets</b>	<b>流動資產</b>			
Inventories	存貨	17	169,509	217,291
Trade and bills receivables	貿易應收款項及應收票據	18	217,018	634,521
Prepayments, deposits and other receivables	預付款項、按金及其他應收款項	19	212,217	62,082
Pledged deposits	已抵押存款	20	132,277	93,976
Cash and cash equivalents	現金及現金等價物	20	71,046	123,928
Total current assets	流動資產總值		802,067	1,131,798
<b>Current Liabilities</b>	<b>流動負債</b>			
Trade and bills payables	貿易應付款項及應付票據	21	389,334	416,766
Contract liabilities	合約負債	22	24,844	17,967
Other payables and accruals	其他應付款項及應計費用	22	63,240	126,331
Amount due to a shareholder	應付股東款項	24	10,107	9,978
Amount due to related companies	應付關連公司款項	24	80,310	81,959
Interests-bearing bank borrowings	計息銀行借款	25	220,815	142,197
Warranty provision	保修撥備	26	4,689	4,943
Lease liabilities	租賃負債	23	46,504	–
Derivative financial instruments	衍生金融工具	28	–	2,521
Convertible loan	可換股貸款	28	99,986	181,372
Income tax payables	應付所得稅		18,969	68,923
Total current liabilities	流動負債總額		958,798	1,052,957
<b>Net current (liabilities)/assets</b>	<b>流動(負債)/資產淨值</b>		<b>(156,731)</b>	78,841
<b>Total assets less current liabilities</b>	<b>資產總值減流動負債</b>		<b>386,166</b>	379,195

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)  
綜合財務狀況表(續)

As at 31 December 2019  
於2019年12月31日

		Notes 附註	2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
<b>Non-current liabilities</b>	<b>非流動負債</b>			
Deferred tax liabilities	遞延稅項負債	27	2,888	5,845
Accruals	應計費用	22	–	6,029
Convertible loan	可換股貸款	28	9,602	–
Lease liabilities	租賃負債	23	176,709	–
Total non-current liabilities	非流動負債總額		189,199	11,874
Net assets	資產淨值		196,967	367,321
<b>Equity</b>	<b>權益</b>			
Share capital	股本	29	6,914	6,914
Reserves	儲備	30	190,315	360,407
<b>Equity attributable to owners of the Company</b>	<b>本公司擁有人應佔權益</b>		197,229	367,321
Non-controlling interests	非控股股東權益		(262)	–
<b>Total equity</b>	<b>權益總額</b>		196,967	367,321

**Zou Gebing**  
鄒格兵  
Director  
董事

**Wu Yueming**  
吳月明  
Director  
董事

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## 綜合權益變動表

Year ended 31 December 2019  
截至2019年12月31日止年度

		Attributable to equity holders of the parent 母公司擁有人應佔							Non-controlling interests		Total equity
		Share capital	Share premium	Other reserve	Treasury shares	Exchange fluctuation reserve	Reserve funds	Retained profits	Total		
		股本	股份溢價	其他儲備	庫存股份	匯兌儲備	儲備資金	保留溢利	總計	非控股權益	權益總額
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	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	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
		(note 29)	(note 30(i))		(note 30(iii))	(note 30(iii))	(note 30(iv))				
		(附註29)	(附註30(i))		(附註30(iii))	(附註30(iii))	(附註30(iv))				
As at 1 January 2018	於2018年1月1日	6,914	211,900	198,462	-	1,697	12,000	(91,307)	339,666	-	339,666
Profit for the year	年內溢利	-	-	-	-	-	-	86,405	86,405	-	86,405
Other comprehensive income for the year:	年內其他全面收益：										
Exchange differences on translation of financial statements	換算財務報表的匯兌差額	-	-	-	-	15,814	-	-	15,814	-	15,814
Total comprehensive income for the year	年內全面收益總額	-	-	-	-	15,814	-	86,405	102,219	-	102,219
Acquisition of an entity under common control	收購受共同控制實體	-	-	(240,853)	-	-	-	-	(240,853)	-	(240,853)
Effect on contingent consideration receivables	應收或然代價影響	-	-	214,507	-	-	-	-	214,507	-	214,507
Merge effect on subsidiaries	附屬公司合併影響	-	-	(731)	-	-	-	-	(731)	-	(731)
Transfer from retained profits	轉撥自保留溢利	-	-	-	-	-	37,290	(37,290)	-	-	-
Dividend paid	已派付股息	-	(47,487)	-	-	-	-	-	(47,487)	-	(47,487)
As at 31 December 2018	於2018年12月31日	6,914	164,413*	171,385*	-*	17,511*	49,290*	(42,192)*	367,321	-	367,321
Adjustment on initial application of HKFRS 16 (note 2.2)	於首次採納香港財務報告準則第16號時調整(附註2.2)	-	-	-	-	-	-	(10,084)	(10,084)	-	(10,084)
Restated balance as at 1 January 2019	於2019年1月1日的經重列結餘	6,914	164,413	171,385	-	17,511	49,290	(52,276)	357,237	-	357,237
Loss for the year	年內虧損	-	-	-	-	-	-	(140,436)	(140,436)	(254)	(140,690)
Other comprehensive loss for the year:	年內其他全面虧損：										
Exchange differences on translation of financial statements	換算財務報表的匯兌差額	-	-	-	-	(5,961)	-	-	(5,961)	(8)	(5,969)
Total comprehensive loss for the year	年內全面虧損總額	-	-	-	-	(5,961)	-	(140,436)	(146,397)	(262)	(146,659)
Purchase of treasury shares	購買庫存股份	-	-	-	(2,269)	-	-	-	(2,269)	-	(2,269)
Dividend paid	已派付股息	-	(11,342)	-	-	-	-	-	(11,342)	-	(11,342)
As at 31 December 2019	於2019年12月31日	6,914	153,071*	171,385*	(2,269)*	11,550*	49,290*	(192,712)*	197,229	(262)	196,967

\* These reserve accounts comprise the consolidated reserves of RMB190,315,000 (2018: RMB360,407,000) in the consolidated statement of financial position.

\* 該等儲備賬包括綜合財務狀況表內的綜合儲備人民幣190,315,000元(2018年:人民幣360,407,000元)。



# CONSOLIDATED STATEMENT OF CASH FLOWS

## 綜合現金流量表

Year ended 31 December 2019

截至2019年12月31日止年度

	Note 附註	2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
<b>Cash flows from operating activities</b>			
(Loss)/profit before tax		(178,943)	100,286
Adjustments for:			
Interest income	5	(1,357)	(2,218)
Depreciation of property, plant and equipment	7	9,586	9,936
Depreciation of right-of-use assets	7	50,219	–
Impairment loss on property, plant and equipment	7	2,346	–
Impairment loss on right-of-use assets	7	6,773	–
Gain on disposal of items of property, plant and equipment, net	5	(15)	(3,775)
Loss on written off items of property, plant and equipment	7	4,322	–
Fair value change on contingent consideration receivables	5	(5,257)	(2,799)
Fair value change of derivative component of convertible loan	5	(2,530)	(27,501)
Amortisation of prepaid land lease payments	7	–	159
Impairment on trade and bills receivables, net	7	15,576	1,826
Impairment on other receivables and deposits, net	7	3	12
Loss on remeasurement of liability component of convertible loan	7	–	24,609
Loss on non-substantial modification of convertible loan	7	3,915	–
Write-down of inventories at net realisable value	7	–	58
Provision/(reversal of provision) against obsolete and slow-moving inventories	7	12,451	(18,804)
Product warranty additional provision	7	4,649	4,746
Finance costs	6	29,331	24,870
Operating cash flow before movements in working capital		(48,931)	111,405
Decrease in inventories		36,437	182,184
Decrease/(increase) in trade and bills receivables		404,992	(247,569)
(Increase)/decrease in prepayments, deposits and other receivables		(149,550)	51,801
Decrease in trade and bills payables		(27,758)	(72,924)
(Decrease)/increase in other payables and accruals		(66,731)	47,710
Increase in contract liabilities		6,602	17,967
Utilization of warranty provision		(4,962)	(3,329)
Cash generated from operations		150,099	87,245
Income tax paid		(17,177)	(16,304)
Net cash flows generated from operating activities		132,922	70,941

## CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

### 綜合現金流量表(續)

Year ended 31 December 2019

截至2019年12月31日止年度

	Note	2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
	附註		
<b>Cash flows from investing activities</b>			
Payment for purchases of items of property, plant and equipment	投資活動所得現金流量 購買物業、廠房及設備項目的付款	(28,154)	(10,869)
Payment for purchase of leasehold land	購買租賃土地的付款	(27,360)	-
Proceeds from disposal of items of property, plant and equipment	出售物業、廠房及設備項目的所得款項	27	7,145
Acquisition of an entity under common control	收購受共同控制實體	-	(241,584)
Payment for repurchase of shares	購回股份的付款	(2,269)	-
Interest received	已收利息	1,357	2,218
(Increase)/decrease in pledged deposits	已抵押存款(增加)/減少	(38,288)	88,871
Net cash used in investing activities	投資活動所用現金淨額	(94,687)	(154,219)
<b>Cash flows from financing activities</b>			
New bank borrowings	融資活動所得現金流量 新銀行借款	437,608	354,287
Repayment of bank borrowings	償還銀行借款	(359,778)	(362,814)
Advance from a shareholder	來自股東的墊款	4	-
Advance from related companies	來自關連公司的墊款	46,243	99,112
Repayment to related companies	向關連公司還款	(49,509)	(21,426)
Proceeds from issue of convertible loan	發行可換股貸款所得款項	-	166,192
Repayment of convertible loan	償還可換股貸款	(81,037)	-
Repayment of lease liabilities	償還租賃負債	(57,864)	-
Dividends paid	已派付股息	(11,342)	(47,487)
Interest paid	已付利息	(7,873)	(12,454)
Net cash flows (used in)/generated from financing activities	融資活動(所用)/所得現金流量淨額	(83,548)	175,410
<b>Net (decrease)/increase in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of year	現金及現金等價物 (減少)/增加淨額 年初現金及現金等價物	(45,313)	92,132
Effect of foreign exchange rate changes, net	外幣匯率變動的影響，淨額	123,928	27,351
		(7,569)	4,445
<b>Cash and cash equivalents at end of year</b>	年末現金及現金等價物	71,046	123,928
<b>Analysis of balances of cash and cash equivalents</b>			
Cash and bank balances	現金及現金等價物結餘分析 現金及銀行結餘	20	71,046
			123,928

The accompanying notes form an integral part of these consolidated financial statements.

隨附附註構成此等綜合財務報表的一部分。

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 綜合財務報表附註

For the year ended 31 December 2019  
截至2019年12月31日止年度

### 1. CORPORATE AND GROUP INFORMATION

Morris Holdings Limited (the “**Company**”, together with its subsidiaries as the “**Group**”) is an exempted company with limited liability incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is located at Unit 2001, 20/F, Citicrop Centre, 18 Whitfield Road, Causeway Bay, Hong Kong.

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 12 January 2017.

The Company is an investment holding company. During the year, the principal activities of the Group are the manufacture and sale of sofas, sofa covers and other furniture products.

In the opinion of the directors, the holding company and the ultimate holding company of the Company is Morris Capital Limited, which is incorporated in the British Virgin Islands (the “**BVI**”).

### 1. 公司及集團資料

慕容控股有限公司(「**本公司**」, 連同其附屬公司統稱「**本集團**」)為於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非路道18號萬國寶通中心20樓2001室。

本公司股份自2017年1月12日起在香港聯合交易所有限公司主板上市。

本公司為投資控股公司。年內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。

董事認為本公司的控股公司及最終控股公司均為慕容資本有限公司, 該公司於英屬處女群島(「**英屬處女群島**」)註冊成立。

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

截至2019年12月31日止年度

## 1. CORPORATE AND GROUP INFORMATION

(CONTINUED)

### Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Company name 公司名稱	Place of incorporation/ registration and business 註冊成立/ 登記及營業地點	Issued ordinary share capital/paid up registered capital 已發行普通股本/ 繳足註冊股本	Percentage of equity attributable to the Company 本公司應佔權益百分比		Principal activities 主要業務
			Direct 直接	Indirect 間接	
Mstar International Trading (HK) Limited**	Hong Kong/ United States	HK\$100	–	100%	Trading of sofas, sofa covers and other furniture products
美星國際貿易(香港)有限公司	香港/美國	100港元	–	100%	買賣沙發、沙發套及其他傢俱產品
Zhejiang Apollo Leather Products Co., Ltd.*	The PRC	US\$615,000	–	100%	Manufacture and sale of sofa covers
浙江阿波羅皮革製品有限公司	中國	615,000美元	–	100%	生產及銷售沙發套
Zhejiang Morris Fashion Home Co., Ltd. * (Formerly knows as "Haining Gelin Furniture Co., Ltd.")	The PRC	US\$41,470,000	–	100%	Manufacturing and sale of upholstered sofas
浙江慕容時尚家居有限公司 (前稱「海寧格林家具有限公司」)	中國	41,470,000美元	–	100%	生產及銷售軟體沙發
Masia Industries Co., Ltd.	The Kingdom of Cambodia ("Cambodia")	US\$5,000,000	–	100%	Not yet commenced operation
Masia Industries Co., Ltd.	柬埔寨王國 ("柬埔寨")	5,000,000美元	–	100%	尚未開始營運

## 1. 公司及集團資料(續)

### 附屬公司資料

本公司主要附屬公司詳情如下：



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

截至2019年12月31日止年度

## 1. CORPORATE AND GROUP INFORMATION

(CONTINUED)

### Information about subsidiaries (Continued)

Company name 公司名稱	Place of incorporation/ registration and business 註冊成立/ 登記及營業地點	Issued ordinary share capital/paid up registered capital 已發行普通股本/ 繳足註冊股本	Percentage of equity attributable to the Company 本公司應佔權益百分比		Principal activities 主要業務
			Direct 直接	Indirect 間接	
Jennifer Convertibles, Inc.	The United States of America	US\$9,010	100%	-	Sales of sofas, covers and other furniture products
Jennifer Convertibles, Inc.	美利堅合眾國	9,010美元	100%	-	銷售沙發、沙發套及其 他傢俱產品
MorriSofa Europe Limited	The United Kingdom	GBP1,000	70%	-	Wholesale of furniture products
MorriSofa Europe Limited	英國	1,000英鎊	70%	-	批發傢俱產品

Notes:

(a) This entity is registered as a domestic enterprise under the laws of the PRC.

(b) This company is registered as a wholly-owned foreign enterprise under the laws of the PRC.

\* The English names of these entities represent management's best effort at translating their Chinese names as these entities did not register any official English names.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

## 1. 公司及集團資料(續)

### 附屬公司資料(續)

附註：

(a) 該等實體根據中國法律註冊為本土企業。

(b) 該公司根據中國法律註冊為外商獨資企業。

上表列出董事認為主要影響本集團年內業績或構成淨資產之重大部分的本公司附屬公司。董事認為，提供其他附屬公司詳情會導致資料過於冗長。

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

截至2019年12月31日止年度

## 2.1 BASIS OF PREPARATION

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

The consolidated financial statements have been prepared under the historical cost convention. These financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

### Going Concern

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the Group’s net loss of approximately RMB 140,690,000 and net current liabilities of approximately RMB 156,731,000 as at 31 December 2019. The directors of the Company have taken the following factors to consider the future liquidity which include, but not limited to, the followings:

- (i) Operation plans and positive cash flow operations  
The Group will implement operation plans to control costs and generate adequate cash flows from the Group’s operations.
- (ii) Necessary facilities  
The Group will negotiate with its bankers for the renewal and additional of bank facilities, and the restructuring of bank loan combination with an aim to transform the short-term bank loans to long-term bank loans, in order to meet the Group’s working capital and financial requirements in the next 12 months.

## 2.1 編製基準

綜合財務報表乃根據香港會計師公會(「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」)(包括所有香港財務報告準則、香港會計準則(「香港會計準則」)及詮釋)、香港公認會計原則及香港公司條例之披露規定編製。

綜合財務報表乃按歷史成本慣例編製。除另有指明者外，本報告以人民幣(「人民幣」)呈列，所有數值均湊整至最接近的千位數(人民幣千元)。

### 持續經營

於編製綜合財務報表時，鑑於本集團於2019年12月31日的虧損淨額約人民幣140,690,000元及流動負債淨額約人民幣156,731,000元，本公司的董事已審慎考慮本集團的未來流動資金問題。本公司董事已就資金流動性問題考慮了以下因素，包括但不限於：

- (i) 營運計劃及正現金流量營運  
本集團將實施控制成本的營運計劃及從本集團營運中產生足夠現金流量。
- (ii) 所需融資  
本集團將與其往來銀行就重續及新增銀行融資以及重組銀行貸款組合進行磋商，目標為將短期銀行貸款轉為長期銀行貸款，以滿足本集團未來12個月的營運資金及財務需求。

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

截至2019年12月31日止年度

## 2.1 BASIS OF PREPARATION (CONTINUED)

### Going Concern (Continued)

- (iii) Financial support and amount due to immediate holding company  
Morris Capital Limited, the immediate holding company of the Group, has agreed to provide the financial support for not less than 12 months from the year ended 31 December 2019.
- (iv) Put option  
Pursuant to the disclosable and connected transaction announcement of the Company dated 31 March 2020, the Company has exercised the put option to require the seller to repurchase all the common stock of Jennifer Convertible Inc. at the exit price of US\$35 million.

In the opinion of the directors of the Company, in light of the various measures or arrangements implemented after the end of reporting period together with the expected results of the other measures, the Group will have sufficient working capital for its current requirements and it is reasonable to expect the Group to remain a commercially viable concern. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

### Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2019.

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

## 2.1 編製基準(續)

### 持續經營(續)

- (iii) 直接控股公司的財政支持

本集團的直接控股公司慕容資本有限公司已同意自截至2019年12月31日止年度起提供不少於12個月的財政支持。

- (iv) 認沽選擇權

根據本公司日期為2020年3月31日的須予披露及關連交易公告，本公司已行使認沽選擇權，要求賣方按平倉價35百萬美元回購Jennifer Convertibles Inc.的全部普通股。

鑑於於報告期末執行的各項措施或安排，加上其他措施的預期結果，本公司董事認為，本集團將有足夠營運資金應付現階段需求，並合理預期本集團可維持商業營運基準。因此，本公司董事信納按持續經營基準編製綜合財務報表乃屬適當。

### 綜合基準

綜合財務報表包括本集團截至2019年12月31日止年度的財務報表。

附屬公司為由本公司直接或間接控制的實體(包括結構性實體)。當本集團因參與投資對象的業務而承擔風險或有權獲得浮動回報，並有能力透過對投資對象的權力(即賦予本集團能力以主導投資對象的相關活動的既存權利)影響該等回報時，即取得控制權。

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

截至2019年12月31日止年度

## 2.1 BASIS OF PREPARATION (CONTINUED)

### Basis of consolidation (Continued)

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

## 2.1 編製基準(續)

### 綜合基準(續)

倘本公司直接或間接擁有少於投資對象的大多數投票權或類似權利，則本集團於評估其是否擁有對投資對象的權力時會考慮一切相關事實及情況，包括：

- (a) 與投資對象其他投票持有人的合約安排；
- (b) 其他合約安排所產生的權利；及
- (c) 本集團的投票權及潛在投票權。

附屬公司的財務報表採用相同會計政策按與本公司相同的報告期間編製。附屬公司的業績自本集團取得控制權當日起綜合入賬，並繼續綜合入賬直至失去有關控制權當日為止。

損益及其他全面收益各組成部分均歸屬於本集團母公司之擁有人。本集團成員公司之間的交易產生的所有集團內資產及負債、權益、收入、支出及現金流量均在綜合賬目時全數對銷。

倘有事實及情況顯示上述三項控制因素的一項或多項出現變動，本集團會重新評估其是否控制投資對象。附屬公司在失去控制權前的所有權益變動按權益交易入賬。



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

截至2019年12月31日止年度

## 2.1 BASIS OF PREPARATION (CONTINUED)

### Basis of consolidation (Continued)

If the Group loses control over a subsidiary, it derecognizes (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

## 2.1 編製基準(續)

### 綜合基準(續)

倘本集團失去一家附屬公司的控制權，則其終止確認(i)該附屬公司的資產(包括商譽)及負債；(ii)任何非控制性權益的賬面值；及(iii)於權益內記錄的累計交易差額；以及確認(i)所收代價的公允值；(ii)所保留任何投資的公允值；及(iii)損益賬中任何因此產生的盈虧。先前於其他全面收益內確認的本集團應佔部分按倘本集團直接出售相關資產或負債時規定的相同基準重新分類至損益或保留溢利(如適用)。

## 2.2 會計政策及披露之變動

本集團已於本年度首次應用以下由香港會計師公會頒佈的新訂及經修訂香港財務報告準則(「新訂及經修訂香港財務報告準則」)：

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
香港財務報告準則 (修訂本)	香港財務報告準則2015年至2017年週期的年度改進
香港財務報告準則 第9號(修訂本)	具有負補償的提前還款特性
香港財務報告準則 第16號(修訂本)	租賃
香港(國際財務報告 詮釋委員會)–第23號	所得稅處理的不確定性

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

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

### HKFRS 16 Leases

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

#### Definition of a lease

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

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

#### As a lessor

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

## 2.2 會計政策及披露之變動(續)

除了下文所述，於本年度應用新訂及經修訂香港財務報告準則概無對本集團本年度及過往年度的財政表現及狀況及／或綜合財務報表的披露造成重大影響。

### 香港財務報告準則第16號租賃

本集團已於本年度首次應用香港財務報告準則第16號。香港財務報告準則第16號取代香港會計準則第17號租賃(「香港會計準則第17號」)及相關詮釋。

#### 租賃的定義

本集團已選擇可行權宜方法就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)－第4號釐定安排是否包括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括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2019年1月1日或之後訂立或修改的合約，本集團在評估合約是否包含租賃時，根據香港財務報告準則第16號的要求採用租賃的定義。

#### 作為出租人

香港財務報告準則第16號大致沿用香港會計準則第17號項下出租人的會計處理方式。出租人將繼續使用與香港會計準則第17號類似的原則將租賃分類為經營租賃或融資租賃。因此，香港財務報告準則第16號對本集團作為出租人的租賃並無影響。對出租人的會計要求沿用香港會計準則第17號並大致維持不變。

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

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## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

### HKFRS 16 Leases (Continued)

#### Definition of a lease (Continued)

##### As a lessee

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

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

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

- (i) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- (ii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- (iii) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment;

## 2.2 會計政策及披露之變動(續)

### 香港財務報告準則第16號租賃(續)

#### 租賃的定義(續)

##### 作為承租人

本集團已追溯應用香港財務報告準則第16號，累計影響於首次應用日期(2019年1月1日)確認。

於2019年1月1日，本集團按賬面值確認額外租賃負債及已計量使用權資產(猶如自開始日期起已應用香港財務報告準則第16號)，惟應用香港財務報告準則第16.C8(b)(i)號過渡於首次應用日期使用相關集團實體的增量借款利率進行貼現。於首次應用日期的任何差額均在年初保留溢利中確認，且比較資料不予重列。

於過渡時應用香港財務報告準則第16號項下的經修訂追溯方法時，本集團按逐項租賃基準就先前根據香港會計準則第17號分類為經營租賃且與各租賃合約相關的租賃應用以下可行權宜方法：

- (i) 選擇不就租期於首次應用日期起計12個月內結束的租賃確認使用權資產及租賃負債；
- (ii) 於首次應用日期計量使用權資產時撇除初始直接成本；
- (iii) 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；

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

截至2019年12月31日止年度

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

### HKFRS 16 Leases (Continued)

Definition of a lease (Continued)

As a lessee (Continued)

- (iv) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options; and
- (v) relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review.

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

## 2.2 會計政策及披露之變動(續)

### 香港財務報告準則第16號租賃(續)

租賃的定義(續)

作為承租人(續)

- (iv) 根據於首次應用日期的事實及情況於事後釐定本集團帶有續租及終止選擇權的租賃的租期；及
- (v) 依賴應用香港會計準則第37號撥備、或然負債及或然資產作為減值審閱的替代方法，評估租賃是否屬繁重。

就先前分類為經營租賃的租賃確認租賃負債時，本集團已於首次應用日期應用相關集團實體的增量借款利率。相關集團實體應用的加權平均增量借款利率介乎2.49%至6.65%。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

綜合財務報表附註(續)

For the year ended 31 December 2019

截至2019年12月31日止年度

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

2.2 會計政策及披露之變動(續)

HKFRS 16 Leases (Continued)

香港財務報告準則第16號租賃(續)

Definition of a lease (Continued)

租賃的定義(續)

As a lessee (Continued)

作為承租人(續)

		RMB'000 人民幣千元
<b>Operating lease commitment as at 31 December 2018</b>	<b>於2018年12月31日的經營租賃承擔</b>	
Less: total future interest expenses	減：未來利息開支總額	249,266
Less: short-term leases not recognised as liability	減：未確認為負債的短期租賃	(56,158)
Less: practical expedient-leases with lease term ending within 12 months from date of initial application	減：可行權宜方法－自首次應用日期起計12個月內租期結束的租賃	(2,640)
		(9,391)
<b>Lease liabilities as at 1 January 2019</b>	<b>於2019年1月1日的租賃負債</b>	<b>181,077</b>
Analysis as:	分析如下：	
Current	流動	22,735
Non-current	非流動	158,342
		<b>181,077</b>

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

於2019年1月1日，自用使用權資產的賬面值包括以下各項：

		Notes 附註	RMB'000 人民幣千元
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	應用香港財務報告準則第16號後已確認與經營租賃有關的使用權資產		170,993
Add: Reclassification from prepaid lease payments	加：自預付租賃款項重新分類	(a)	8,254
Less: Accrual lease liabilities	減：應計租賃負債	(b)	(7,101)
			<b>172,146</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

截至2019年12月31日止年度

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

### HKFRS 16 Leases (Continued)

Definition of a lease (Continued)

As a lessee (Continued)

The following table summarises the impact of transition to HKFRS 16 on retained profits as at 1 January 2019:

		Impact of adopting HKFRS 16 at 1 January 2019 於1月1日 2019年 採納香港財務 報告準則 第16號的影響 RMB'000 人民幣千元
Retained profits	保留溢利	
Initial recognition of right-of-use assets as at 1 January 2019	於2019年1月1日首次確認使用權資產	170,993
Initial recognition of lease liabilities as at 1 January 2019	於2019年1月1日首次確認租賃負債	(181,077)
Impact as at 1 January 2019	於2019年1月1日的影響	10,084

Notes:

- (a) Upfront payments for leasehold lands in Cambodia for own used properties were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB180,000 and RMB8,074,000 respectively were reclassified to right-of-use assets.
- (b) These relate to accrued lease liabilities for leases of properties in which the lessors provided rent-free period. The carrying amount of the lease incentive liabilities under trade and other payables as at 1 January 2019 was adjusted to right-of-use assets at transition.

## 2.2 會計政策及披露之變動(續)

### 香港財務報告準則第16號租賃(續)

租賃的定義(續)

作為承租人(續)

下表概述過渡至香港財務報告準則第16號對2019年1月1日的保留溢利的影響：

附註：

- (a) 於2018年12月31日，就柬埔寨自用物業中租賃土地的預付款項分類為預付租賃款項。應用香港財務報告準則第16號後，預付租賃款項的流動及非流動部分分別為人民幣180,000元及人民幣8,074,000元，被重新分類至使用權資產。
- (b) 此與出租人為租賃物業提供免租期的應計租賃負債有關。於2019年1月1日，貿易及其他應付款項項下租賃優惠負債的賬面值於過渡時調整至使用權資產。

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

截至2019年12月31日止年度

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

### HKFRS 16 Leases (Continued)

Impact on the consolidated financial statements

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

## 2.2 會計政策及披露之變動(續)

### 香港財務報告準則第16號租賃(續)

對綜合財務報表的影響

下表概述採納香港財務報告準則第16號對本集團於2019年1月1日的綜合財務狀況表的影響。不受變動影響的項目則未有包括在內。

		As at 31 December 2018 於2018年 12月31日 RMB'000 人民幣千元	Reclassification 重新分類 RMB'000 人民幣千元	Leases 租賃 RMB'000 人民幣千元	As at 1 January 2019 於2019年 1月1日 RMB'000 人民幣千元
<b>Non-current assets</b>	<b>非流動資產</b>				
Right-of-use assets (Note 1)	使用權資產(附註1)	-	1,153	170,993	172,146
Prepaid land leases payments (Note 2)	預付土地租賃款項(附註2)	8,074	(8,074)	-	-
<b>Total non-current assets</b>	<b>非流動資產總額</b>	300,354	(6,921)	170,993	464,426
<b>Current assets</b>	<b>流動資產</b>				
Prepayments, deposits and other receivables (Note 2)	預付款項、按金及其他應收款項(附註2)	62,082	(180)	-	61,902
<b>Total current assets</b>	<b>流動資產總額</b>	1,131,798	(180)	-	1,131,618
<b>Current liabilities</b>	<b>流動負債</b>				
Lease liabilities (Note 1)	租賃負債(附註1)	-	-	22,735	22,735
Accruals and other payables	應計費用及其他應付款項	126,331	(1,072)	-	125,259
<b>Total current liabilities</b>	<b>流動負債總額</b>	1,052,957	(1,072)	22,735	1,074,620
<b>Net current assets</b>	<b>流動資產淨值</b>	78,841	892	(22,735)	56,998

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

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## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

### HKFRS 16 Leases (Continued)

Impact on the consolidated financial statements  
(Continued)

## 2.2 會計政策及披露之變動(續)

### 香港財務報告準則第16號租賃(續)

對綜合財務報表的影響(續)

		As at 31 December 2018 於2018年 12月31日 RMB'000 人民幣千元	Reclassification 重新分類 RMB'000 人民幣千元	Leases 租賃 RMB'000 人民幣千元	As at 1 January 2019 於2019年 1月1日 RMB'000 人民幣千元
<b>Non-current liabilities</b>	<b>非流動負債</b>				
Lease liabilities (Note 1)	租賃負債(附註1)	-	-	158,342	158,342
Accruals and other payables	應計費用及其他應付款項	6,029	(6,029)	-	-
<b>Total non-current liabilities</b>	<b>非流動負債總額</b>	11,874	(6,029)	158,342	164,187
<b>Net assets</b>	<b>資產淨值</b>	367,321	-	(10,084)	357,237
<b>Equity</b>	<b>權益</b>				
Reserves	儲備	360,407	-	(10,084)	350,323
<b>Total equity</b>	<b>權益總額</b>	367,321	-	(10,084)	357,237

Notes:

- (1) The application of HKFRS 16 to leases previously classified as operating leases under HKAS 17 resulted in the recognition of right-of-use assets of RMB170,993,000 and lease liabilities of RMB181,077,000 at the initial adoption of HKFRS 16.
- (2) Upfront payments for leasehold lands in the Cambodia own used properties were classified as prepaid land lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid land lease payments amounting to RMB180,000 and RMB8,074,000 respectively were classified to right-of-use assets.

附註：

- (1) 對先前根據香港會計準則第17號分類為經營租賃的租賃應用香港財務報告準則第16號導致於首次採納香港財務報告準則第16號時確認使用權資產人民幣170,993,000元及租賃負債人民幣181,077,000元。
- (2) 於2018年12月31日，柬埔寨自用物業中租賃土地的預付款項分類為預付土地租賃款項。應用香港財務報告準則第16號後，分別為人民幣180,000元及人民幣8,074,000元的即期及非即期預付土地租賃款項分類至使用權資產。



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

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## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

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

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2020.

<sup>2</sup> Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2021.

<sup>4</sup> Effective for annual periods beginning on or after a date to be determined.

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

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

## 2.3 已頒佈但尚未生效的香港財務報告準則

本集團並無提早應用以下已頒佈但尚未生效的新訂及經修訂香港財務報告準則：

香港會計準則第1號 及香港會計準則 第8號(修訂本)	重大的定義 <sup>1</sup>
香港會計準則第9號、 香港會計準則 第39號及香港財務 報告準則第7號 (修訂本)	利率基準改革 <sup>1</sup>
香港財務報告準則第3號 (修訂本)	業務的定義 <sup>2</sup>
香港財務報告準則 第10號及香港會計 準則第28號(修訂本)	投資者與其聯營公司 或合營企業之間出售 或注入資產 <sup>4</sup>
香港財務報告準則第17號	保險合約 <sup>3</sup>

<sup>1</sup> 於2020年1月1日或之後開始的年度期間生效。

<sup>2</sup> 對於收購日期為2020年1月1日或之後開始之首個年度期間的開始或之後日期的業務合併及資產收購生效。

<sup>3</sup> 於2021年1月1日或之後開始的年度期間生效。

<sup>4</sup> 於待定日期或之後開始的年度期間生效。

除上述新訂香港財務報告準則及其修訂本外，經修訂財務報告概念框架於2018年發佈。其相應修訂(即對香港財務報告準則概念框架之提述之修訂)將於2020年1月1日或之後開始之年度期間生效。

董事預期應用所有新訂及經修訂香港財務報告準則於可見將來將不會對綜合財務報表造成重大影響。

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Revenue recognition

#### **Revenue from contracts with customers**

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customers simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has no enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group’s right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group’s unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

## 2.4 主要會計政策概要

### 收入確認

#### **客戶合約收入**

根據香港財務報告準則第15號，本集團於完成履約責任時確認收入，即於與特定履約責任相關之貨品或服務之「控制權」轉讓予客戶時。

履約責任指一項明確的貨品及服務（或一批貨品或服務）或一系列大致相同且明確的貨品或服務。

控制權隨時間轉移，而倘符合其中一項以下標準，則收入乃參照完成相關履約責任的進度按時間確認：

- 客戶於本集團履約時同時取得並耗用本集團履約所提供的利益；
- 本集團的履約創建或增強客戶於本集團履約時控制的資產；或
- 本集團的履約並未產生對本集團有替代用途的資產，且本集團有強制執行權以收取迄今已履約部分的款項。

否則，收入於客戶獲得明確的貨品或服務的控制權時確認。

合約資產指本集團就向客戶換取本集團已轉讓的商品或服務收取代價的權利（尚未成為無條件），並根據香港財務報告準則第9號評估減值。相反，應收款項指本集團收取代價的無條件權利，即只需待時間過去代價即須到期支付。

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

截至2019年12月31日止年度

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Revenue recognition (Continued)

#### **Revenue from contracts with customers (Continued)**

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

Revenue is measured at the fair value of the consideration received or receivable. Revenue represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

#### *Sale of goods*

Revenue from sales of sofa, sofa covers and other furniture products are recognised at a point in time when control of the goods has transferred, which generally coincides with the time when the products are delivered to customers and title is passed.

### Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

## 2.4 主要會計政策概要(續)

### 收入確認(續)

#### **客戶合約收入(續)**

合約負債指本集團因已自客戶收取代價(或到期收取的代價)，而須向客戶轉讓商品或服務的責任。有關相同合約的合約資產及合約負債按淨額入賬及列示。

對於包含一項以上履約責任的合約，本集團以相對獨立的銷售價格基準將交易價格分配至各項履約責任。

收入乃按已收或應收代價之公允值計量。收入指在一般業務過程中已售貨品之應收款項，扣除折讓及銷售相關稅項。

#### *銷售貨品*

銷售沙發、沙發套及其他傢俱產品的收入於貨品控制權轉移的某一時間點確認，一般與向客戶交付貨品及轉移擁有權的時間吻合。

### 公允值計量

公允值為市場參與者於計量日期在有序交易中出售資產所收取的價格或轉讓負債所支付的價格。公允值計量乃根據假設出售資產或轉讓負債的交易於資產或負債主要市場或(在無主要市場情況下)資產或負債最具優勢市場進行而作出。主要或最具優勢市場須為本集團可進入的市場。資產或負債的公允值乃按假設市場參與者對資產或負債定價時會以最佳經濟利益行事計量。

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

截至2019年12月31日止年度

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Fair value measurement (Continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

## 2.4 主要會計政策概要(續)

### 公允值計量(續)

非金融資產的公允值計量須計及市場參與者能自最大限度使用該資產達致最佳用途，或將該資產出售予將最大限度使用該資產達致最佳用途的其他市場參與者所產生的經濟利益。

本集團採納適用於不同情況且具備充分數據以供計量公允值的估值方法，以盡量使用相關可觀察輸入數據及盡量減少使用不可觀察輸入數據。

所有其公允值於財務報表計量或披露的資產及負債乃按下述公允值層級分類，分類乃基於對公允值計量整體而言屬重大的最低層輸入數據進行：

第1級— 基於相同資產或負債於活躍市場的報價(未經調整)

第2級— 基於對公允值計量而言屬重大的可觀察(直接或間接)最低層輸入數據的估值方法

第3級— 基於對公允值計量而言屬重大的不可觀察最低層輸入數據的估值方法

就按經常性基準於財務報表確認的資產及負債而言，本集團透過於各報告期末重新評估分類(基於對公允值計量整體而言屬重大的最低層輸入數據)確定是否發生不同層級轉移。



## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

## 2.4 主要會計政策概要(續)

### 非金融資產減值

倘一項資產(存貨及金融資產除外)存在減值跡象,或需要進行年度減值測試,則會估計資產的可收回金額。資產可收回金額按該資產或現金產生單位的使用價值及公允值減出售成本兩者中的較高金額計算,並按個別資產釐定,除非該資產所產生的現金流入不能基本上獨立於其他資產或資產組別所產生的現金流入,在此情況下,可收回金額將按該資產所屬現金產生單位釐定。

減值虧損僅於資產賬面值超過其可收回金額時方會確認。在評估使用價值時,估計未來現金流量採用反映當前市場對資金時間價值及資產特定風險的評估的稅前貼現率貼現至其現值。減值虧損於其產生期間的損益賬內在與減值資產功能一致的相關開支類別中扣除。

本集團會於各報告期末評估是否有跡象顯示先前確認的減值虧損不再存在或可能已減少。倘有該等跡象存在,則會估計可收回金額。先前就資產(商譽除外)確認的減值虧損,僅於用以釐定該資產的可收回金額的估計有變時予以撥回,但撥回金額不得高於假設過往年度並無就該資產確認減值虧損而應有的賬面值(扣除任何折舊/攤銷)。撥回的減值虧損於其產生期間計入損益賬。

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

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## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group; or
- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

## 2.4 主要會計政策概要(續)

### 關連方

於下列情況下，以下人士將被視為與本集團有關連：

- (a) 該人士為下列人士或下列人士的近親：
  - (i) 控制或共同控制本集團；
  - (ii) 對本集團有重大影響力；或
  - (iii) 為本集團或本集團母公司的主要管理人員；或
- (b) 該人士為符合下列任何條件的實體：
  - (i) 該實體與本集團屬同一集團的成員公司；
  - (ii) 該實體為另一實體(或另一實體的母公司、附屬公司或同系附屬公司)的聯繫人或合營企業；
  - (iii) 該實體與本集團為同一第三方的合營企業；
  - (iv) 該實體為第三方實體的合營企業，而另一實體為該第三方實體的聯繫人；
  - (v) 該實體為本集團或與本集團有關連的實體就僱員利益設立的離職後福利計劃；

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

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截至2019年12月31日止年度

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Related parties (Continued)

A party is considered to be related to the Group if: (Continued)

(b) the party is an entity where any of the following conditions applies: (Continued)

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that person in their dealing with the entity.

A transaction is considered to be a related party transaction when there is a transfer of resources, or obligation between the Group and a related party, regardless of whether a price is charged.

## 2.4 主要會計政策概要(續)

### 關連方(續)

於下列情況下，以下人士將被視為與本集團有關連：(續)

(b) 該人士為符合下列任何條件的實體：(續)

(vi) 該實體由第(a)項所列人士控制或共同控制；

(vii) 第(a)(i)項所列人士對該實體具有重大影響力或為該實體(或該實體的母公司)的主要管理人員；及

(viii) 該實體或其所屬集團的任何成員公司為本集團或本集團的母公司提供主要管理人員服務。

一名人士的近親成員指與該實體交易時預期可影響該名人士或受該人士影響的家庭成員。

當本集團與關連方之間存在資源或責任轉讓時(不論是否收取費用)，則交易被視為關聯方交易。

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

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## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	5%
Leasehold improvements	Over the shorter of the lease terms and 33.3%
Plant and machinery	10% to 20%
Furniture, fixtures and office equipment	20% to 33.3%
Motor vehicles	20% to 33.3%

## 2.4 主要會計政策概要(續)

### 物業、廠房及設備以及折舊

物業、廠房及設備(在建工程除外)按成本減累計折舊及任何減值虧損列賬。物業、廠房及設備項目的成本包括其購買價及將資產運抵指定地點並使其達到預定可使用狀態的任何直接應佔成本。

物業、廠房及設備項目投入運作後產生的維修及保養等開支，一般於產生期間計入損益表。於符合確認條件後，大型檢測開支計入資產賬面值，作為重置資本。倘物業、廠房及設備的重要部分須定期替換，則本集團確認該等部分為具特定使用年期的個別資產，並計提相應折舊。

折舊乃以直線法在估計使用年期內將各物業、廠房及設備項目的成本撇銷至其剩餘價值計算。就此使用的主要年率如下：

建築物	5%
租賃物業裝修	租期及33.3% (以較短者為準)
廠房及機器	10%至20%
傢俱、傢俬及辦公設備	20%至33.3%
汽車	20%至33.3%



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

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## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Property, plant and equipment and depreciation (Continued)

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building, plant and machinery and other items of property, plant and equipment under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction and capitalized borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

## 2.4 主要會計政策概要(續)

### 物業、廠房及設備以及折舊(續)

倘物業、廠房及設備項目的各部分有不同的使用年期，該項目的成本將在各部分之間作合理分配，而每部分將個別計提折舊。剩餘價值、使用年期及折舊方法至少於各財政年結日檢討，並於適當時調整。

首次確認的物業、廠房及設備項目(包括任何重要部分)於出售或預期使用或出售不會產生未來經濟利益時終止確認。於資產終止確認年度在損益表確認的任何出售或報廢盈虧，乃有關資產出售所得款項淨額與賬面值的差額。

在建工程指興建中的建築物、廠房及機器以及物業、廠房及設備的其他項目，按成本減任何減值虧損列賬，且不計提折舊。成本包括建設期間的直接建設成本及相關借入資金的資本化借款成本。在建工程於落成可用時按適當類別重新分類至物業、廠房及設備。

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Leases

#### **Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2.2)**

Lease is a contract contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

#### **The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2.2)**

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

## 2.4 主要會計政策概要(續)

### 租賃

#### **租賃的定義(根據附註2.2的過渡條文應用香港財務報告準則第16號後)**

倘合約為換取代價而給予在一段期間內控制可識別資產使用的權利，則該租賃為包含租賃的合約。

就於首次應用日期或之後訂立或修訂或因業務合併而產生的合約而言，本集團於開始、修訂日期或收購日期(如適用)根據香港財務報告準則第16號的定義評估合約是否為租賃或包含租賃。除非合約的條款及條件其後出現變動，否則有關合約將不予重新評估。

#### **本集團作為承租人(根據附註2.2的過渡條文應用香港財務報告準則第16號後)**

分配代價予合約組成部分

就包含租賃部分以及一項或多項額外租賃或非租賃部分的合約而言，本集團根據租賃部分的相對獨立價格及非租賃部分的總獨立價格將合約代價分配至各租賃部分。

本集團亦應用可行權宜方法不將非租賃組成部分與租賃組成部分分開，而將租賃組成部分及任何相關非租賃組成部分作為單一租賃組成部分入賬。

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

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## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Leases (Continued)

#### **The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2.2) (Continued)**

##### *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to leases of buildings that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight – line basis or another systematic basis over the lease term.

##### *Right-of-use assets*

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

## 2.4 主要會計政策概要(續)

### 租賃(續)

#### **本集團作為承租人(根據附註2.2的過渡條文應用香港財務報告準則第16號後)(續)**

##### *短期租賃和低價值資產租賃*

對於租期自開始日期起計為12個月或以內且並無包含購買選擇權的建築物租賃，本集團應用短期租賃確認豁免。本集團亦對低值資產租賃應用確認豁免。短期租賃及低價值資產租賃的租賃付款於租期內按直線法或其他系統基準確認為開支。

##### *使用權資產*

使用權資產之成本包括：

- 租賃負債的初始計量金額；
- 於開始日期或之前作出的任何租賃付款，減任何已收租賃優惠；
- 本集團產生的初始直接費用；及
- 由本集團廢除及移除相關資產，恢復其所在場地或將相關資產恢復到租期及條件所要求的條件所產生的成本估算。

使用權資產按成本減任何累計折舊及減值虧損計量，並就租賃負債的任何重新計量作出調整。

就本集團於租期結束時合理確定獲取相關租賃資產所有權的使用權資產而言，有關使用權資產自開始日期起至使用年期結束期間計提折舊。在其他情況下，使用權資產按直線法於其估計使用年期及租期(以較短者為準)內計提折舊。

本集團於綜合財務狀況表內將使用權資產呈列為單獨項目。

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Leases (Continued)

#### **The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2.2) (Continued)**

##### Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments (“**HKFRS 9**”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

##### Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. 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.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

## 2.4 主要會計政策概要(續)

### 租賃(續)

#### **本集團作為承租人(根據附註2.2的過渡條文應用香港財務報告準則第16號後)(續)**

##### 可退回租賃按金

已付可退回租賃按金乃根據香港財務報告準則第9號「金融工具」(「**香港財務報告準則第9號**」)入賬，並初步按公允值計量。初步確認時對公允值作出的調整被視為額外租賃付款且計入使用權資產成本。

##### 租賃負債

於租賃開始日期，本集團按該日未付的租賃付款現值確認及計量租賃負債。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。

計入租賃負債計量的租賃付款包括：

- 固定租賃付款(包括實質固定付款)，減去任何應收租賃優惠；
- 可變租賃付款，其取決於一項指數或利率，初步計量時使用開始日期的指數或利率；
- 承租人根據剩餘價值擔保預期應付金額；
- 購買選擇權的行使價(倘承租人合理確定行使選擇權)；及
- 倘租期反映行使終止租賃的選擇權，則支付終止租賃的罰款。



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

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## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Leases (Continued)

#### **The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2.2) (Continued)**

#### *Lease liabilities (Continued)*

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review or expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The lease liability is presented as a separate line in the consolidated statement of financial position.

#### *Lease modifications*

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

## 2.4 主要會計政策概要(續)

### 租賃(續)

#### **本集團作為承租人(根據附註2.2的過渡條文應用香港財務報告準則第16號後)(續)**

#### *租賃負債(續)*

於開始日期後，租賃負債就應計利息及租賃付款作出調整。

倘出現以下情況，本集團重新計量租賃負債(並就相關使用權資產作出相應調整)：

- 租期有所變動或行使購買選擇權的評估發生變化，在此情況下，相關租賃負債透過使用重新評估日期的經修訂貼現率貼現經修訂租賃付款而重新計量。
- 租賃付款因進行市場租金調查後市場租金變動或有擔保剩餘價值下預期付款變動而出現變動，在此情況下，相關租賃負債使用初始貼現率貼現經修訂租賃付款而重新計量。

租賃負債於綜合財務狀況表中單獨呈列。

#### *租賃修訂*

倘出現以下情況，本集團將租賃的修改作為一項單獨的租賃進行入賬：

- 該項修改通過增加使用一項或多項相關資產的權利擴大了租賃範圍；及
- 調增租賃的代價，增加的金額相當於範圍擴大對應的單獨價格，加上按照特定合約的實際情況對單獨價格進行的任何適當調整。

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Leases (Continued)

#### **The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2.2) (Continued)**

##### *Lease modifications (Continued)*

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

#### **The Group as a lessee (prior to adoption of HKFRS 16 on 1 January 2019)**

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

## 2.4 主要會計政策概要(續)

### 租賃(續)

#### **本集團作為承租人(根據附註2.2的過渡條文應用香港財務報告準則第16號後)(續)**

##### *租賃修訂(續)*

就未作為一項單獨租賃入賬的租賃修改而言，本集團基於透過使用修改生效日期的經修訂貼現率貼現經修訂租賃付款的經修改租賃的租期重新計量租賃負債。

本集團透過對相關使用權資產作出相應調整，將租賃負債重新計量入賬。當經修改合約包含租約成分以及一個或多個額外租約或非租約成分時，本集團根據租約成分的相對獨立價格及非租約成分的總獨立價格，將經修改合約中的代價分配至每個租約成分。

#### **本集團作為承租人(於2019年1月1日採納香港財務報告準則第16號前)**

凡資產擁有權的大部分回報及風險仍歸出租人所有的租賃均列作經營租賃。倘本集團為承租人，根據經營租賃的租賃付款扣除從出租人收取的任何優惠後按租期以直線法自損益中扣除。

經營租賃下的預付土地租賃付款首次按成本入賬，隨後於租期內按直線法確認。

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

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## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Leases (Continued)

#### **The Group as a lessor (upon application of HKFRS 16 in accordance with transitions in note 2.2)**

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model. Upon application of HKFRS 16 on 1 January 2019, variable lease payments for operating leases that depend on an index or a rate are estimated and included in the total lease payments to be recognised on a straight-line basis over the lease term. Variable lease payments that do not depend on an index or a rate are recognised as income when they arise.

Interest and rental income which are derived from the Group's ordinary course of business are presented as revenue.

Allocation of consideration to components of a contract  
When a contract includes both lease and non-lease components, the Group applies HKFRS 15 to allocate the consideration under the contract to each component. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

## 2.4 主要會計政策概要(續)

### 租賃(續)

#### **本集團作為出租人(根據附註2.2的過渡條文應用香港財務報告準則第16號後)**

本集團為出租人的租賃被分類為融資或經營租賃。如若租賃的條款將所有權的全部風險及回報大部分轉移至承租人，合約分類為融資租賃。所有其他租賃均分類為經營租賃。

經營租賃之租賃付款收入乃按相關租期以直線法於損益確認。於磋商及安排經營租賃時產生之初步直接成本乃加至租賃資產之賬面值，而有關成本乃於租期內按直線法確認為開支，惟按公允值模式計量之投資物業除外。於2019年1月1日應用香港財務報告準則第16號後，取決於指數或利率的經營租賃的可變租賃付款予以估計，並計入於租期內按直線法確認的租賃付款總額。不取決於指數或利率的可變租賃付款於產生時確認為收入。

本集團日常業務過程中產生的利息及租金收入呈列為收益。

分配代價予合約組成部分  
當合約包括租賃及非租賃部分，本集團應用香港財務報告準則第15號將合約項下的代價分配至各部分。非租賃部分根據其相對獨立售價與租賃部分分開。

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

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## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Leases (Continued)

#### **The Group as a lessor (upon application of HKFRS 16 in accordance with transitions in note 2.2) (Continued)**

##### *Refundable rental deposits*

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

##### *Lease modification*

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

#### **The Group as a lessor (prior to adoption of HKFRS 16 on 1 January 2019)**

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

## 2.4 主要會計政策概要(續)

### 租賃(續)

#### **本集團作為出租人(根據附註2.2的過渡條文應用香港財務報告準則第16號後)(續)**

##### *可退回租賃按金*

已收取的可退回租賃付款按金根據香港財務報告準則第9號入賬且初步按公允值計量。初步確認時對公允值的調整被視為承租人的額外租賃付款。

##### *租賃修訂*

本集團將經營租賃修改自修改生效日期起作為新租賃入賬，並將有關原定租賃的任何預付或應計租賃付款視為新租賃的租賃付款一部分。

#### **本集團作為出租人(於2019年1月1日採納香港財務報告準則第16號前)**

出租人仍保留資產擁有權的絕大部份回報及風險的租賃列作經營租賃。倘本集團為承租人，根據經營租賃應付的租金(扣除自出租人收取的任何獎勵)按租期以直線法自損益扣除。

經營租賃下的預付土地租賃付款首次按成本入賬，隨後於租期內按直線法確認。



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

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## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Research and development costs

All research costs are charged to profit or loss as incurred. Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

### Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

## 2.4 主要會計政策概要(續)

### 研究及開發成本

所有研究成本均於產生時自損益中扣除。新產品開發項目產生的開支僅於本集團證明在技術上能夠完成無形資產供使用或出售、有意完成及有能力使用或出售該資產、該資產將帶來日後經濟利益、具有完成項目所需的資源且能夠可靠地計量開發期間的支出時，方會撥充資本並以遞延方式入賬。未能符合該等條件的產品開發支出概於產生時列作開支。

### 金融工具

金融資產及金融負債於集團實體成為工具合約條文之一方時予以確認。以常規方式購買或出售的金融資產均按交易日基準確認或終止確認。以常規方式購買或出售是指要求在相關市場中的規則或慣例通常約定的時間內交付資產的金融資產買賣。

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

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## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest and dividend income which are derived from the financial assets and shareholders' rights are presented as other revenue and other income.

## 2.4 主要會計政策概要(續)

### 金融工具(續)

金融資產及金融負債初步按公允值計算，惟源自客戶合約的貿易應收款項除外，其按照香港財務報告準則第15號初步計量。而直接歸屬於購置或發行金融資產及金融負債之交易成本(按公允值計入損益之金融資產除外)乃於首次確認時加入或自金融資產或金融負債之公允值扣除(如適用)。直接歸屬於收購按公允值計入損益之金融資產之交易成本即時於損益中確認。

實際利率法乃計算金融資產或金融負債之攤銷成本及按有關期間攤分利息收入之方法。實際利率乃將估計日後現金收入及付款(包括所有已支付或已收取而構成整體實際利率一部分之費用及點數、交易成本及其他所有溢價或折讓)按金融資產或金融負債之預期使用年期，或較短期間(倘合適)準確貼現至首次確認之賬面淨值之利率。

金融資產及股東權利的利息及股息收入呈列為其他收益及其他收入。

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

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## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

#### Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

## 2.4 主要會計政策概要(續)

### 金融工具(續)

#### 金融資產

金融資產的分類及其後計量

符合以下條件的金融資產其後按攤銷成本計量：

- 金融資產於目的為收取合約現金流量的商業模式內而持有；及
- 合約條款於特定日期產生僅為支付本金及未償還本金利息的現金流量。

符合以下條件的金融資產其後按公允值計入其他全面收益計量：

- 金融資產於目的為收取合約現金流量及出售的商業模式內而持有；及
- 合約條款於特定日期產生僅為支付本金及未償還本金利息的現金流量。

金融資產分類為持作買賣，倘：

- 收購該資產主要目的為短期內出售；或

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

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## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

#### Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

#### Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

## 2.4 主要會計政策概要(續)

### 金融工具(續)

#### 金融資產(續)

金融資產的分類及其後計量(續)

- 於首次確認時，該資產是本集團集中管理之可識別金融工具組合的一部分，且近期有實質短期出售獲利；或
- 該資產並非指定為有效對沖工具及無實際對沖效果之衍生工具。

此外，本集團可能不可撤銷地指定須按攤銷成本計量或按公允值計入其他全面收益的金融資產為按公允值計入損益(倘若此舉可消除或顯著減少會計錯配)。

#### 攤銷成本及利息收入

就其後按攤銷成本計量之金融資產，利息收入使用實際利率法確認。利息收入使用實際利率按金融資產賬面總值計算，惟其後已信貸減值的金融資產除外(見下文)。就其後已信貸減值的金融資產而言，利息收入乃自下一個報告期間起使用實際利率按金融資產的攤銷成本確認。倘信貸減值金融工具的信貸風險改善，金融資產不再信貸減值，則利息收入自釐定資產不再信貸減值後的報告期初起使用實際利率按金融資產的賬面總值確認。



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

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## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

#### **Financial assets** (Continued)

*Classification and subsequent measurement of financial assets (Continued)*

#### Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other revenue and other income" line item.

#### *Impairment of financial assets*

The Group recognises a loss allowance for expected credit losses ("ECL") on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, deposit paid, other receivables, loan receivables, time deposits, loan to director and cash and bank balances). The amount of ECL is updated at each reporting period to reflect changes in credit risk since initial recognition.

## 2.4 主要會計政策概要(續)

### 金融工具(續)

#### **金融資產**(續)

*金融資產的分類及其後計量(續)*

#### 按公允值計入損益的金融資產

金融資產如不符合按攤銷成本計量或按公允值計入其他全面收益的方式計量或指定為按公允值計入其他全面收益的條件，則按公允值計入損益的方式計量。

於各報告期末，按公允值計入損益之金融資產按公允值計量，而任何公允值收益或虧損於損益表中確認。於損益確認的收益或虧損淨額不包括就金融資產所賺取的任何股息或利息，並計入損益表的「其他收益及收入」項目內。

#### *金融資產減值*

本集團就根據香港財務報告準則第9號面臨減值的金融資產(包括貿易應收款項、已付按金、其他應收款項、應收貸款、定期存款、董事貸款以及現金及銀行結餘)的預期信貸虧損確認虧損撥備。預期信貸虧損金額於各報告期間更新，以反映自首次確認起的信貸風險變動。

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

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## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

#### Financial assets (Continued)

##### Impairment of financial assets (Continued)

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12 months ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting period. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting period as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables without significant financing component. The ECL on these assets are assessed individually for debtors with significant balances.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

##### Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting period with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

## 2.4 主要會計政策概要(續)

### 金融工具(續)

#### 金融資產(續)

##### 金融資產減值(續)

全期預期信貸虧損指於相關工具預期年期內發生所有可能的違約事件而導致的預期信貸虧損。相反，十二個月預期信貸虧損則指預期於報告期間後十二個月內可能發生的違約事件而導致的部分全期預期信貸虧損。評估乃根據本集團過往信貸虧損經驗進行，並根據債務人特定因素、一般經濟狀況及於報告期間對當前狀況及未來狀況預測的評估而作出調整。

本集團一直確認並無融資成分的貿易應收款項的全期預期信貸虧損。就具有重大結餘的債務人對此等資產的預期信貸虧損進行個別評估。

就所有其他工具而言，本集團按相當於十二個月預期信貸虧損計量虧損撥備，除非首次確認後的信貸風險顯著增加，則本集團確認全期預期信貸虧損。評估是否應該確認全期預期信貸虧損乃基於首次確認後違約發生的機會或風險有否顯著上升。

##### 信貸風險大幅增加

於評估信貸風險是否自首次確認以來已大幅增加時，本集團比較金融工具於報告期間出現違約的風險與該金融工具於首次確認日期出現違約的風險。作此評估時，本集團均會考慮合理及有依據的定量及定性資料，包括過往經驗及毋須花費不必要成本或努力即可獲得的前瞻性資料。

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

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## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

#### **Financial assets (Continued)**

##### *Impairment of financial assets (Continued)*

##### Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtors;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

## 2.4 主要會計政策概要(續)

### 金融工具(續)

#### **金融資產(續)**

##### *金融資產減值(續)*

##### 信貸風險大幅增加(續)

尤其是，評估信貸風險是否大幅增加時會考慮下列資料：

- 金融工具外部(如有)或內部信貸評級的實際或預期重大惡化；
- 信貸風險的外界市場指標的重大惡化，例如信貸息差大幅增加、債務人的信貸違約掉期價；
- 業務、財務或經濟狀況的現有或預測不利變動，預期將導致債務人履行其債務責任的能力大幅下降；
- 債務人經營業績的實際或預期重大惡化；
- 債務人監管、經濟或技術環境有實際或預期的重大不利變動，導致債務人履行其債務責任的能力大幅下降。

不論上述評估結果，倘合約付款逾期超過30日，本集團假定信貸風險自首次確認以來已大幅增加，惟本集團有合理並有理據之資料顯示情況並非如此。

本集團定期監控用於識別信貸風險是否顯著增加的標準是否有效及適時修訂該等標準，以確保有關標準能於款項逾期前識別信貸風險的顯著增加。

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

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## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

#### **Financial assets** (Continued)

##### *Impairment of financial assets* (Continued)

##### Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

##### Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;

## 2.4 主要會計政策概要(續)

### 金融工具(續)

#### **金融資產**(續)

##### *金融資產減值*(續)

##### 違約之定義

就內部信貸風險管理，本集團認為，倘內部制定或自外部來源取得的資料顯示債務人不可能悉數償還其債權人(包括本集團)，則視作發生違約事件。

除上述者外，本集團認為，倘金融資產逾期超過90日，則違約事件已經發生，惟本集團擁有合理及有理據資料顯示一項更寬鬆的違約標準更為合適，則另作別論。

##### 金融資產信貸減值

當發生一項或多項對金融資產估計未來現金流量有不利影響之違約事件時，金融資產出現信貸減值。金融資產信貸減值之證據包括以下事件的可觀察數據：

- (a) 發行人或借款人陷入重大財務困難；
- (b) 違反合約，如違約或逾期事件；



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

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## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

#### **Financial assets (Continued)**

##### *Impairment of financial assets (Continued)*

##### Credit-impaired financial assets (Continued)

- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

##### Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognized in profit or loss.

## 2.4 主要會計政策概要(續)

### 金融工具(續)

#### **金融資產(續)**

##### *金融資產減值(續)*

##### 金融資產信貸減值(續)

- (c) 借款人之放款人因與借款人出現財務困難有關之經濟或合約理由而給予借款人在一般情況下放款人不予考慮之優惠條件；
- (d) 借款人有可能破產或進行其他財務重組；或
- (e) 由於財務困難致使金融資產之活躍市場消失。

##### 撇銷政策

當有資料顯示對手方處於嚴重財務困難，且並無實際收回機會時(例如對手方正在清盤或進入破產程序)，本集團則撇銷金融資產。已撇銷的金融資產仍可根據本集團的收回程序進行法律行動，惟需於適當時候聽取法律意見。撇銷構成終止確認事件。任何其後收回於損益中確認。

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

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## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

#### **Financial assets** (Continued)

##### *Impairment of financial assets* (Continued)

##### Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade receivables are each assessed as a separate group. Loans to related parties are assessed for expected credit losses on an individual basis);

## 2.4 主要會計政策概要(續)

### 金融工具(續)

#### **金融資產**(續)

##### *金融資產減值*(續)

##### 預期信貸虧損的計量及確認

預期信貸虧損的計量為違約概率、違約損失率(即違約時的損失程度)及違約風險的函數。違約概率及違約損失率的評估根據經前瞻性資料調整的過往數據而作出。預期信貸虧損的估計反映無偏頗及概率加權的數額，其乃根據加權的相應違約風險釐定。

一般而言，預期信貸虧損按根據合約應付本集團的所有合約現金流量與本集團預期將收取的現金流量按首次確認時釐定的實際利率貼現的差額估計。

倘預期信貸虧損按集體基準計量或迎合個別工具水平證據未必存在的情況，則金融工具按以下基準歸類：

- 金融工具性質(即本集團貿易應收款項各自評為獨立組別。關連方貸款按個別基準進行預期信貸虧損評估)；

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

截至2019年12月31日止年度

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

#### **Financial assets** (Continued)

##### *Impairment of financial assets* (Continued)

##### Measurement and recognition of ECL (Continued)

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognized through a loss allowance account.

## 2.4 主要會計政策概要(續)

### 金融工具(續)

#### **金融資產**(續)

##### *金融資產減值*(續)

##### 預期信貸虧損的計量及確認(續)

- 逾期狀況；
- 債務人的性質、規模及行業；及
- 外部信貸評級(如有)。

歸類工作經管理層定期檢討，以確保各組別成份繼續分擔類似信貸風險特性。

利息收入按金融資產的賬面總值計算，除非金融資產出現信貸減值，在此情況下，利息收入按金融資產的攤銷成本計算。

本集團透過調整賬面值於損益確認所有金融工具的減值盈虧，惟貿易應收款項除外，其相關調整乃透過虧損撥備賬予以確認。

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

截至2019年12月31日止年度

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

#### **Financial liabilities**

##### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as loans and borrowings and are recognised initially at fair value and net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables, and interest-bearing bank borrowings.

##### *Subsequent measurement*

The subsequent measurement of financial liabilities depends on their classification as follows:

##### *Loans and borrowings*

After initial recognition, loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

#### **Derivative financial instruments**

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

## 2.4 主要會計政策概要(續)

### 金融工具(續)

#### **金融負債**

##### *首次確認及計量*

於首次確認時，金融負債分類為貸款及借款，且初步按公允值確認，並扣除直接應佔交易成本。

本集團的金融負債包括貿易應付款項及應付票據、其他應付款項以及計息銀行借款。

##### *其後計量*

金融負債其後按類別以下列方法計量：

##### *貸款及借款*

於首次確認後，貸款及借款其後以實際利率法按攤銷成本計量，倘貼現影響不大，則按成本列賬。收益及虧損於負債終止確認時透過實際利率攤銷程序於損益確認。

於計算攤銷成本時已計及任何收購折讓或溢價，以及作為實際利率組成部分的費用或成本。實際利率攤銷計入損益的融資成本。

#### **衍生金融工具**

衍生工具初步按訂立衍生工具合約當日的公允值確認，其後則按報告期末的公允值重新計量。所產生收益或虧損於損益中確認。



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

截至2019年12月31日止年度

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

#### **Derecognition**

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognised in the profit or loss.

#### **Non-substantial modifications of financial liabilities**

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

## 2.4 主要會計政策概要(續)

### 金融工具(續)

#### **終止確認**

本集團僅在獲取金融資產所產生現金流量的合約權利到期，或將金融資產及該資產擁有權絕大部分風險及回報轉讓予另一實體時，方會終止確認金融資產。倘本集團既無轉讓亦無保留該擁有權的絕大部分風險及回報並繼續控制所轉讓資產，則本集團會確認其於該資產的保留權益及就其或須支付的款項確認相關負債。倘本集團保留所轉讓金融資產擁有權的絕大部分風險及回報，本集團繼續確認金融資產，亦就已收取的所得款項確認有抵押借款。

終止確認按攤銷成本計量的金融資產時，該資產的賬面值與已收及應收代價的總和之間的差額於損益中確認。

本集團僅於其責任獲解除、註銷或已到期時，方會終止確認金融負債。已終止確認金融負債的賬面值與已付及應付代價之間的差額於損益中確認。

#### **金融負債的非重大修訂**

就並無導致終止確認的金融負債的非重大修訂而言，相關金融負債賬面值將以按金融負債原實際利率折現的經修訂合約現金流量現值計算。產生的交易成本或費用調整至經修訂金融負債的賬面值，並在剩餘期限內攤銷。對金融負債賬面值的任何調整均於修訂日期於損益中確認。

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

截至2019年12月31日止年度

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

#### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

#### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

#### Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

## 2.4 主要會計政策概要(續)

### 金融工具(續)

#### 抵銷金融工具

倘現時有可執行的合法權利抵銷已確認金額且有意按淨額基準結算，或同時變現資產及結算負債，則金融資產與金融負債可抵銷且淨額於財務狀況表呈報。

#### 存貨

存貨以成本與可變現淨值兩者中的較低者列賬。成本按加權平均基準釐定，在製品及製成品的成本包括直接材料、直接勞工及適當比例の間接費用。可變現淨值按估計售價減任何完成及出售所需估計成本釐定。

#### 現金及現金等價物

綜合現金流量表的現金及現金等價物包括手頭現金與活期存款，以及可隨時轉換為已知金額現金、價值變動風險不大且購買時一般具有不超過三個月短暫有效期的短期高流通投資，再扣除須於要求時償還且構成本集團現金管理一部分的銀行透支。

綜合財務狀況表的現金及現金等價物包括不限用途的手頭現金及銀行現金(包括定期存款及性質與現金相似的資產)。

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

截至2019年12月31日止年度

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Provisions for product warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present value as appropriate.

### Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

## 2.4 主要會計政策概要(續)

### 撥備

倘因過往事件而須承擔現時責任(法定或推定)，而履行該責任可能導致未來資源外流，且該責任所涉金額能夠可靠估計，則確認撥備。

倘貼現影響重大，則確認撥備的金額為預期履行責任所需未來開支於各報告期末的現值。貼現現值隨時間增加的金額計入損益中的融資成本。

本集團以銷量和過往的維修和退貨水準貼現至現值(如適用)為基準，就若干產品的保養期確認撥備。

### 所得稅

所得稅包括即期及遞延稅項。並非於損益確認的項目的相關所得稅不會於損益確認，而於其他全面收益或直接於權益確認。

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

截至2019年12月31日止年度

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Income tax (Continued)

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

## 2.4 主要會計政策概要(續)

### 所得稅(續)

即期稅項資產及負債根據截至各報告期末已頒佈或實際已頒佈的稅率(及稅法)，並考慮到本集團經營所在國家現行的詮釋及慣例，按預計可自稅務機關收回或應付稅務機關的金額計量。

編製財務報告時，遞延稅項以負債法就報告期末資產及負債的稅基與其賬面值之間的所有暫時差額作撥備。

除下列情況外，就所有應課稅暫時差額確認遞延稅項負債：

- 倘遞延稅項負債來自首次確認的商譽或非業務合併交易中的資產或負債，且於交易時不影響會計溢利及應課稅溢利或虧損；及
- 對於與投資附屬公司有關的應課稅暫時差額，倘能夠控制撥回暫時差額的時間，且於可見將來可能不會撥回暫時差額。



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

截至2019年12月31日止年度

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Income tax (Continued)

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

## 2.4 主要會計政策概要(續)

### 所得稅(續)

遞延稅項資產就所有可扣減暫時差額、結轉的未動用稅項抵免及未動用稅項虧損確認。倘有可用以抵銷可動用可扣減暫時差額、結轉的未動用稅項抵免及未動用稅項虧損的應課稅溢利，則會確認遞延稅項資產，惟以下情況除外：

- 因於一宗並非業務合併的交易中首次確認的資產或負債且於交易時並不影響會計溢利或應課稅溢利或虧損而產生可扣減暫時差額的遞延稅項資產；及
- 就與附屬公司投資有關的可扣減暫時差額而言，僅於暫時差額可能於可見將來撥回及將有應課稅溢利抵銷可動用暫時差額的情況下，方會確認遞延稅項資產。

遞延稅項資產的賬面值於各報告期末檢討，倘不可能有足夠應課稅溢利以動用全部或部分遞延稅項資產，則相應調減。未確認的遞延稅項資產於各報告期末重新評估，如可能有足夠應課稅溢利以收回全部或部分遞延稅項資產，則確認相關的金額。

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

截至2019年12月31日止年度

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Income tax (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

### Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

## 2.4 主要會計政策概要(續)

### 所得稅(續)

遞延稅項資產及負債根據於各報告期末已頒佈或實際已頒佈的稅率(及稅法)，按預期適用於變現資產或償還負債期間的稅率計量。

就計量本集團在交易過程中確認使用權資產及相關租賃負債的租賃交易的遞延稅項而言，本集團首先會確定課稅所得額扣除數是否可歸因於使用權資產或租賃負債。

就稅項扣減歸屬於租賃負債之租賃交易而言，本集團將香港會計準則第12號所得稅之規定分別應用於使用權資產及租賃負債。由於應用初步確認豁免，故與使用權資產及租賃負債相關之暫時差額不會於初步確認時及於租期內確認。

倘且僅倘本集團有法定可執行權利抵銷即期稅項資產與即期稅項負債，且遞延稅項資產及遞延稅項負債與相同稅務機關就相同納稅實體或不同納稅實體(而該等實體在預期清償或收回大筆款項的遞延稅項負債或資產的每段未來期間內，有意按淨額基準結算即期稅項負債與資產或同時變現資產及結算負債)徵收的所得稅相關，則可抵銷遞延稅項資產與遞延稅項負債。

### 政府補助

倘能合理確定將可收取政府補助並符合所有附帶條件，則按公允值確認政府補助。倘補助與開支項目有關，則會有系統地在擬補貼成本的相應期間確認補助為收益。

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

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## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Employee benefits

#### Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “**MPF Scheme**”) in Hong Kong under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees’ basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group’s operations in Mainland China are required to participate in central pension schemes operated by the local municipal governments, the assets of which are held separately from those of the Group. Contributions are made by the Group based on a percentage of the participating employees’ salaries and are charged to profit or loss as they become payable in accordance with the rules of the central pension schemes. The Group’s employer contributions vest fully once made.

### Borrowing costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs are expensed in the period in which they are incurred.

## 2.4 主要會計政策概要(續)

### 僱員福利

#### 退休金計劃

本集團遵照強制性公積金計劃條例為合資格參與強制性公積金計劃(「**強積金計劃**」)的僱員在香港設立一項定額供款強積金退休福利計劃。供款按僱員基本薪酬的某一百分比計算，並於根據強積金計劃規則規定需要支付時自損益扣除。強積金計劃資產與本集團資產分開以獨立管理基金持有。本集團按強積金計劃作出的僱主供款全數歸屬於僱員。

本集團於中國內地業務的僱員須參加由當地市政府營辦的中央退休金計劃，該等計劃的資產與本集團資產分開持有。供款乃由本集團根據中央退休金計劃的規則按參與僱員薪金的某一百分比計算，並於應付時自損益扣除。本集團的僱主供款於其作出供款時即全面歸屬。

### 借款成本

借款成本包括一家實體在借入資金時所產生的利息及其他成本。借款成本於其產生期間內列作開支。

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

截至2019年12月31日止年度

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

### Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

## 2.4 主要會計政策概要(續)

### 股息

末期股息於獲股東在股東大會批准時確認為一項負債。擬派末期股息於財務報表附註中披露。

由於本公司的組織章程大綱及細則授權董事宣派中期股息，故中期股息同時擬派及宣派。因此，中期股息在擬派及宣派時直接確認為負債。

### 涉及受共同控制實體的業務合併的合併會計法

綜合財務報表包括共同控制合併項下合併業務的財務報表項目，猶如其於合併業務首次受控制方控制當日起已合併。

合併業務的淨資產從控制方的角度按現有賬面值綜合入賬。概無於共同控制合併時就商譽或議價購買收益確認金額。

綜合損益及其他全面收益表載有由最早呈列日期或自合併業務首次受共同控制當日(以較短期間為準)起各合併業務的業績。



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

截至2019年12月31日止年度

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Merger accounting for business combination involving entities under common control

(Continued)

The comparative amounts in the consolidated financial statements are presented as if the businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

### Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various line of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

## 2.4 主要會計政策概要(續)

涉及受共同控制實體的業務合併的合併會計法(續)

綜合財務報表呈列比較金額，猶如業務已於上一報告期末或其首次受共同控制時(以較短者為準)合併。

### 分部報告

經營分部及綜合財務報表所呈報各分部項目金額，乃根據就分配資源予本集團各項業務及地區分部並評估其表現而定期向本集團最高級行政管理人員提供的財務資料確定。

就財務報告而言，除非分部具備相似經濟特徵以及在產品及服務性質、生產工序性質、客戶類型或類別、用作分配產品或提供服務的方法及監管環境性質方面相似，否則個別重大經營分部不予合併計算。倘個別非重大的經營分部符合上述大部分標準，則可合併計算。

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

截至2019年12月31日止年度

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Foreign currencies

The Company's functional currency is the United States dollar ("US\$"). Because most of the subsidiaries' functional currencies are RMB, the consolidated financial statements are presented in RMB. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

## 2.4 主要會計政策概要(續)

### 外幣

本公司的功能貨幣為美元(「美元」)。由於大多數附屬公司的功能貨幣為人民幣，故綜合財務報表以人民幣呈列。本集團各實體自行釐定其各自的功能貨幣，而各實體的綜合財務報表項目乃以該功能貨幣計量。本集團實體錄得的外幣交易初步按交易當日適用的各功能貨幣匯率入賬。以外幣計值的貨幣資產及負債，按有關功能貨幣於各報告期末的適用匯率換算。結算或換算貨幣項目產生的差額在損益確認。

以外幣按歷史成本計量的非貨幣項目，採用初步交易日期的匯率換算。以外幣按公允值計量的非貨幣項目，採用計量公允值當日的匯率換算。換算按公允值計量的非貨幣項目而產生的收益或虧損，按與確認該項目的公允值變動的收益或虧損一致的方法處理(即公允值收益或虧損於其他全面收益或損益確認的項目的換算差額亦分別於其他全面收益或損益確認)。

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

截至2019年12月31日止年度

#### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### Foreign currencies (Continued)

The functional currencies of the Company and certain subsidiaries are currencies other than RMB. As at the end of each reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of each reporting period and their profit or loss are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular operation is not recognised in profit or loss.

For the purpose of the consolidated statements of cash flows, the cash flows of subsidiaries with functional currencies other than RMB are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of these subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

#### 2.4 主要會計政策概要(續)

##### 外幣(續)

本公司及若干附屬公司的功能貨幣為人民幣以外的貨幣。於各報告期末，該等實體的資產及負債以各報告期末的適用匯率換算為人民幣，其收益或虧損以年內加權平均匯率換算為人民幣。所產生的匯兌差額於其他全面收益內確認，並於匯兌波動儲備內累計。出售外國業務時，與該項業務有關的其他全面收益部分不於損益確認。

就綜合現金流量表而言，功能貨幣為人民幣以外的附屬公司的現金流量按現金流量日期適用的匯率換算為人民幣。該等附屬公司於年內經常產生的現金流量按該年度加權平均匯率換算為人民幣。

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

截至2019年12月31日止年度

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

The major judgements, estimates and assumptions that have the most significant effect on the amounts recognised in the consolidated financial statements and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

#### Going concern

As disclosed in note 2.1, the directors have prepared the financial statements on a going concern basis as they are of the opinion that the Group has adequate sources of liquidity to fund the Group's working capital and to meet its debt obligations as they become due based on the cash flow forecast prepared by the directors. Any adverse result on the actual future cash flow would affect the Group's ability to continue as a going concern.

### 3. 重大會計判斷及估計

編製本集團綜合財務報表需要管理層作出判斷、估計及假設，而該等判斷、估計及假設影響收入、開支、資產及負債的呈報金額及相關披露，以及或然負債的披露。此等假設及估計的不明朗因素可引致日後需對受影響的資產或負債的賬面值作出重大調整。

對綜合財務報表所確認金額具有最重大影響及具有導致資產及負債賬面值於下一個財政年度出現重大調整的重大風險的主要判斷、估計及假設載列如下：

#### 持續經營

如附註2.1披露，董事已按持續經營基準編製財務報表，因為彼等認為根據彼等編製的現金流量預測，本集團擁有充足的流動資金來源，可以為本集團營運資金撥資，並於債務責任到期時履行。實際未來現金流量出現任何不利業績均會對本集團持續經營的能力造成影響。



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

截至2019年12月31日止年度

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

#### Provision against obsolete and slow-moving inventories

The Group reviews an ageing analysis of its inventories and the condition of its inventories at the end of each reporting period, and makes provision against obsolete and slow-moving inventory items which are identified as no longer suitable for sale or use in the production. Management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions.

The provision against obsolete and slow-moving inventories requires the use of judgements and estimates. Where the actual outcome or expectation in the future is different from the original estimates, such differences will have an impact on the carrying value of inventories and the write-down of inventories recognised in the reporting period in which such estimate is changed.

#### Allowance for expected credit loss for financial assets under HKFRS 9

The Group makes loss allowance on receivables including trade and bills receivables, deposit and other receivables based on various factors including the aging of the receivables, historical write-off experience and forward looking information. The identification of impairment of receivables requires the use of judgement and estimates. Where the expectations are different from the original estimates, such differences will impact the carrying amounts of receivables and the allowance for credit losses on receivables is recognised in the years in which such estimates have been changed. See note 39 for further discussion.

### 3. 重大會計判斷及估計(續)

#### 陳舊及積壓存貨撥備

本集團於各報告期末審查其存貨的賬齡分析及存貨狀況，並對確定為不再適合銷售或用作生產的陳舊及積壓存貨項目作出撥備。管理層主要根據最新發票價格及當前市況估計該等存貨的可變現淨值。

陳舊及積壓存貨撥備需要採用判斷及估計。倘實際結果或未來預期與原定估計不同，該差額會對存貨的賬面值及有關估計出現變動的報告期間確認的存貨撇減造成影響。

#### 根據香港財務報告準則第9號金融資產的預期信貸虧損撥備

本集團根據應收款項賬齡、過往撇銷經驗及前瞻性資料等多項因素，就應收款項(包括貿易應收款項及應收票據、存款及其他應收款項)計提虧損撥備。確定應收款項減值需要運用判斷及估計。倘預期與原先估計有別，則有關差額將影響應收款項賬面值，而應收款項信貸虧損撥備於該等估計出現變動的年度確認。有關進一步討論，請參閱附註39。

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

截至2019年12月31日止年度

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

#### Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

#### Impairment of advances to suppliers under HKAS 36

The Group assesses whether there are any indicators of impairment for advances to suppliers at the end of each reporting period. Advances to suppliers are tested for impairment when there are indicators that the carrying amounts may not be recoverable. The identification of impairment of advances to suppliers requires management's judgement and estimates. Where the actual outcome or expectation in the future is different from the original estimates, such differences will have an impact on the carrying value of advances to suppliers and impairment/write-back of impairment in the reporting period in which such estimate is changed.

### 3. 重大會計判斷及估計(續)

#### 非金融資產減值

於各報告期末，本集團評估所有非金融資產是否有任何減值跡象。當有跡象表明賬面值未必可收回時，本集團會對非金融資產進行減值測試。當資產或現金產生單位的賬面值超過其可收回金額(即公允值減出售成本及使用價值兩者中的較高者)時，則存在減值。公允值減出售成本乃根據按公平原則進行具有約束力的類似資產出售交易所得的數據或可觀察市場價格減去出售資產的增量成本而計算。當計算使用價值時，管理層必須估計預期未來來自資產或現金產生單位的現金流量，同時選擇適當的貼現率計算該等現金流量的現值。

#### 根據香港會計準則第36號預付供應商款項減值

於各報告期末，本集團評估預付供應商款項是否存在任何減值跡象。當有跡象表明賬面值未必可收回時，本集團會對預付供應商款項進行減值測試。識別預付供應商款項減值需要管理層作出判斷及估計。倘實際結果或未來預期有別於初始估計，則有關差額將於相關估計發生變動的報告期間影響預付供應商款項賬面值及其減值/減值撥回。

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

截至2019年12月31日止年度

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

#### Current tax and deferred tax

The Group is subject to income taxes in Hong Kong and Mainland China. The Group carefully evaluates tax implications of its transactions in accordance with prevailing tax regulations and makes tax provision accordingly. However, judgement is required in determining the Group's provision for income taxes as there are many transactions and calculations of which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, the differences will impact on the income tax and deferred tax provision in the periods in which the determination is made. The carrying amounts of current tax payables and deferred tax assets and liabilities are set out in the consolidated statement of financial position and note 27 to the consolidated financial statements.

#### Derecognition of factored trade receivables and discounted/endorsed bills receivable

The Group has entered into arrangements with its bankers in respect of the factoring of trade receivables and discounting of bills receivable, or endorsed certain of its bills receivable accepted by banks to certain of its suppliers in order to settle the trade payables due to such suppliers. Based on an evaluation of the terms and conditions of the arrangements and the credit quality and settlement pattern of the factored trade receivables and discounted/endorsed bills receivable, management has to determine whether the Group has retained substantially the risks and rewards of certain receivables, which include default risks relating to such receivables. Details of the transfers of financial assets are included in note 37 to the financial statements.

### 3. 重大會計判斷及估計(續)

#### 即期稅項及遞延稅項

本集團於香港及中國內地須繳納所得稅。本集團根據現行稅務法規謹慎評估其交易的稅務影響，並相應地計提稅項撥備。然而，在釐定本集團的所得稅撥備時須作出判斷，乃因於日常業務過程中未能準確釐定最終須繳納稅項的交易及計算相當繁多。若有關事項的最終稅項與原先的入賬金額不同，該差額將影響釐定稅項期間的所得稅及遞延稅項撥備。應付即期稅項的賬面值以及遞延稅項資產及負債載於綜合財務狀況表及綜合財務報表附註27。

#### 終止確認保理貿易應收款項及已貼現/已背書應收票據

本集團已就保理貿易應收款項及貼現應收票據與銀行訂立安排，或將銀行收取的若干應收票據背書予本集團若干供應商，以結算結欠該等供應商的貿易應付款項。根據對上述安排的條款及條件，以及已保理貿易應收款項及已貼現/已背書應收票據的信貸質素及結算方式作出的評估，管理層須釐定本集團是否已保留若干應收款項的絕大部分風險及回報，包括與該等應收款項有關的違約風險。金融資產轉移詳情載於財務報表附註37。

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

截至2019年12月31日止年度

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

#### Warranty provision

As further explained in note 26 to the consolidated financial statements, the Group makes provisions for the warranties it gives on the sale of its products taking into account the Group's current sales levels and past experience of the level of repairs and returns. As the Group is continually upgrading its product designs and launching new models, it is possible that the past experience of the level of repairs and returns is not indicative of future claims that it will receive in respect of past sales. Any increase or decrease in the actual claims would affect profit or loss in future years.

### 4. SEGMENT INFORMATION

Information reported to the Board, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. This is also the basis upon which the Group is organised and managed.

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

- a. Retail segment
- b. Manufacturing segment

### 3. 重大會計判斷及估計(續)

#### 保修撥備

如綜合財務報表附註26所進一步詳述，本集團經考慮本集團的當前銷售水準以及過往維修及退回情況後，就其所售貨品計提保修撥備。由於本集團不斷改善產品設計及推出新型號，過往維修及退回情況可能並非本集團日後就過往銷售所蒙受索償的指標。實際索償的任何增減將會影響日後年度的損益。

### 3. 分部資料

向董事會(即主要營運決策者)就資源分配及分部表現評估而報告的資料集中於所交付或提供的貨品或服務種類，亦是本集團組織及管理依據的基準。

具體而言，本集團根據香港財務報告準則第8號劃分的可呈報分部如下：

- a. 零售分部
- b. 生產分部



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
綜合財務報表附註(續)

For the year ended 31 December 2019  
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4. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results

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

		Retail segment		Manufacturing segment		Elimination of intersegment sales		Total	
		零售分部	2019	2018	生產分部	2019	2018	分部間銷售對銷	2019
		2019	2018	2019	2018	2019	2018	2019	2018
		RMB'000	RMB'000	RMB'000	RMB'000	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	人民幣千元	人民幣千元	人民幣千元	人民幣千元
Segment revenue	分部收入								
External sales	外部銷售	241,860	222,448	738,438	1,387,595	-	-	980,298	1,610,043
Internal sales	內部銷售	-	-	64,803	20,838	(64,803)	(20,838)	-	-
		241,860	222,448	803,241	1,408,433	(64,803)	(20,838)	980,298	1,610,043
Segment (loss)/profit	分部(虧損)/溢利	(18,823)	(60,991)	(141,426)	176,173	(148)	13	(160,397)	115,195
Interest income	利息收入							1,357	2,218
Fair value change on derivative component convertible loan	可換股貸款衍生部分的公允值變動							2,530	27,501
Fair value change on contingent consideration receivables	應收或然代價的公允值變動							5,257	2,799
Loss on non-substantial modification of convertible loan	非重大修訂可換股貸款的虧損							(3,915)	-
Loss on remeasurement of liability component of convertible loan	重新計量可換股貸款負債部分的虧損							-	(24,609)
Unallocated corporate expenses	未分配公司開支							(15,771)	(7,658)
Unallocated finance costs	未分配融資成本							(8,004)	(15,160)
(Loss)/profit before taxation	除稅前(虧損)/溢利							(178,943)	100,286

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

Inter-segment sales are charged at prevailing market rates.

4. 分部資料(續)

分部收入及業績

以下為本集團按可呈報經營分部劃分的收入及業績分析：

分部(虧損)/溢利指各分部(所產生虧損)/所賺取溢利，而並無分配利息收入、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、重新計量可換股貸款負債部分的虧損、未分配公司開支及未分配融資成本。此乃向董事會呈報資料的方式，以便分配資源及評估表現。

分部間銷售按現行市場收費計算。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
綜合財務報表附註(續)

For the year ended 31 December 2019  
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4. SEGMENT INFORMATION (CONTINUED)

4. 分部資料(續)

Segment assets and liabilities

分部資產及負債

		Retail segment		Manufacturing segment		Consolidated	
		零售分部		生產分部		綜合	
		2019	2018	2019	2018	2019	2018
		2019年	2018年	2019年	2018年	2019年	2018年
		RMB'000	RMB'000	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	人民幣千元	人民幣千元
Segment assets	分部資產	287,448	91,490	822,127	1,098,492	1,109,575	1,189,982
Unallocated corporate assets	未分配公司資產					235,389	242,170
Consolidated assets	綜合資產					1,344,964	1,432,152
Segment liabilities	分部負債	272,523	60,527	662,022	714,994	934,545	775,521
Unallocated corporate liabilities	未分配公司負債					213,452	289,310
Consolidated liabilities	綜合負債					1,147,997	1,064,831

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

為監察分部表現及於各分部之間分配資源：

- 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 related companies, derivative financial instruments, convertible loan and other unallocated corporate liabilities).
- 除未分配公司資產(主要包括應收或然代價及其他未分配公司資產)外，所有資產均分配至經營分部；及
- 除未分配公司負債(主要包括應付關連公司款項、衍生金融工具、可換股貸款及其他未分配公司負債)外，所有負債均分配至經營分部。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
綜合財務報表附註(續)

For the year ended 31 December 2019  
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4. SEGMENT INFORMATION (CONTINUED)

Other segment information

	Retail segment		Manufacturing segment		Unallocated		Total	
	零售分部		生產分部		未分配		總計	
	2019	2018	2019	2018	2019	2018	2019	2018
	2019年	2018年	2019年	2018年	2019年	2018年	2019年	2018年
	RMB'000	RMB'000	RMB'000	RMB'000	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	人民幣千元	人民幣千元	人民幣千元	人民幣千元
Addition of right-of-use assets	70,640	-	41,435	-	-	-	112,075	-
Addition of property, plant and equipment	3,017	4,340	25,137	6,529	-	-	28,154	10,869
Depreciation of property, plant and equipment	3,835	2,917	5,751	7,019	-	-	9,586	9,936
Depreciation of right-of-use assets	46,437	-	3,782	-	-	-	50,219	-
Amortisation of prepaid land lease payments	-	-	-	-	-	159	-	159
Provision/(reversal of provision) against obsolete and slow-moving inventories	194	(11,889)	12,257	(6,915)	-	-	12,451	(18,804)
Impairment loss on trade and bill receivables	421	4	15,155	1,822	-	-	15,576	1,826
Impairment loss on prepayments, deposits and other receivables	2	7	1	5	-	-	3	12
Impairment loss on property, plant and equipment	1,973	-	373	-	-	-	2,346	-
Impairment loss on right-of-use assets	4,066	-	2,707	-	-	-	6,773	-
Finance costs	12,851	1,582	8,476	8,128	8,004	15,160	29,331	24,870

4. 分部資料(續)

其他分部資料

Geographical information

(a) Revenue from external customers

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

地區資料

(a) 外部客戶收入

由於按照向客戶交付產品的位置所劃分的本集團大部分外部客戶收入於美利堅合眾國(「美國」)產生，故概無呈列與外部客戶收入有關的地區資料。因此，董事認為，呈列地區資料將不會為綜合財務資料使用者提供額外有用資料。

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

截至2019年12月31日止年度

#### 4. SEGMENT INFORMATION (CONTINUED)

##### Geographical information (Continued)

###### (b) Non-current assets

		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
The People's Republic of China (including Hong Kong)	中華人民共和國 (包括香港)	79,444	21,073
Cambodia	柬埔寨	36,387	42,345
The U.S.	美國	183,460	3,752
The United Kingdom	英國	161	-
		<b>299,452</b>	<b>67,170</b>

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

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

##### 有關主要客戶的資料

於相關年度佔本集團總收入10%以上的主要客戶(不包括任何關連方)收入如下:

		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*	239,207
Customer 2	客戶2	208,518	180,591
Customer 3	客戶3	N/A*不適用*	164,276
Customer 4	客戶4	N/A*不適用*	164,046
Customer 5	客戶5	100,847	N/A*不適用*

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

\* 客戶收入佔本集團總收入少於10%。



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

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## 5. REVENUE, OTHER 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 income and gains is as follows:

## 5. 收入、其他收入及收益

收入指所銷售貨品扣除退貨、貿易折扣及增值稅撥備後的發票淨值。

收入、其他收入及收益分析如下：

		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
<b>Revenue</b>	<b>收入</b>		
<i>Recognised at point of time:</i>	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	980,298	1,610,043
<b>Other income and gains</b>	<b>其他收入及收益</b>		
Interest income	利息收入	1,357	2,218
Exchange gains, net	匯兌收益，淨額	31,004	8,213
Government subsidiaries <sup>#</sup>	政府補貼 <sup>#</sup>	27,302	2,312
Gain on disposal of property, plant and equipment	出售物業、廠房及設備的收益	15	3,775
Rental income	租金收入	6,010	1,084
Fair value change on derivative component of convertible loan	可換股貸款衍生部分的公允價值變動	2,530	27,501
Sales of raw materials	銷售原材料	134	9,327
Repair service income	維修服務收入	9,180	9,129
Compensation on factory relocation	廠房搬遷補償	-	15,846
Fair value change on contingent consideration receivables	應收或然代價的公允價值變動	5,257	2,799
Others	其他	2,760	3,587
		<b>85,549</b>	<b>85,791</b>

<sup>#</sup> Subsidies have been received from the local governments in Zhejiang Province in respect of the Group's contribution to sofa industry. There were no unfulfilled conditions or contingencies relating to these subsidies as at 31 December 2019 (2018: Nil).

<sup>#</sup> 浙江省地方政府就本集團對沙發產業的貢獻授出的補助。於2019年12月31日，概無有關該等補貼的未達成條件或或然事項(2018年：無)。

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

截至2019年12月31日止年度

#### 5. REVENUE, OTHER INCOME AND GAINS

(CONTINUED)

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

#### 6. FINANCE COSTS

#### 5. 收入、其他收入及收益(續)

於2019年12月31日，分配至本集團現有生產及銷售沙發、沙發套及其他傢俱產品項下餘下履約責任的交易價總額約為人民幣24,844,000元，而本集團將於2020年確認此項收入。

#### 6. 融資成本

		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
Interest on bank loans	銀行貸款利息	6,041	9,793
Interest on discount trade bills	貼現貿易票據利息	1,832	–
Interest on convertible loan	可換股貸款利息	7,931	15,077
Interest on lease liabilities	租賃負債利息	13,527	–
		<b>29,331</b>	<b>24,870</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

綜合財務報表附註(續)

For the year ended 31 December 2019

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7. (LOSS)/PROFIT BEFORE TAX

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

7. 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:

		Notes 附註	2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
Cost of inventories sold	已售存貨成本		864,760	1,200,745
Depreciation of property, plant and equipment	物業、廠房及設備折舊	13	9,586	9,936
Depreciation of right-of-use assets	使用權資產折舊	15	50,219	—
Expense relating to short-term lease	有關短期租賃開支		18,679	—
Impairment loss on property, plant and equipment	物業、廠房及設備減值虧損	13	2,346	—
Impairment loss on right-of-use assets	使用權資產減值虧損	15	6,773	—
Amortisation of prepaid land lease payments	攤銷預付土地租賃款項	14	—	159
Loss on written off items of property, plant and equipment	撤銷物業、廠房及設備項目的虧損	13	4,322	—
Minimum lease payments under operating leases	經營租賃項下的最低租賃付款		—	67,271
Auditors' remuneration:	核數師酬金:			
Audit and audit related services	審計及審計相關服務		1,481	3,608
Non-audit services	非審計服務		88	1,271
			1,569	4,879
Employee benefit expense (excluding directors' and Chief executives remuneration (note 8)):	僱員福利開支(不包括董事及主要行政人員酬金(附註8)):			
Salaries, wages and benefits in kind	薪金、工資及實物利益		171,930	175,312
Pension scheme contributions*	退休計劃供款*		9,195	9,610
			181,125	184,922
Provision/(reversal of provision) against obsolete and slow-moving inventories**	陳舊及積壓存貨撥備/(撥備撥回)**		12,451	(18,804)
Write-down of inventories to net realizable value**	存貨撇減至可變現淨值**		—	58
Impairment loss on trade and bills receivables, net	貿易應收款項及應收票據減值虧損, 淨額		15,576	1,826
Impairment loss on other receivables and deposits, net	其他應收款項及按金減值虧損, 淨額		3	12
Product warranty additional provision	產品保修額外撥備	26	4,649	4,746
Loss on remeasurement of liability component of convertible loan***	重新計量可換股貸款負債部分的虧損***		—	24,609
Loss on non-substantial modification of convertible loan	非重大修訂可換股貸款的虧損		3,915	—
Foreign exchange differences, net	匯兌差額, 淨額		(31,004)	(8,213)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

截至2019年12月31日止年度

#### 7. (LOSS)/PROFIT BEFORE TAX (CONTINUED)

\* At 31 December 2019, the Group had no forfeited contributions available to reduce its contributions to pension schemes in future years (2018: Nil).

\*\* The above items are included in "Cost of sales" on the face of the consolidated statement of profit or loss and other comprehensive income.

\*\*\* This item is included in "Other expenses and losses" on the face of the consolidated statement of profit or loss and other comprehensive income.

#### 8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

#### 7. 除稅前(虧損)/溢利(續)

\* 於2019年12月31日，本集團並無已沒收供款可供扣減其未來年度的退休計劃供款(2018年：無)。

\*\* 以上項目計入綜合損益及其他全面收益表的「銷售成本」內。

\*\*\* 該項目計入綜合損益及其他全面收益表的「其他開支及虧損」內。

#### 8. 董事及主要行政人員酬金

根據聯交所證券上市規則(「上市規則」)、香港公司條例第383(1)(a)、(b)、(c)及(f)條以及公司(披露董事利益資料)規則第2部，本年度董事及主要行政人員酬金披露如下：

		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
Fees	袍金	4,138	3,528
Salaries, allowances and benefits in kind	薪金、津貼及實物利益	1,662	1,811
Discretionary bonuses	酌情花紅	1,562	2,062
Pension scheme contribution	退休計劃供款	199	125
		3,423	3,998
		7,561	7,526



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

綜合財務報表附註(續)

For the year ended 31 December 2019

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8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
Mr. Huang Wenli	黃文禮先生	64	134
Mr. Shao Shaomin	邵少敏先生	36	134
Mr. Liu Haifeng	劉海峰先生	146	134
Mr. Pang Wing Hong	彭永康先生	115	–
Mr. Chu Guodi	褚國弟先生	93	–
		454	402

(i) Mr. Pang Wing Hong was appointed as an independent non-executive director of the Company on 12 April 2019.

(ii) Mr. Chu Guodi was appointed as an independent non-executive director of the Company on 28 May 2019.

(iii) Mr. Shao Shaomin resigned as an independent non-executive director on 12 April 2019.

Mr. Huang Wenli resigned as an independent non-executive director on 28 May 2019.

(iv) There were no other emoluments payable to the independent non-executive directors during the year (2018: Nil).

8. 董事及主要行政人員酬金(續)

(a) 獨立非執行董事

年內支付予獨立非執行董事的袍金載列如下：

(i) 彭永康先生於2019年4月12日獲委任為獨立非執行董事。

(ii) 褚國弟先生於2019年5月28日獲委任為獨立非執行董事。

(iii) 邵少敏先生於2019年4月12日辭任獨立非執行董事。

黃文禮先生於2019年5月28日辭任獨立非執行董事。

(iv) 概無其他年內應付獨立非執行董事之薪酬(2018年：無)。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

綜合財務報表附註(續)

For the year ended 31 December 2019

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8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(b) The chief executive officer, and executive directors

The remuneration of each of these executive directors is set out below:

8. 董事及主要行政人員酬金(續)

(b) 行政總裁及執行董事

該等執行董事各自的酬金載列如下：

		Salaries, allowances, and benefits	Discretionary bonuses	Pension scheme contributions	Total remuneration	
		Fees in kind	bonuses	contributions	remuneration	
		薪金、津貼及實物利益	酌情花紅	退休計劃供款	酬金總額	
		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	
<b>Year ended 31 December 2019</b>	<b>截至2019年12月31日止年度</b>					
Executive Directors:	執行董事：					
Mr. Zou	鄒先生	2,295	1,197	881	56	4,429
Mr. Zeng Jin	曾金先生	463	155	227	56	901
Mr. Wu Yuming	吳月明先生	463	155	227	31	876
Mr. Shen Zhidong	沈志東先生	463	155	227	56	901
		<b>3,684</b>	<b>1,662</b>	<b>1,562</b>	<b>199</b>	<b>7,107</b>
		Salaries, allowances, and benefits	Discretionary bonuses	Pension scheme contributions	Total remuneration	
		Fees in kind	bonuses	contributions	remuneration	
		薪金、津貼及實物利益	酌情花紅	退休計劃供款	酬金總額	
		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	
<b>Year ended 31 December 2018</b>	<b>截至2018年12月31日止年度</b>					
Executive Directors:	執行董事：					
Mr. Zou	鄒先生	2,185	1,218	882	32	4,317
Mr. Chen Guohua	陳國華先生	146	87	-	32	265
Mr. Zeng Jin	曾金先生	440	177	250	32	899
Mr. Wu Yuming	吳月明先生	244	130	530	11	915
Mr. Shen Zhidong	沈志東先生	110	200	400	18	728
		<b>3,125</b>	<b>1,812</b>	<b>2,062</b>	<b>125</b>	<b>7,124</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

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#### 8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

##### (b) The chief executive officer, and executive directors (Continued)

Mr. Wu Yuming was appointed as executive director of the Company on 6 Jun 2018.

Mr. Chen Guohua retired as an executive director on 17 May 2018.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2018: Nil).

#### 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included 1 director (2018: 1), details of whose remuneration are set out in note 8 above. The emoluments of Mr. Chen Guohao disclosed in note 8 only included the portion of his emoluments during the year when he held the directorship position. Details of the remuneration of the five highest paid employees are as follows:

		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
Fees	袍金	2,295	2,185
Salaries, allowances and benefits in kind	薪金、津貼及實物利益	7,795	6,828
Discretionary bonuses	酌情花紅	1,007	882
Pension Scheme contributions	退休計劃供款	72	32
		<b>11,169</b>	<b>9,927</b>

#### 8. 董事及主要行政人員酬金(續)

##### (b) 行政總裁及執行董事(續)

吳月明先生於2018年6月6日獲委任為本公司執行董事。

陳國華先生於2018年5月17日退任執行董事。

概無任何董事或主要行政人員於年內放棄或同意放棄酬金的安排(2018年：無)。

#### 9. 五名最高薪僱員

年內五名最高薪僱員包括一名董事(2018年：一名)，有關其酬金的詳情載於上文附註8。陳國華先生於附註8所披露的薪酬僅包括其在擔任董事職務期間的部分薪酬。五名最高薪僱員的薪酬詳情如下：

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

截至2019年12月31日止年度

#### 9. FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

The number of highest paid employees whose remuneration fell within the following bands is as follows:

#### 9. 五名最高薪僱員(續)

薪酬介乎下列範圍的最高薪僱員數目如下：

		2019 2019年	2018 2018年
Nil to HK\$1,000,000	零至1,000,000港元	–	2
HK\$1,000,001 to HK\$1,500,000	1,000,001港元至1,500,000港元	1	–
HK\$1,500,001 to HK\$2,000,000	1,500,001港元至2,000,000港元	1	1
HK\$2,000,001 to HK\$2,500,000	2,000,001港元至2,500,000港元	1	1
HK\$2,500,001 to HK\$3,000,000	2,500,001港元至3,000,000港元	1	–
HK\$4,000,001 to HK\$4,500,000	4,000,001港元至4,500,000港元	–	1
HK\$5,000,001 to HK\$5,500,000	5,000,001港元至5,500,000港元	1	–
		5	5

During the year, no remuneration was paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office (2018: Nil).

於年內，本集團概無向五名最高薪僱員支付酬金，作為吸引其加入本集團或加入本集團時的獎勵或作為離職補償(2018年：無)。



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

截至2019年12月31日止年度

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

## 10. 所得稅

根據開曼群島及英屬處女群島(「**英屬處女群島**」)的規則及規例，本集團毋須於開曼群島及英屬處女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。

年內，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12月31日止年度，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日止年度為止。

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

截至2019年12月31日止年度

#### 10. INCOME TAX (CONTINUED)

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

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

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

#### 10. 所得稅(續)

根據減稅與就業法案，截至2019年12月31日止年度的美國企業稅率為21%。美國所得稅包括(a)就估計美國聯邦所得稅收入按截至2019年12月31日止年度21%的固定稅率(2018年：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。

根據英國的所得稅規則和法規，截至2019年12月31日止年度，本集團在英國的附屬公司應按19%的稅率向英國繳稅。

根據柬埔寨相關法律法規，截至2019年12月31日止年度，柬埔寨附屬公司的稅率為20%。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

綜合財務報表附註(續)

For the year ended 31 December 2019

截至2019年12月31日止年度

10. INCOME TAX (CONTINUED)

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

10. 所得稅(續)

於其他地區的應課利得稅乃按本集團經營所在司法權區的現行稅率計算。

		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
Current – PRC	即期 — 中國		
– Charge for the year	— 年內支出	–	12,720
– Over-provision in prior year	— 過往年度超額撥備	(530)	(7,810)
Current – Hong Kong	即期 — 香港		
– Charge for the year	— 年內支出	723	17,450
– Over-provision in prior year	— 過往年度超額撥備	(33,410)	–
Current – U.S.	即期 — 美國		
– Change for the year	— 年內支出	66	52
– Over-provision in prior year	— 過往年度超額撥備	–	(520)
Current – Other	即期 — 其他	9	11
Deferred (note 27)	遞延(附註27)	(5,111)	(8,022)
Tax (credit)/charge for the year	年內稅項(抵免)/支出	(38,253)	13,881

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

截至2019年12月31日止年度

#### 10. INCOME TAX (CONTINUED)

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the majority of the Company's subsidiaries are domiciled to the tax expense at the Group's effective tax rate is as follows:

		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
(Loss)/profit before tax	除稅前(虧損)/溢利	(179,943)	100,286
Tax calculated at domestic tax rates applicable to profit in the respective jurisdiction	按有關司法權區溢利適用本地稅率計算的稅項	(41,209)	22,388
Adjustments in respect of current tax of previous periods	就過往期間即期稅項的調整	(33,940)	(8,330)
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	本集團中國附屬公司可分配溢利徵收10%預扣稅的影響	-	(3,097)
Expenses not deductible for tax	不可扣稅開支	16,979	13,587
Super-deduction of eligible research and development expenditure	合資格研發開支超額抵扣	(9,184)	(11,757)
Tax effect of deductible temporary difference	可扣減暫時差額的稅務影響	(2,155)	(3,507)
Income tax on concessionary rate	按優惠稅率計算的所得稅	(1,463)	(8,480)
Income not subject to tax	毋須課稅收入	(2,095)	(6,207)
Tax losses not recognised	未確認稅項虧損	34,814	19,284
Tax (credit)/charge for the year	年內稅項(抵免)/支出	(38,253)	13,881

The weighted average applicable tax rate was 23.1% (2018: 12.1%). The change in the weighted average applicable tax rate was caused by a change in the profitability of certain subsidiaries of the Company in the respective jurisdictions.

#### 10. 所得稅(續)

按本公司大部分附屬公司註冊成立司法權區的法定稅率計算的除稅前溢利適用的稅項開支與按本集團實際稅率計算的稅項開支對賬如下：

加權平均適用稅率為23.1% (2018年：12.1%)。加權平均適用稅率變動乃由於本公司若干附屬公司於相關司法權區的盈利能力發生變動所致。



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

截至2019年12月31日止年度

## 11. DIVIDEND

## 11. 股息

		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
Interim dividend paid – Nil (2018: HK1.8 cents) per ordinary share	已付中期股息 — 每股普通股零港仙 (2018年: 1.8港仙)	–	15,213
Final dividend proposed – Nil (2018: HK1.3 cents) per ordinary share	建議末期股息 — 每股普通股零港仙 (2018年: 1.3港仙)	–	10,709
		–	25,922

		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
Final dividend in respect of the previous financial year, approved and paid during the year, of HK1.3 cents per ordinary share (2018: HK\$3.8 cents per ordinary share)	上一財政年度末期股息 每股普通股1.3港仙, 已於 年內批准及支付(2018年: 每股普通股3.8港仙)	11,342	32,038

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

## 12. 本公司普通權益持有人應佔每股(虧損)/盈利

The calculation of basic (loss)/earnings per share amount for the year ended 31 December 2019 was based on the loss for the year attributable to ordinary equity holders of the Company of RMB140,436,000 (2018: profit of RMB86,405,000), and the weighted average number of ordinary shares of 998,379,710 after excluding treasury shares (2018: 1,000,000,000) in issue during the year.

截至2019年12月31日止年度, 每股基本(虧損)/盈利乃根據本年度本公司普通權益持有人應佔虧損人民幣140,436,000元(2018年: 溢利人民幣86,405,000元)以及年內已發行普通股的加權平均數998,379,710股(扣除庫存股份後)(2018年: 1,000,000,000股)計算。

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

由於本集團於截至2019年12月31日止年度有具反攤薄效應的已發行普通股(2018年: 並無潛在攤薄已發行普通股), 故並無就截至2019年及2018年12月31日止年度呈列的每股基本盈利金額作出調整。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

綜合財務報表附註(續)

For the year ended 31 December 2019

截至2019年12月31日止年度

13. PROPERTY, PLANT AND EQUIPMENT

13. 物業、廠房及設備

	Note 附註	Buildings 建築物	Leasehold Improvements 租賃 物業裝修	Plant and machinery 廠房及 機器	Furniture, fixtures and office equipment 傢俱、傢俬 及辦公設備	Motor vehicles 汽車	Construction in progress 在建工程	Total 總計
<b>31 December 2019</b>	<b>2019年12月31日</b>							
As at 31 December 2018 and 1 January 2019	於2018年12月31日及 2019年1月1日							
Cost	成本	37,481	22,737	21,037	15,585	2,348	-	99,188
Accumulated depreciation	累計折舊	(3,647)	(12,520)	(11,636)	(11,135)	(1,154)	-	(40,092)
Net carrying amount	賬面淨值	33,834	10,217	9,401	4,450	1,194	-	59,096
As at 1 January 2019, net of accumulated depreciation	於2019年1月1日， 扣除累計折舊	33,834	10,217	9,401	4,450	1,194	-	59,096
Additions	添置	-	5,783	1,747	1,203	1,345	18,076	28,154
Disposal/written-off	出售/撇銷	(4,312)	(4)	-	(6)	(12)	-	(4,334)
Depreciation	折舊	(1,647)	(4,691)	(1,556)	(1,160)	(532)	-	(9,586)
Impairment loss	減值虧損	-	(2,037)	(57)	(133)	(119)	-	(2,346)
Exchange realignment	匯兌調整	368	99	4	24	1	-	496
As at 31 December 2019, net of accumulated depreciation and impairment	於2019年12月31日， 扣除累計折舊及 減值	28,243	9,367	9,539	4,378	1,877	18,076	71,480
As at 31 December 2019: Cost	於2019年12月31日： 成本	33,212	27,416	22,797	15,822	3,682	18,076	121,005
Accumulated depreciation and impairment	累計折舊及減值	(4,969)	(18,049)	(13,258)	(11,444)	(1,805)	-	(49,525)
Net carrying amount	賬面淨值	28,243	9,367	9,539	4,378	1,877	18,076	71,480

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

綜合財務報表附註(續)

For the year ended 31 December 2019

截至2019年12月31日止年度

13. PROPERTY, PLANT AND EQUIPMENT

(CONTINUED)

13. 物業、廠房及設備(續)

		Buildings	Leasehold Improvements	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	Total
		建築物	租賃 物業裝修	廠房及 機器	傢俱、傢私 及辦公設備	汽車	總計
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	附註	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
<b>31 December 2018</b>	<b>2018年12月31日</b>						
As at 1 January 2018	於2018年1月1日						
Cost	成本	34,395	20,390	18,130	20,608	2,464	95,987
Accumulated depreciation	累計折舊	-	(11,373)	(10,163)	(14,020)	(1,029)	(36,585)
<b>Net carrying amount</b>	<b>賬面淨值</b>	<b>34,395</b>	<b>9,017</b>	<b>7,967</b>	<b>6,588</b>	<b>1,435</b>	<b>59,402</b>
As at 1 January 2018, net of accumulated depreciation	於2018年1月1日， 扣除累計折舊	34,395	9,017	7,967	6,588	1,435	59,402
Additions	添置	1,208	4,706	3,150	1,560	245	10,869
Disposal/written-off	出售/撇銷	-	(394)	(40)	(2,918)	(18)	(3,370)
Depreciation	折舊	7	(3,392)	(1,678)	(896)	(468)	(9,936)
Exchange realignment	匯兌調整	1,733	280	2	116	-	2,131
<b>As at 31 December 2018, net of accumulated depreciation</b>	<b>於2018年12月31日， 扣除累計折舊</b>	<b>33,834</b>	<b>10,217</b>	<b>9,401</b>	<b>4,450</b>	<b>1,194</b>	<b>59,096</b>
As at 31 December 2018:	於2018年12月31日：						
Cost	成本	37,481	22,737	21,037	15,585	2,348	99,188
Accumulated depreciation	累計折舊	(3,647)	(12,520)	(11,636)	(11,135)	(1,154)	(40,092)
<b>Net carrying amount</b>	<b>賬面淨值</b>	<b>33,834</b>	<b>10,217</b>	<b>9,401</b>	<b>4,450</b>	<b>1,194</b>	<b>59,096</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

截至2019年12月31日止年度

#### 14. PREPAID LAND LEASE PAYMENTS

#### 14. 預付土地租賃款項

		2018
		2018年
	Note	RMB'000
	附註	人民幣千元
Carrying amount at beginning of the year	年初的賬面值	7,212
Addition	添置	994
Amortisation	攤銷	7 (159)
Exchange realignment	匯兌調整	207
Carrying amount at end of the year	年末的賬面值	8,254
Current portion included in prepayments, deposits and other receivables	已計入預付款項、按金及其他應收款項的流動部分	(180)
Non-current portion	非流動部分	8,074

As at 31 December 2018, the title certificate with respect to the land with a carrying amount of RMB8,254,000 in Cambodia leased by Masia Industries Co., Ltd., the Group's subsidiary, from the Sihanoukville Special Economy Zone Co., Ltd., was not registered in the name of Masia Industries Co., Ltd. Notwithstanding, the directors are of the opinion that Masia Industries Co., Ltd. is entitled to the lawful and valid occupation and use of the buildings and land to which the above-mentioned land use rights relate based on the lease agreement and the subsequent assignment.

Upon initial application of HKFRS 16, the interests in prepaid land lease payments were classified as right-of-use assets.

於2018年12月31日，本集團的附屬公司 Masia Industries Co., Ltd. 向西哈努克港經濟特區有限公司租賃賬面值為人民幣8,254,000元的柬埔寨土地的所有權證書並無以 Masia Industries Co., Ltd. 的名義登記。儘管如此，董事認為，Masia Industries Co., Ltd. 有權根據租賃協議及後續出讓依法有效佔用並使用上述土地使用權涉及的建築物及土地。

於首次應用香港財務報告準則第16號後，預付土地租賃款項的權益已分類為使用權資產。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
綜合財務報表附註(續)

For the year ended 31 December 2019  
截至2019年12月31日止年度

15. RIGHT-OF-USE ASSETS

The Group as lessee

		<b>Leasehold Land 租賃土地 RMB'000 人民幣千元</b>	<b>Leased properties 租賃物業 RMB'000 人民幣千元</b>	<b>Total 總額 RMB'000 人民幣千元</b>
As at 1 January 2019 (Note 2)	於2019年1月1日(附註2)	8,254	163,892	172,146
Additions	添置	27,360	84,715	112,075
Depreciation charge during the year (Note 7)	年內折舊費用 (附註7)	(713)	(49,506)	(50,219)
Impairment loss	減值虧損	-	(6,773)	(6,773)
Exchange realignment	匯兌調整	99	644	743
<b>As at 31 December 2019</b>	<b>於2019年12月31日</b>	<b>35,000</b>	<b>192,972</b>	<b>227,972</b>

Lease liabilities of RMB223,213,000 are recognised with related right-of-use assets of RMB192,972,000 as at 31 December 2019. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Details of total cash outflow of leases is set out in the consolidated cash flow statements.

During the current year, the Group leases properties for self-own use. Lease contracts are entered into for fixed term of one to ten years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

15. 使用權資產

本集團作為承租人

於2019年12月31日，租賃負債人民幣223,213,000元確認為相關使用權資產人民幣192,972,000元。除出租人所持租賃資產的保證權益外，租賃協議並無施加任何條款。租賃資產不得用作借款的擔保品。

租賃的現金流出總額詳情載於綜合現金流量表。

於本年度，本集團租賃物業作自用。租賃合約的固定年期為一至十年。租賃條款乃在個別基礎上協商，並包含各種不同的條款及條件。於釐定租期及評估不可撤回期間的長度時，本集團應用合約的定義並釐定合約可強制執行的期間。

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

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#### 15. RIGHT-OF-USE ASSETS (CONTINUED)

##### The Group as lessee (Continued)

In addition, the Group owns a leasehold land located in the PRC and Cambodia. The directors are of the opinion that Group's subsidiaries are entitled to the lawful and valid occupation and use of the buildings and land to which the above-mentioned land use rights relate based on the lease agreement and the subsequent assignment. Lump sum payments were made upfront to acquire these property short term lease commitment interests.

#### 16. CONTINGENT CONSIDERATION RECEIVABLES

The amount represents the fair value of receivable if the audited net profits of Jennifer Convertibles Inc. and its subsidiaries cannot achieve the respective base profit target for the year ending 31 December 2019 and 2020. For detailed information, please refer to the Company's announcement dated 14 August 2018.

The fair value of contingent consideration receivables as at 31 December 2019 was determined based on the valuation performed by an independent professional valuer not connected with the Group.

#### 15. 使用權資產(續)

##### 本集團作為承租人(續)

此外，本集團於中國及柬埔寨擁有租賃土地。董事認為，本集團的附屬公司有權根據租賃協議及其後轉讓合法及有效佔用及使用上述土地使用權所涉及的樓宇及土地。為收購該等物業短期租賃承擔權益，已作出一次性付款。

#### 16. 應收或然代價

有關款項指在Jennifer Convertibles Inc. 及其附屬公司於截至2019年及2020年12月31日止年度的經審核純利無法達到相關基本溢利目標的情況下應收款項的公允值。有關詳細資料，請參閱本公司日期為2018年8月14日的公告。

於2019年12月31日應收或然代價的公允值乃按與本集團並無關連的獨立專業估值師所進行估值釐定。

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

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## 17. INVENTORIES

## 17. 存貨

		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
Raw materials	原材料	18,441	29,055
Work in progress	在製品	69,632	43,968
Finished goods	製成品	81,436	144,268
		<b>169,509</b>	<b>217,291</b>

## 18. TRADE AND BILLS RECEIVABLES

## 18. 貿易應收款項及應收票據

		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
Trade receivables from third parties	來自第三方的貿易應收款項	234,847	633,409
Less: Impairment of trade receivables	減：貿易應收款項減值	(17,829)	(2,253)
Trade receivables, net	貿易應收款項，淨額	217,018	631,156
Bills receivable arising from intra-group sales	應收票據 — 來自集團內銷售	—	3,365
		<b>217,018</b>	<b>634,521</b>

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

本集團與其客戶的貿易賬期以信貸為主。生產分部客戶的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，而零售分部客戶的信貸期則為一個月內。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。

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

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#### 18. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
Within 3 months	3個月內	205,807	596,928
4 to 6 months	4至6個月	2,925	36,983
7 to 12 months	7至12個月	8,286	610
		<b>217,018</b>	<b>634,521</b>

Details of the ECL assessment was set out in Note 39.

於本報告期末，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：

有關預期信貸虧損評估詳情載於附註39。

#### 19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
Advances to supplier	預付供應商款項	139,598	2,081
Other prepayments	其他預付款項	7,407	7,550
Deposits and other receivables	按金及其他應收款項	65,212	52,271
Current portion of prepaid land lease payments (note 14)	預付土地租賃款項的流動部分 (附註14)	-	180
		<b>212,217</b>	<b>62,082</b>

None of the above assets were either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

#### 19. 預付款項、按金及其他應收款項

上述資產概無逾期亦無減值。計入上述結餘的金融資產與近期並無拖欠記錄的應收款項有關。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

綜合財務報表附註(續)

For the year ended 31 December 2019

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20. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

20. 現金及現金等價物以及已抵押存款

		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
Cash and bank balances	現金及銀行結餘	203,323	217,904
Less: Pledged deposits for bills payment (note 21)	減：應付票據的已抵押存款 (附註21)	(131,221)	(92,935)
Less: Pledged deposits for letter of credit	減：信用證的已抵押存款	(1,056)	(1,041)
<b>Total pledged deposits</b>	<b>已抵押存款總額</b>	<b>(132,277)</b>	<b>(93,976)</b>
<b>Cash and cash equivalents</b>	<b>現金及現金等價物</b>	<b>71,046</b>	<b>123,928</b>
Cash and bank balances denominated in:	現金及銀行結餘按以下貨幣 計值：		
RMB	人民幣	183,917	108,447
Hong Kong dollars ("HK\$")	港元(「港元」)	3,794	1,368
US\$	美元	15,262	108,089
British pound	英磅	350	-
		<b>203,323</b>	<b>217,904</b>

As at the end of the reporting period, the cash and bank balances denominated in RMB amounted to RMB183,917,000 (2018: RMB108,447,000). 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183,917,000元(2018年：人民幣108,447,000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。銀行結餘存放於近期無違約記錄且信譽良好的銀行。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

綜合財務報表附註(續)

For the year ended 31 December 2019

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21. TRADE AND BILLS PAYABLES

21. 貿易應付款項及應付票據

		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
Trade payables to third parties	應付第三方的貿易款項	158,737	209,275
Bills payables	應付票據		
– arising from intra-group purchases	— 來自集團內部公司購買	90,865	19,173
– arising from third purchases	— 來自第三方購買	139,732	188,318
		<b>389,334</b>	<b>416,766</b>

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：

		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
Within 1 month	1個月內	108,207	143,706
1 to 3 months	1至3個月	72,450	80,087
4 to 6 months	4至6個月	130,034	148,617
Over 6 months	超過6個月	78,643	44,356
		<b>389,334</b>	<b>416,766</b>

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。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

綜合財務報表附註(續)

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21. TRADE AND BILLS PAYABLES (CONTINUED)

Certain bills payable were secured by pledged deposits with aggregate carrying amounts as listed below:

		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
Pledged deposits of the Group (note 20)	本集團的已抵押存款(附註20)	131,221	92,935

As at 31 December 2018 and 2019, certain bills payables were secured by corporate guarantees provided by independent third parties.

22. OTHER PAYABLES AND ACCRUALS/  
CONTRACT LIABILITIES

		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
Other payables	其他應付款項	42,936	70,232
Accruals	應計費用	20,304	56,099
		63,240	126,331
Contract liabilities (Note b)	合約負債(附註b)	24,844	17,967
Non-current portion: Accruals (Note a)	非流動部分： 應計費用(附註a)	-	6,029

21. 貿易應付款項及應付票據(續)

若干應付票據由已抵押存款作抵押，其總賬面值載列如下：

於2018年及2019年12月31日，若干應付票據由獨立第三方提供的公司擔保作抵押。

22. 其他應付款項及應計費用/  
合約負債

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

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## 22. OTHER PAYABLES AND ACCRUALS/ CONTRACT LIABILITIES (CONTINUED)

Contract liabilities represent contract amounts received in advance of delivery of goods.

There were no significant changes in the contract liabilities balances during the reporting period.

The following table shows how much of the revenue recognised in the current reporting period relates to brought-forward contract liabilities. There was no revenue recognised in the current reporting period that related to performance obligations that were satisfied in a prior year.

The Group's revenue recognised that was included in the contract liabilities balance at the beginning of the period:

		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
Amounts received in advance of delivery of goods	於交付貨品前收取的款項	17,967	14,018

Note:

- The non-current portion of accruals represented the deferred rent-free period benefits to be recognised over 1 year. Upon initial application of HKFRS16, the carrying amount of the non-current portion of accruals was classified as right-of-use assets.
- Contract liabilities in relation to sales of finished goods are expected to be settled within one year. The entire amount of contract liabilities as at 1 January 2019 is all recognised as revenue during current year.

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

## 22. 其他應付款項及應計費用/ 合約負債(續)

合約負債指交付貨物前收到的合約金額。

合約負債結餘於報告期內並無顯著變化。

下表列示本報告期間確認的收入與結轉合約負債的相關程度。本報告期間概無確認與過往年度達成的履約責任有關的收益。

本集團於期初計入合約負債結餘的已確認收益：

附註：

- 應計費用非流動部分指將於1年以上確認的遞延免租期優惠。於首次應用香港財務報告準則第16號時，應計費用的非流動部分的賬面值分類為使用權資產。
- 與成品銷售有關的合約負債預期將於一年內償還。於2019年1月1日的全數合約負債均於本年度確認為收入。

其他應付款項及應計費用為免息及通常須按要求償還。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
綜合財務報表附註(續)

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23. LEASE LIABILITIES

23. 租賃負債

		As at 31 December 2019 於2019年12月31日		As at 1 January 2019 於2019年1月1日	
		Present value of the minimum lease payments 最低租賃 付款現值 RMB'000 人民幣千元	Total minimum lease payments 最低租賃 付款總額 RMB'000 人民幣千元	Present value of the minimum lease payments 最低租賃 付款現值 RMB'000 人民幣千元	Total minimum lease payments 最低租賃 付款總額 RMB'000 人民幣千元
Within 1 year	1年內	46,504	58,423	22,735	33,262
After 1 year but within 2 years	1至2年內	39,220	48,712	24,845	33,940
After 2 years but within 5 years	2至5年內	67,870	86,525	64,182	82,664
After 5 years	超過5年	69,619	77,742	69,315	78,859
		176,709	212,979	158,342	195,463
		223,213	271,402	181,077	228,725
Less: total future interest expenses	減：未來利息 開支總額		(48,189)		(47,648)
Present value of lease obligations	租賃承擔現值		223,213		181,077

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 綜合財務報表附註(續)

For the year ended 31 December 2019  
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23. LEASE LIABILITIES (CONTINUED)

Analysed for reporting purposes as:

		<b>As at 31 December 2019 於2019年 12月31日 RMB'000 人民幣千元</b>	As at 1 January 2019 於2019年 1月1日 RMB'000 人民幣千元
Current liabilities	流動負債	46,504	22,735
Non-current liabilities	非流動負債	176,709	158,342
		<b>223,213</b>	<b>181,077</b>

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to lease which were previously classified as operating leases under HKAS 17. Comparative information as at 31 December 2018 has not been restated. Further details on the impact of the transition to HKFRS 16 are set out in Note 2.2.

23. 租賃負債(續)

就報告日的分析如下：

附註：本集團已使用經修訂追溯法首次應用香港財務報告準則第16號，並調整於2019年1月1日的期初結餘，以確認與先前根據香港會計準則第17號分類為經營租賃的租賃有關的租賃負債。於2018年12月31日的比較資料不予重列。有關過渡至香港財務報告準則第16號的影響的進一步詳情載於附註2.2。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
綜合財務報表附註(續)

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截至2019年12月31日止年度

24. AMOUNT DUE TO A SHAREHOLDER/RELATED COMPANIES

The amount due to a shareholder and related companies are unsecured, interest-free and repayable on demand.

24. 應付股東／關連公司款項

應付股東及關連公司款項為無抵押、免息及須按要求償還。

25. INTEREST-BEARING BANK BORROWINGS

25. 計息銀行借款

		2019			2018		
		2019年			2018年		
		Effective interest Rate	Maturity	RMB'000	Effective interest rate	Maturity	RMB'000
		實際利率	到期	人民幣千元	實際利率	到期	人民幣千元
<b>Current – secured</b>	<b>即期一有抵押</b>						
Bank loans	銀行貸款	4.2%-6.5%	On demand	54,668	2.7%-6.5%	On demand	107,197
			按要求			按要求	
Bank loans	銀行貸款	5.1%-5.7%	2020	115,000	4.3%-5.8%	2019	35,000
Factoring loans with recourse	附追索權的保理貸款	3.2%	2020	51,147	-	-	-
				220,815			142,197

		2019		2018	
		2019年		2018年	
		RMB'000		RMB'000	
		人民幣千元		人民幣千元	
Analysed into:	分析為以下各項：				
Bank borrowings repayable within one year or an demand	於一年內或按要求償還的銀行借款			220,815	142,197

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

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## 25. INTEREST-BEARING BANK BORROWINGS

(CONTINUED)

Notes:

- (a) 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 31 December 2019 and 2018;
  - (ii) personal guarantees provided by the Controlling Shareholders as at 31 December 2019 and 2018;
  - (iii) corporate guarantees provided by Morris PRC as at 31 December 2019 and 2018;
  - (iv) corporate guarantees provided by Morris Real Estate, a company controlled by the Controlling Shareholders as at 31 December 2019 and 2018;
  - (v) corporate guarantees provided by independent third parties as at 31 December 2019 and 2018; and
  - (vi) pledges of certain properties which were provided by Morris Real Estate, a company controlled by the Controlling Shareholders as at 31 December 2019 and 2018.
- (b) The Group's bank borrowings were denominated in the following currencies:

## 25. 計息銀行借款(續)

附註：

- (a) 本集團的若干已抵押銀行貸款以下列各項作抵押：
- (i) 於2019年及2018年12月31日，以慕容中國提供的若干幅土地及建築物作抵押；
  - (ii) 控股股東於2019年及2018年12月31日提供的個人擔保；
  - (iii) 慕容中國於2019年及2018年12月31日提供的公司擔保；
  - (iv) 控股股東控制的公司慕容地產於2019年及2018年12月31日提供的公司擔保；
  - (v) 獨立第三方於2019年及2018年12月31日提供的公司擔保；及
  - (vi) 以控股股東控制的公司慕容地產於2019年及2018年12月31日提供的若干物業作抵押。
- (b) 本集團的銀行借款按下列貨幣計值：

		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
RMB	人民幣	160,000	122,116
US\$	美元	60,815	13,492
HK\$	港元	-	6,589
		<b>220,815</b>	<b>142,197</b>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
綜合財務報表附註(續)

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26. WARRANTY PROVISION

26. 保修撥備

		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
At beginning of year	年初	4,943	3,292
Additional provision (note 7)	額外撥備(附註7)	4,649	4,746
Amount utilized during the year	年內已動用款項	(4,962)	(3,329)
Exchange realignment	匯兌調整	59	234
At end of year	年末	4,689	4,943

The Group provides one-year warranties to certain customers on its products, under which faulty products are repaired or replaced. The amount of the provision for the warranties is estimated based on sales volumes and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

本集團向若干客戶提供一年的產品保修服務，據此有缺陷的產品將獲得維修或更換。保修撥備金額將根據銷量及過往維修及退貨水平進行估計。本集團將持續檢討估算基準，並適時作出修訂。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

綜合財務報表附註(續)

For the year ended 31 December 2019

截至2019年12月31日止年度

27. DEFERRED TAX

Deferred tax assets

27. 遞延稅項

遞延稅項資產

		Unrealised profit arising from intra-group transactions 集團內部 交易產生的 未變現溢利 RMB'000 人民幣千元	Impairment losses on inventories and receivables 存貨及 應收款項 減值虧損 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
As at 1 January 2018 (Charged)/credited to profit or loss	於2018年1月1日 (自損益扣除)/ 計入損益	1,941  (270)	-  5,195	1,941  4,925
As at 31 December 2018 and 1 January 2019 (Charged)/credited to profit or loss	於2018年12月31日及 2019年1月1日 (自損益扣除)/ 計入損益	1,671  (1)	5,195  2,155	6,866  2,154
As at 31 December 2019	於2019年12月31日	1,670	7,350	9,020

The Group has tax losses arising in Mainland China of RMB42,260,000 (2018: RMB20,688,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

本集團源自中國內地的稅項虧損為人民幣42,260,000元(2018年: 人民幣20,688,000元)於一至五年內到期, 可用於抵銷未來應課稅溢利。由於產生遞延稅項資產的附屬公司已虧損一段時間, 而應課稅溢利被認為不可能用以抵銷可動用稅項虧損, 故概無就該等虧損確認遞延稅項資產。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
綜合財務報表附註(續)

For the year ended 31 December 2019  
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27. DEFERRED TAX (CONTINUED)

Deferred tax liabilities

		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
At beginning of year	年初	5,845	8,942
Credited to profit or loss during the year	年內計入損益	(2,957)	(3,097)
At end of year	年末	2,888	5,845

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirements is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. For the Group, during the year ended 31 December 2019 the applicable rate is 5% (2018: 5%). The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

27. 遞延稅項(續)

遞延稅項負債

根據中國企業所得稅法，於中國成立的外國投資企業向外國投資者分派股息，需按10%的稅率繳納預扣稅。該規定自2008年1月1日起生效，並適用於2007年12月31日之後產生的盈利。倘中國與外國投資者所在司法權區訂有相關稅務協議，則可採用較低的預扣稅率。就本集團而言，截至2019年12月31日止年度的適用稅率為5%（2018年：5%）。因此，本集團須就中國內地成立的該等附屬公司就2008年1月1日起產生的盈利分派的股息繳納預扣稅。

本公司向其股東派付股息不會產生所得稅後果。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

綜合財務報表附註(續)

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28. CONVERTIBLE LOAN/DERIVATIVE FINANCIAL INSTRUMENTS 28. 可換股貸款／衍生金融工具

		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
Liability component of the Convertible loan 可換股貸款的負債部分		109,588	181,372
Derivative financial instruments 衍生金融工具		-	2,521

Analysed for reporting purpose as:

就申報目的分析如下：

		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
Liabilities component of the Convertible loan 可換股貸款的負債部分			
Current liabilities 流動負債		99,986	181,372
Non-current liabilities 非流動負債		9,602	-
		109,588	181,372

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.

於2018年1月5日，本公司與國際金融公司(「國際金融公司」)訂立一份可換股貸款(「可換股貸款」)協議(「可換股貸款協議」)，根據該協議，國際金融公司同意出借及本公司同意借入本金總額為200,000,000港元的可換股貸款。國際金融公司有權按每股換股股份2.22港元的初始換股價將全部或部分可換股貸款未償還本金額轉換成本公司股份(可根據可換股貸款協議所載作出調整)。可換股貸款未償還本金額按年利率1.25%(高於六個月香港銀行同業拆息)計息。於各種情況下，可換股貸款的利息期為六個月，自付息日期起至緊接下一個付息日期前一日止。



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

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#### 28. CONVERTIBLE LOAN/DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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 repaid 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.

#### 28. 可換股貸款／衍生金融工具 (續)

除先前轉換外，本公司須償還於可換股貸款日期滿四週年當日(「**首次分期還款日**」)未轉換可換股貸款的50%未轉換部分。

根據上文所載首次分期還款日作出的任何還款，可換股貸款未轉換部分的未償還金額連同贖回溢價(「**贖回溢價**」)(就於發放之日起計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)須於可換股貸款日期滿五週年當日(「**到期日**」)償還。本公司贖回的任何金額的可換股貸款將立即註銷。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

綜合財務報表附註(續)

For the year ended 31 December 2019

截至2019年12月31日止年度

28. CONVERTIBLE LOAN/DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The Convertible Loan recognised in the 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:

28. 可換股貸款／衍生金融工具 (續)

於本集團綜合財務狀況表確認的可換股貸款分為兩個會計部分，即負債部分和衍生部分，於報告期間的該等部分變動如下：

		<b>Liability component</b>	<b>Derivative financial instrument</b>	<b>Total</b>
		負債部分	衍生金融工具	總計
		RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元
As at 1 January 2018	於2018年1月1日	-	-	-
Issue of Convertible Loan	發行可換股貸款	136,702	29,490	166,192
Amortisation of liability component of the Convertible Loan	可換股貸款負債部分的攤銷	15,077	-	15,077
Accrual interest	應計利息	(4,361)	-	(4,361)
Fair value change	公允值變動	-	(27,501)	(27,501)
Loss on remeasurement of liability component	重新計量負債部分的虧損	24,609	-	24,609
Exchange difference	匯兌差額	9,345	532	9,877
At 31 December 2018 and 1 January 2019	於2018年12月31日及2019年1月1日	181,372*	2,521	183,893
Repayment of Convertible Loan	償還可換股貸款	(81,037)	-	(81,037)
Amortisation of liability component of the Convertible Loan	可換股貸款負債部分的攤銷	7,931	-	7,931
Accrual interest	應計利息	(4,717)	-	(4,717)
Loss on non-substantial modification of Convertible Loan <sup>#</sup>	非重大修訂可換股貸款的虧損 <sup>#</sup>	3,915	-	3,915
Fair value change	公允值變動	-	(2,530)	(2,530)
Exchange difference	匯兌差額	2,124	9	2,133
At 31 December 2019	於2019年12月31日	109,588	-	109,588

\* During the year ended 31 December 2018, the Group had suspended from trading the shares, as a result the convertible loan become 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.

\* 截至2018年12月31日止年度，本集團暫停股份買賣，以致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。可換股貸款尚未償還本金額重新分類為流動負債，並重新計量為按要求償還款項加贖回溢價。

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

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## 28. CONVERTIBLE LOAN/DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

# During the year ended 31 December 2019, the Company re-negotiate with the holder of the convertible loan to renew the repayment schedule. As the modification of the convertible loan does not result in derecognition, the Company record loss on non-substantial modification of the convertible loan of approximately RMB3,915,000.

## 28. 可換股貸款／衍生金融工具 (續)

# 截至2019年12月31日止年度，本公司與可換股貸款持有人重新磋商以重續還款時間表。由於修訂可換股貸款並無導致終止確認，本公司錄得非重大修訂可換股貸款的虧損約人民幣3,915,000元。

## 29. SHARE CAPITAL

## 29. 股本

		2019 2018年		2018 2018年	
		US\$'000 千美元	RMB'000 人民幣千元 Equivalent 等值	US\$'000 千美元	RMB'000 人民幣千元 equivalent 等值
Authorised:	法定：				
10,000,000,000 ordinary shares of US\$0.001 each (2018: 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 (2018年：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 (2018: 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 (2018年：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 follows:

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
		Notes 附註	
As at 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	於2018年1月1日、 2018年12月31日、 2019年1月1日及 2019年12月31日		
		1,000,000,000	6,914

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

截至2019年12月31日止年度

## 30. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

### (i) Share premium

Under the Companies 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

### (ii) Treasury shares

As at 31 December 2019, 14,800,000 ordinary shares acquired under the Restricted Share Award Scheme were deemed to be held in treasury, representing 1.48% of the shares in issue as at 31 December 2019. The nominal value of shares held in treasury was approximately RMB2,269,000.

### (iii) 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 RMB.

### (iv) 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.

## 30. 儲備

本集團於本年度及過往年度的儲備及變動數額呈列於綜合權益變動表。

### (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公司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) 庫存股份

於2019年12月31日,受限制股份獎勵計劃下收購的14,800,000股普通股被視為以庫存方式持有,佔於2019年12月31日的已發行股份約1.48%。以庫存方式持有的股份的面值約為人民幣2,269,000元。

### (iii) 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以外的功能貨幣產生的所有相關匯兌差額。

### (iv) 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。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

綜合財務報表附註(續)

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31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Change in liabilities arising from financing activities:

2019

31. 融資活動所產生的負債對賬

融資活動所產生的負債變動：

2019年

		Amount due to a shareholder	Amount due to related companies	Lease liabilities	Convertible loan	Interest-bearing bank borrowings	Total
		應付股東款項	應付關連公司款項	租賃負債	可換股貸款	計息銀行借款	總計
		RMB'000	RMB'000	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	人民幣千元	人民幣千元
As at 31 December 2018	於2018年12月31日	9,978	81,959	-	181,372	142,197	415,506
Adjustment upon application of HKFRS 16	於應用香港財務報告準則第16號時調整	-	-	181,077	-	-	181,077
As at 1 January 2019 (restated)	於2019年1月1日(經重列)	9,978	81,959	181,077	181,372	142,197	596,583
New bank borrowings made during the year	年內新增銀行借款	-	-	-	-	437,608	437,608
Financing cash inflows	融資現金流入	4	46,243	-	-	-	46,247
Interest charged	利息支出	-	-	13,527	7,931	6,041	27,499
Loss on modification of Convertible loan	修訂可換股貸款的虧損	-	-	-	3,915	-	3,915
Repayment during the year	年內還款	-	(49,509)	(57,864)	(81,037)	(359,778)	(548,188)
Interest paid and payable	已付及應付利息	-	-	-	(4,717)	(6,041)	(10,758)
New lease entered	訂立新租約	-	-	84,715	-	-	84,715
Exchange realignment	匯兌調整	125	1,617	1,758	2,124	788	6,412
As at 31 December 2019	於2019年12月31日	10,107	80,310	223,213	109,588	220,815	644,033

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

截至2019年12月31日止年度

### 31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONTINUED)

2018

		Amount due to a shareholder	Amount due to related companies	Convertible loan	Interest- bearing bank borrowings	Total
		應付 股東款項	應付 關連公司 款項	可換股貸款	計息銀行借款	總計
		RMB'000	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	人民幣千元
As at 1 January 2018	於2018年1月1日	9,801	-	-	149,659	159,460
New bank borrowings made during the year	年內新增銀行借款	-	-	-	354,287	354,287
Financing cash inflows	融資現金流入	-	99,112	-	-	99,112
Issue of convertible loan	發放可換股貸款	-	-	166,192	-	166,192
Interest charged	所收取利息	-	-	15,077	9,793	24,870
Derivative portion	衍生工具部分	-	-	(29,490)	-	(29,490)
Loss on remeasurement of liability component	重新計量負債部分的虧損	-	-	24,609	-	24,609
Repayment during the year	年內還款	-	(21,426)	-	(362,814)	(384,240)
Interest paid and payable	已付及應付利息	-	-	(4,361)	(9,793)	(14,154)
Exchange realignment	匯兌調整	177	4,273	9,345	1,065	14,860
As at 31 December 2018	於2018年12月31日	9,978	81,959	181,372	142,197	415,506

### 31. 融資活動所產生的負債對賬(續)

2018年

### 32. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at the end of the reporting period.

### 32. 或然負債

本集團於本報告期末並無任何重大或然負債。

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

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### 33. OPERATING LEASE ARRANGEMENTS – AS LESSEE 33. 經營租賃安排 — 作為承租人

At 31 December 2018, the Group had total future minimum lease payments during under non-cancellable operating leases falling due as follows:

於2018年12月31日，本集團根據不可撤銷經營租約而須於下列限期支付的未來最低租賃付款總額如下：

		RMB'000 人民幣千元
Within one year	一年內	42,826
In the second to fifth years, inclusive	第二年至第五年，包括首尾兩年	126,460
Over five years	超過五年	79,980
		249,266

The Group is the lessee in respect of a number of office property, showrooms and factory premises which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (note 2.2). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 2.2, and the details regarding the Group's future lease payments are disclosure in note 23.

本集團為多項先前根據香港會計準則第17號分類為經營租賃的辦公室物業、展廳及工廠物業的承租人。本集團已採用經修訂追溯法首次應用香港財務報告準則第16號。根據此方法，本集團調整於2019年1月1日的期初結餘，以確認有關該等租賃的租賃負債(附註2.2)。自2019年1月1日起，未來租賃付款根據附註2.2所載政策於財務狀況表確認為租賃負債，有關本集團未來租賃付款的詳情於附註23披露。

### 34. COMMITMENTS

In addition to the operating lease commitments detailed in note 33 above, the Group did not have any capital commitment as at 31 December 2019 and 2018.

### 34. 承擔

除上述附註33詳述的經營租賃承擔外，本集團於2019年及2018年12月31日並無任何資本承擔。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
綜合財務報表附註(續)

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35. 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 year:

		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
<b>Morris PRC</b>	<b>慕容中國</b>		
Purchases of electricity	購買電力	50	1,208
Short-term rental expenses (note 1)	短期租金開支(附註1)	13,218	14,249
Compensation on factory relocation	廠房搬遷補償	-	(15,846)
<b>Jennifer Convertible Inc.</b>	<b>Jennifer Convertible Inc.</b>		
Sales of finished goods (note 1,2)	銷售製成品(附註1、2)	-	7,457

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

Note:

- These related party transactions also constitute non-exempt continuing connected transactions as defined under Chapter 14A of the Listing Rules.
- The Group completed the acquisition of Jennifer Convertibles Inc. on 31 August 2018. Jennifer Convertibles Inc. ceased to be a connected party to the Group under Chapter 14A of the Listing Rules. The amount represents the transaction with Jennifer Convertibles Inc. up to 31 August 2018.

35. 關連方交易

- (a) 除財務報表其他部分詳述的交易外，本集團於本年度與關連方進行以下重大交易：

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。

附註：

- 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。
- 本集團於2018年8月31日完成收購Jennifer Convertibles Inc.。根據上市規則第14A章，Jennifer Convertibles Inc. 不再為本集團的關連方。有關款項指截至2018年8月31日與Jennifer Convertibles Inc. 進行的交易。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
綜合財務報表附註(續)

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35. RELATED PARTY TRANSACTIONS (CONTINUED)

35. 關連方交易(續)

(b) Compensation of key management personnel of the Group

(b) 本集團主要管理人員的薪酬

		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
Fees	袍金	4,138	3,528
Salaries, allowances and benefits in kind	薪金、津貼及實物福利	3,735	3,134
Discretionary bonuses	酌情花紅	2,332	2,524
Pension scheme contributions	退休計劃供款	372	192
<b>Total compensation paid to key management personnel</b>	<b>支付予主要管理人員的薪酬總額</b>	<b>10,577</b>	<b>9,378</b>

Further details of directors' emoluments are included in note 8 to the financial statements.

董事酬金的進一步詳情載於財務報表附註8。

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

截至2019年12月31日止年度

### 36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2019

Financial assets

### 36. 按類別劃分的金融工具

各類金融工具於報告期末的賬面值載列如下：

2019年

金融資產

		Financial assets at amortised cost 按攤銷成本計量的金融資產	
		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
Trade and bills receivables	貿易應收款項及應收票據	217,018	634,521
Financial assets included in prepayments, deposits and other receivables	計入預付款項、按金及其他應收款項的金融資產	65,212	52,271
Pledged deposits	已抵押存款	132,277	93,976
Cash and cash equivalents	現金及現金等價物	71,046	123,928
		485,553	904,696

		Financial assets at fair value through profit or loss 按公允值計入損益的金融資產	
		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
Contingent consideration receivables	應收或然代價	234,425	226,318

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綜合財務報表附註(續)

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36. FINANCIAL INSTRUMENTS BY CATEGORY

(CONTINUED)

Financial liabilities

36. 按類別劃分的金融工具(續)

金融負債

		Financial liabilities at amortised cost	
		按攤銷成本計量的金融負債	
		2019	2018
		2019年	2018年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Trade and bills payables	貿易應付款項及應付票據	389,334	416,766
Financial liabilities included in other payables and accruals	計入其他應付款項及應計費用的金融負債	63,240	126,331
Amount due to related companies	應付關連公司款項	80,310	81,959
Amount due to a shareholder	應付股東款項	10,107	9,978
Lease liabilities	租賃負債	223,213	–
Convertible loan	可換股貸款	109,588	181,372
Interest-bearing bank borrowings	計息銀行借款	220,815	142,197
		1,096,607	958,603

  

		Financial liabilities at fair value through profit or loss	
		按公允值計入損益的金融負債	
		2019	2018
		2019年	2018年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Derivative financial instruments	衍生金融工具	–	2,521

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

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## 37. TRANSFERS OF FINANCIAL ASSETS

### Transferred financial assets that are not derecognized in their entirety

- (a) At 31 December 2019, the Group endorsed certain bills receivable accepted by banks in Mainland China to certain of its suppliers in order to settle the trade payables due to such suppliers. In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks of certain issuing banks after the endorsement, and accordingly, the Group continued to recognise the full carrying amounts of the endorsed bills receivable from such issuing banks (the “**Endorsed Bills**”) and the associated trade payables settled. Subsequent to the endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. As at 31 December 2019, the aggregate carrying amounts of the Endorsed Bills were RMB24,861,000 (2018: RMB3,365,000).
- (b) As part of its normal business, the Group entered into trade receivable factoring arrangements (the “**Factoring Arrangements**”) with recourse and transferred certain trade receivables to banks. Under the Factoring Arrangements, the Group was exposed to the default risk of the trade debtors after the transfer. The aggregate carrying amount of the trade receivables transferred under the Factoring Arrangements that has not been settled and continued to be recognised by the Group as at 31 December 2019 is RMB54,420,000 (2018: Nil).

## 37. 轉讓金融資產

### 未完全終止確認的已轉讓金融資產

- (a) 於2019年12月31日，本集團將獲中國內地銀行接納的若干應收票據背書予若干供應商，以清償應付該等供應商的貿易應付款項。董事認為，本集團已保留絕大部分風險及回報，其中包括背書後若干發行銀行的違約風險，故本集團持續確認該等發行銀行的應收背書票據(「**背書票據**」)及相關已清償的貿易應付款項的全部賬面值。於背書後，本集團不會保留任何使用背書票據的權利，包括向任何其他第三方出售、轉讓或抵押背書票據。於2019年12月31日，背書票據的賬面值總額為人民幣24,861,000元(2018年：人民幣3,365,000元)。
- (b) 作為其正常業務的一部分，本集團已訂立附追索權的貿易應收款項保理安排(「**保理安排**」)，將若干貿易應收款項轉讓予銀行。根據保理安排，本集團承受於轉讓後貿易債務人的違約風險。於2019年12月31日，本集團繼續確認根據保理安排轉讓而尚未清償的貿易應收款項的賬面值總額為人民幣54,420,000元(2018年：零)。



## 37. TRANSFERS OF FINANCIAL ASSETS (CONTINUED)

**Transferred financial assets that are not derecognized in their entirety** (Continued)

At 31 December 2019, the Group discounted and endorsed certain bills receivable accepted by banks in Mainland China (the “**Derecognised Bills**”) to certain banks in order to obtain additional financing or certain of its suppliers in order to settle the trade payables due to such suppliers with carrying amount in aggregate of RMB24,861,000 (2018: RMB141,953,000). The Derecognised Bills had a maturity of one to six months (2018: one to six months) at 31 December 2019. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the “**Continuing Involvement**”). The Derecognised Bills were honoured by reputable banks in the PRC, such as China Merchants Bank, Industrial and Commercial Bank of China and other reputable banks rating at AAA by national credit rating agencies. In the opinion of the directors, these banks have good reputation and credit quality, and the risk of default of these bills receivable on maturity is remote, and therefore, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills since after the transfer the Group’s exposure to the variability in the amounts of the net cash flows of the transferred asset is not significant. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated liabilities. The maximum exposure to loss from the Group’s Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group’s Continuing Involvement in the Derecognised Bills are not significant.

## 37. 轉讓金融資產(續)

## 未完全終止確認的已轉讓金融資產(續)

於2019年12月31日，本集團向若干銀行或其若干供應商貼現及背書中國內地銀行接納的若干賬面值總額分別為人民幣24,861,000元(2018年：人民幣141,953,000元)的應收票據(「終止確認票據」)，以獲得額外融資或結算應付該等供應商的貿易應付款項。終止確認票據於2019年12月31日起計一至六個月(2018年：一至六個月)到期。根據中華人民共和國票據法，倘各中國銀行違約，終止確認票據持有人有權向本集團追索(「繼續參與」)。終止確認票據乃由中國的知名銀行承兌，如招商銀行、中國工商銀行及國家信貸評級機構給予AAA評級的其他知名銀行。董事認為，該等銀行聲譽及信貸質素俱佳，且該等應收票據的到期違約風險甚微，故本集團已轉移終止確認票據相關的絕大部分風險及回報，而自此轉移後，本集團所承受已轉讓資產淨現金流量數額變動的風險並不重大，故終止確認終止確認票據及相關負債的全部賬面值。本集團繼續參與終止確認票據所面臨最大損失風險以及購回該等終止確認票據的未貼現現金流量相等於其賬面值。董事認為，本集團繼續參與終止確認票據的公允值並不重大。

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

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### 37. TRANSFERS OF FINANCIAL ASSETS (CONTINUED)

#### Transferred financial assets that are not derecognized in their entirety (Continued)

During the year ended 31 December 2019, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The discounting and endorsement has been made evenly throughout the year.

### 38. 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 interest-bearing bank borrowings and amounts due to related parties approximate to their carrying amounts.

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.

### 37. 轉讓金融資產(續)

#### 未完全終止確認的已轉讓金融資產(續)

截至2019年12月31日止年度，本集團並無確認終止確認票據於轉讓當日的任何損益。於年內或後續期間，並無確認來自繼續參與的損益。於年內已作出貼現及背書。

### 38. 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。

管理層已評估現金及現金等價物、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、計息銀行借款及應付關連方款項的公允值與其賬面值相若。

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。

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

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### 38. 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 year, 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).

### 38. 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。

年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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綜合財務報表附註(續)

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38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

38. 金融工具的公允值及公允值層級(續)

Financial asset and liabilities measured at fair value

按公允值計量的金融資產及負債

		2019 2019年			
		Level 1 第1級	Level 2 第2級	Level 3 第3級	Total 總計
		RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元
<b>Assets</b>	<b>資產</b>				
Contingent consideration receivables	應收或然代價	–	–	234,425	234,425
<b>Liabilities</b>	<b>負債</b>				
Derivative financial instruments	衍生金融工具	–	–	–	–

  

		2018 2018年			
		Level 1 第1級	Level 2 第2級	Level 3 第3級	Total 總計
		RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元
<b>Assets</b>	<b>資產</b>				
Contingent consideration receivables	應收或然代價	–	–	226,318	226,318
<b>Liabilities</b>	<b>負債</b>				
Derivative financial instruments	衍生金融工具	–	–	2,521	2,521



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綜合財務報表附註(續)

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38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Financial asset and liabilities measured at fair value (Continued)

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

38. 金融工具的公允值及公允值層級(續)

按公允值計量的金融資產及負債(續)

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:

		2019 2019年			
		Level 1 第1級 RMB'000 人民幣千元	Level 2 第2級 RMB'000 人民幣千元	Level 3 第3級 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Convertible loan	可換股貸款	-	-	96,696	96,696

  

		2018 2018年			
		Level 1 第1級 RMB'000 人民幣千元	Level 2 第2級 RMB'000 人民幣千元	Level 3 第3級 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Convertible loan	可換股貸款	-	-	149,559	149,559

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

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### 38. 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 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 year in the balance of Level 3 fair value measurement is as follows:

		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
Contingent consideration	或然代價		
At 1 January	於1月1日	226,318	-
Fair value change on contingent consideration	或然代價公允價值變動	5,257	2,799
Acquisition of subsidiary	收購附屬公司	-	214,507
Exchange realignment	匯兌調整	2,850	9,012
At 31 December	於12月31日	234,425	226,318

For the movement of derivative financial instruments, please refer to note 28.

### 38. 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。

年內第3級公允值計量結餘的變動如下：

有關衍生金融工具的變動，請參閱附註28。

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

截至2019年12月31日止年度

### 38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

#### Information about Level 3 fair value measurements (Continued)

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.

As at 31 December 2019, the fair value of derivative financial instruments of Nil (2018: approximately 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 28 for the detailed information and the movement of the fair value of derivative financial instruments.

Below is a summary of the valuation technique used and the key inputs to the valuation of derivative financial instruments:

### 38. 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)

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。

於2019年12月31日，衍生金融工具公允值為零(2018年：約人民幣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。有關衍生金融工具的詳情及公允值變動，請參閱附註28。

以下概述衍生金融工具估值所用估值技術及主要輸入數據：

	Valuation technique 估值技術	Significant unobservable inputs 重大不可觀察輸入數據	2019 2019年	2018 2018年
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	1.77%	1.76%
		Volatility 波幅	48.36%	43.59%
		Discount rate 貼現率	13.33%	13.13%

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

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### 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings, cash and cash equivalents and pledged deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarized below.

Interest rate risk Interest rate risk exposure refers to the risk that the fair value or future cash flows of the Group's bank loans will fluctuate because of changes in market interest rates. As at 31 December 2019, if interest rates at that date had been 10 basis points higher with all other variables held constant, profit for the year ended 31 December 2019 would have been RMB163,000 (2018: RMB81,000) and RMB22,000 (2018: RMB40,000) higher arising as a result of a decrease in the fair value of fixed and floating rate bank loans respectively. If interest rates at that date had been 10 basis points lower with all other variables held constant, profit for the year ended 31 December 2019 would have been RMB163,000 (2018: RMB81,000) and RMB22,000 (2018: RMB401,000) lower arising as a result of an increase in the fair value of fixed and floating rate bank loans respectively.

### 39. 財務風險管理目標及政策

本集團的主要金融工具包括計息銀行借款、現金及現金等價物及已抵押存款。該等金融工具的主要目的是為本集團的營運籌措資金。本集團有多種直接自其業務營運產生的其他金融資產及負債，如貿易應收款項及應收票據以及貿易應付款項及應付票據。

本集團金融工具產生的主要風險為利率風險、外匯風險、信貸風險及流動資金風險。董事檢討及議定管理各項風險的政策，有關政策概述如下。

利率風險指本集團銀行貸款的公允值或未來現金流量將因市場利率變動而波動的風險。於2019年12月31日，在所有其他變數維持不變的情況下，倘該日利率高出10個基點，截至2019年12月31日止年度的溢利為人民幣163,000元(2018年：人民幣81,000元)及人民幣22,000元(2018年：人民幣40,000元)，乃由於固定及浮動利率銀行貸款的公允值下降而分別有所增加。在所有其他變數維持不變的情況下，倘該日利率降低10個基點，截至2019年12月31日止年度的溢利為人民幣163,000元(2018年：人民幣81,000元)及人民幣22,000元(2018年：人民幣401,000元)，乃由於固定及浮動利率銀行貸款的公允值增加而分別有所下降。



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

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### 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### Foreign currency risk

Foreign currency risk means the risk on the fluctuation of fair value or future cash flows of financial instruments which arose from changes in exchange rates.

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies.

The following table demonstrates the sensitivity to a reasonably possible change in the exchange rates of currencies other than the functional currencies of the relevant operating units, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities). There is no material impact on other components of the Group's equity.

### 39. 財務風險管理目標及政策(續)

#### 外匯風險

外匯風險指金融工具的公允值或未來現金流量因匯率變動而波動的風險。

本集團承受交易貨幣風險。該等風險乃因經營單位以單位的功能貨幣以外的貨幣進行買賣而產生。

下表闡述在所有其他變量保持不變的情況下，貨幣(相關經營單位的功能貨幣除外)匯率的合理可能變動對本集團除稅前溢利(基於貨幣資產及負債的公允值變動)的敏感度分析。本集團權益的其他部分並無受到重大影響。

		Increase/ (decrease) in exchange Rates	Increase/ (decrease) in (loss)/profit before tax
		匯率上升/ (下跌)	(虧損)/溢利 增加/(減少)
		%	RMB'000
		%	人民幣千元
<b>2019</b>	<b>2019年</b>		
If RMB weakens against US\$	倘人民幣兌美元貶值	5	5,584
If RMB strengthens against US\$	倘人民幣兌美元升值	(5)	(5,584)
<b>2018</b>	<b>2018年</b>		
If RMB weakens against US\$	倘人民幣兌美元貶值	5	18,855
If RMB strengthens against US\$	倘人民幣兌美元升值	(5)	(18,855)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

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## 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### Credit risk

The credit risk of the Group mainly arises from bank balances and deposits, trade receivables, deposit and other receivables. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets.

In respect of cash deposited at banks, the credit risk is considered to be low as the counterparties are reputable banks. The existing counterparties do not have defaults in the past. Therefore, expected credit loss rate of cash at bank is assessed to be close to zero and no provision was made as of 31 December 2019.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected credit loss for all trade receivables and general model provision for all deposits and other receivables. To measure the expected credit losses by applied simplified approach, trade receivables have been grouped based on shared credit risk characteristics. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit loss. For the deposits and other receivables, the Group assessed the expected loss rate by applying general model. The expected credit loss rate under general model was determined by referencing of the market credit rating data and the probability of default rate. It considers available reasonable and supportive forwarding-looking information.

As at 31 December 2019, trade receivables that are individually significant have been separately assessed for impairment. The Group makes periodic assessments on the recoverability of the receivables based on the background and reputation of the customers, historical settlement records and past experience.

## 39. 財務風險管理目標及政策(續)

### 信貸風險

本集團的信貸風險主要來自銀行結餘及存款、貿易應收款項、按金及其他應收款項。該等結餘的賬面值乃本集團就金融資產承擔的最大信貸風險。

存置於銀行的現金方面，信貸風險被認為相當低，原因為對手方乃信譽良好的銀行。現有對手方過往並無違約。因此，銀行現金的估計信貸虧損率被評為近乎零，故於2019年12月31日並無計提撥備。

本集團按香港財務報告準則第9號規定應用簡化法計提預期信貸虧損撥備，該準則規定就所有貿易應收款項使用全期預期信貸虧損及就所有按金及其他應收款項使用一般模式撥備。貿易應收款項已根據共同信貸風險特徵進行分類，以應用簡化法計量預期信貸虧損。本集團已進行歷史分析並識別影響信貸風險及預期信貸虧損的主要經濟變量。就按金及其他應收款項方面，本集團應用一般模式評估預期虧損率。一般模式項下預期信貸虧損率乃參考市場信貸評級數據及違約率概率後釐定。其考慮可取得的合理有理據前瞻性資料。

於2019年12月31日，個別重大的貿易應收款項已作獨立減值評估。本集團根據客戶的背景及信譽、過往付款紀錄及過往經驗，對應收款項的可收回性進行定期評估。

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

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### 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### Credit risk (Continued)

Majority of the Group's revenue is received from individual customers in relation to manufacture and sales of sofa, sofa covers and other furniture products and are transacted in cash or credit. The Group's trade receivables arise from manufacture and sales of sofa, sofa covers. As at the end of the year, the top five debtors and the largest debtor accounted for approximately of 75.8% and 45.2% (2018: 67.7% and 27.0%) of the Group's trade receivables balance. In view of the history of business dealings with the debtors and the sound collection history of the receivables due from them, management believes that there is no material credit risk inherent in the Group's outstanding receivable balance due from these debtors saved for the debtor related to the impaired trade receivable disclosed in the below. Management makes periodic assessment on the recoverability of the trade and other receivables based on historical payment records, the length of overdue period, the financial strength of the debtors and whether there are any disputes with the debtors.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 to 120 days from the date of billing.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

### 39. 財務風險管理目標及政策(續)

#### 信貸風險(續)

本集團大部分收益來自與生產及銷售沙發有關的個別客戶。沙發套及其他傢俱產品以現金或信貸進行交易。本集團的貿易應收款項產生自生產及銷售沙發及沙發套。於年末，五大債務人及最大債務人佔本集團貿易應收款項結餘分別約75.8%及45.2%（2018年：67.7%及27.0%）。鑑於與債務人的過往商業交易及應收彼等的款項的穩健收回紀錄，管理層相信本集團應收該等債務人的未償還應收款項結餘並無重大既有信貸風險，惟與下文所披露已減值貿易應收款項有關的債務人除外。管理層根據債務人的過往付款紀錄、逾期時長、財務實力及與債務人之間是否存在任何糾紛，就貿易及其他應收款項的可收回性進行定期評估。

本集團對所有需要超過一定金額的信貸的客戶進行個別信貸評估。該等評估專注於客戶到期付款的過往紀錄及現時的支付能力，並考慮有關客戶及客戶經營所在經濟環境有關的特定資料。貿易應收款項於發票日期起計30至120日內到期。

本集團按相等於全期預期信貸虧損的金額計量貿易應收款項的虧損撥備，有關金額使用撥備矩陣計算。由於本集團的過往信貸虧損經驗並無顯示不同客戶分部的虧損模式有重大差異，故根據逾期情況劃分的虧損撥備並無按本集團不同客戶基礎作進一步區分。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

綜合財務報表附註(續)

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

Provision of ECL on trade receivables

On that basis, the provision of trade receivables as at 31 December 2019 and 31 December 2018 was determined as follows:

39. 財務風險管理目標及政策(續)

信貸風險(續)

貿易應收款項預期信貸虧損撥備

按該基準，於2019年12月31日及2018年12月31日的貿易應收款項撥備釐定如下：

		No past due	More than 1 day but less than 1 year past due	More than 1 year past due	Total
		未逾期	逾期超過1日但少於1年	逾期超過1年	總計
<b>31 December 2019</b>					
<b>2019年12月31日</b>					
Expected credit loss rate	預期信貸虧損率	0.26%	4.10%	100%	
Gross carrying amount (RMB'000)	賬面總值 (人民幣千元)				
– Trade receivables	– 貿易應收款項	94,286	128,163	12,398	234,847
Provision for life time ECL	全期預期信貸虧損撥備	(236)	(5,195)	(12,398)	(17,829)
<b>31 December 2018</b>					
<b>2018年12月31日</b>					
Expected credit loss rate	預期信貸虧損率	0.06%	1.14%	100%	
Gross carrying amount (RMB'000)	賬面總值 (人民幣千元)				
– Trade receivables	– 貿易應收款項	489,609	143,482	318	633,409
Provision for life time ECL	全期預期信貸虧損撥備	(304)	(1,631)	(318)	(2,253)



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

綜合財務報表附註(續)

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED) 39. 財務風險管理目標及政策(續)

Credit risk (Continued)

Provision of ECL on trade receivables (Continued)

The provision of ECL for trade receivables as at 31 December 2019 and 2018 reconcile to the loss allowance as follows:

		RMB'000 人民幣千元
As at 1 January 2018	於2018年1月1日	519
Provision for the year	年度撥備	1,826
Written off for the year	年度撇銷	(92)
As at 31 December 2018 and 1 January 2019	於2018年12月31日及2019年1月1日	2,253
Provision for the year	年度撥備	15,576
As at 31 December 2019	於2019年12月31日	17,829

信貸風險(續)

貿易應收款項預期信貸虧損撥備(續)

於2019年及2018年12月31日的貿易應收款項預期信貸虧損撥備與虧損撥備的對賬如下：

Provision of ECL on deposits and other receivables

The provision for deposits and other receivables as at 31 December 2019 and 2018 reconcile to the loss allowance as follows:

		RMB'000 人民幣千元
As at 1 January 2018	於2018年1月1日	66
Provision for the year	年度撥備	12
As at 31 December 2018 and 1 January 2019	於2018年12月31日及2019年1月1日	78
Provision for the year	年度撥備	3
As at 31 December 2019	於2019年12月31日	81

按金及其他應收款項預期信貸虧損撥備

於2019年及2018年12月31日的按金及其他應收款項撥備與虧損撥備的對賬如下：

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

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### 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### Credit risk (Continued)

##### Deposit and other receivables

Other receivables relating to accounts that are long overdue with significant amounts, known insolvencies or nonresponse to collection activities, they are assessed individually for impairment allowance. The Group recognised the provision for expected credit losses by assessing the credit risk characteristics of debtor, discount rate and the likelihood of recovery and considering the prevailing economic conditions.

#### Liquidity risk

The Group's objectives are to maintain a prudent financial policy, to monitor liquidity ratios against risk limits and to maintain a contingency plan for funding to ensure that the Group maintains sufficient cash to meet its liquidity requirements.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates and based on rates at the end of the reporting period) and the earliest date that the Group could be required to repay:

		Within 1 year or on demand 於1年內或按要求	
		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
Trade and bills payables	貿易應付款項及應付票據	389,334	416,766
Financial liabilities included in other payable and accruals	計入其他應付款項及應計費用的金融負債	63,240	126,331
Amount due to related companies	應付關連公司款項	80,310	81,959
Amount due to a shareholder	應付股東款項	10,107	9,978
Derivative financial instruments	衍生金融工具	–	2,521
Lease liabilities	租賃負債	58,423	–
Convertible loan	可換股貸款	103,798	181,372
Interest-bearing bank borrowings	計息銀行借款	220,815	142,197
		926,027	961,124

### 39. 財務風險管理目標及政策(續)

#### 信貸風險(續)

##### 按金及其他應收款項

與長期逾期的重大款項、已知無力償債或未對收回行動作出回應的賬戶有關的其他應收款項，將單獨評估減值撥備。本集團透過評估債務人的信貸風險特徵、貼現率及收回的可能性並考慮當時的經濟狀況，確認預期信貸虧損撥備。

#### 流動資金風險

本集團的目標為保持審慎的財務政策，以根據風險限額監控流動資金比率及維持資金應急計劃，從而確保本集團有充足現金達到其流動資金要求。

下表詳列本集團的金融負債於報告期末的餘下合約到期情況，此乃根據合約未貼現現金流量(包括使用合約利率及根據報告期末的利率計算的利息支出)及本集團可被要求付款的最早日期而得出：

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

綜合財務報表附註(續)

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED) 39. 財務風險管理目標及政策(續)

Liquidity risk (Continued)

流動資金風險(續)

		After 1 year but within 2 years 1至2年內	
		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
Lease liabilities	租賃負債	48,712	–
Convertible loan	可換股貸款	9,975	–
		58,687	–

		After 2 years but within 5 years 2至5年內	
		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
Lease liabilities	租賃負債	86,525	–

		After 5 years 超過5年	
		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
Lease liabilities	租賃負債	77,742	–

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

截至2019年12月31日止年度

### 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 2018.

The Group monitors capital using a gearing ratio, which is the total interest-bearing bank borrowings divided by the total equity. Total equity refers to equity attributable to owners of the Company. The gearing ratios as at the end of the reporting periods were as follows:

### 39. 財務風險管理目標及政策(續)

#### 資金管理

本集團資金管理的主要目標為保障本集團的持續經營能力，以及維持穩健的資金比率，以支持其業務。

本集團根據經濟環境的變化來管理和調整資本架構。為維持或調整資本架構，本集團可能對派發予股東的股息作出調整、向股東返還資本或發行新股份。截至2019年及2018年12月31日止年度，管理資本的目標、政策或程序概無任何變動。

本集團以資產負債比率監察其資本，即計息銀行借款總額除以權益總額。權益總額指本公司擁有人應佔權益。於各報告期末的資產負債比率如下：

		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
Interest-bearing bank borrowings (note 25)	計息銀行借款(附註25)	220,815	142,197
Equity attributable to owners of the Company	本公司擁有人應佔權益	197,229	367,321
Gearing ratio	資產負債比率	112.0%	38.7%



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

截至2019年12月31日止年度

#### 40. EVENTS AFTER THE REPORTING PERIOD

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

##### Impact of COVID-19 on the Group

Since January 2020, the outbreak of Novel Coronavirus (“COVID-19”) has impact on the global business environment. Up to the date of this announcement, COVID-19 has not resulted in material impact to the Group. Amid the development and spread of COVID-19 subsequent to the date of this announcement, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of this report. The Group will keep continuous attention on the situation of the COVID-19 and react actively to its impact on the financial position and operating results of the Group.

#### 40. 報告期後事項

根據本公司日期為2020年3月31日的須予披露及關連交易公告，本公司已行使認沽選擇權，要求賣方按平倉價35百萬美元回購Jennifer Convertibles Inc.的全部已發行普通股。

##### COVID-19對本集團的影響

自2020年1月起，新型冠狀病毒(「COVID-19」)爆發對全球營商環境造成影響。截至本公告日期，COVID-19並未對本集團造成重大影響。於本公告日期後，隨著COVID-19的發展及擴大，由此產生的進一步經濟狀況變動可能對本集團的財務業績產生影響，其程度於本報告日期無法估計。本集團將持續關注COVID-19的情況，積極應對其對本集團財務狀況及經營業績的影響。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

綜合財務報表附註(續)

For the year ended 31 December 2019

截至2019年12月31日止年度

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY 41. 本公司財務狀況表

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

有關本公司於報告期末的財務狀況表的資料如下：

		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
<b>Non-current asset</b>	<b>非流動資產</b>		
Investments in subsidiaries	於附屬公司的投資	240,860	240,853
<b>Current assets</b>	<b>流動資產</b>		
Amount due from subsidiaries	應收附屬公司款項	77,203	205,441
Cash and cash equivalents	現金及現金等價物	1,044	171
Total current assets	流動資產總值	78,247	205,612
<b>Current liabilities</b>	<b>流動負債</b>		
Other payables and accruals	其他應付款項及應計費用	6,327	7,823
Amount due to related companies	應付關連公司款項	97,534	103,223
Interest-bearing bank borrowings	計息銀行借款	-	6,589
Derivative financial instruments	衍生金融工具	-	2,521
Convertible loan	可換股貸款	99,986	181,372
Total current liabilities	流動負債總額	203,847	301,528
<b>Net current liabilities</b>	<b>流動負債淨額</b>	<b>(125,600)</b>	<b>(95,916)</b>
<b>Total assets less current liabilities</b>	<b>資產總值減流動負債</b>	<b>115,260</b>	<b>144,937</b>
<b>Non-current liability</b>	<b>非流動負債</b>		
Convertible loan	可換股貸款	9,602	-
Net assets	資產淨值	105,658	144,937
<b>Equity</b>	<b>權益</b>		
Share capital	股本	6,914	6,914
Reserves (note)	儲備(附註)	98,744	138,023
Total equity	權益總額	105,658	144,937

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 綜合財務報表附註(續)

For the year ended 31 December 2019

截至2019年12月31日止年度

## 41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED) 41. 本公司財務狀況表(續)

Note:

A summary of the Company's reserves is as follows:

附註：

本公司儲備概述如下：

		Share premium	Treasury Shares	Exchange fluctuation reserve	Retained earnings/ (accumulated losses)	Total
		股份溢價	庫存股份	匯兌波動儲備	保留盈利／(累計虧損)	總計
		RMB'000	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	人民幣千元
As at 31 December 2017	於2017年12月31日	211,900	-	(13,738)	16,563	214,725
Loss for the year	年內虧損	-	-	-	(36,812)	(36,812)
Other comprehensive income for the year:	年內其他全面收益：					
Exchange differences on translation of financial statements	換算財務報表的匯兌差額	-	-	7,597	-	7,597
Total comprehensive loss for the year	年內全面虧損總額	-	-	7,597	(36,812)	(29,215)
Dividend paid	已付股息	(47,487)	-	-	-	(47,487)
As at 31 December 2018	於2018年12月31日	164,413	-	(6,141)	(20,249)	138,023
Loss for the year	年內虧損	-	-	-	(25,086)	(25,086)
Other comprehensive loss for the year:	年內其他全面虧損：					
Exchange differences on translation of financial statements	換算財務報表的匯兌差額	-	-	(582)	-	(582)
Total comprehensive loss for the year	年內全面虧損總額	-	-	(582)	(25,086)	(25,668)
Share repurchased	已購回股份	-	(2,269)	-	-	(2,269)
Dividend paid	已付股息	(11,342)	-	-	-	(11,342)
As at 31 December 2019	於2019年12月31日	153,071	(2,269)	(6,723)	(45,335)	98,744

## 42. APPROVAL OF THE FINANCIAL STATEMENTS 42. 財務報表核准

The financial statements were approved and authorised for issue by the board of directors on 8 May 2020.

財務報表已於2020年5月8日獲董事會核准並授權刊發。

## FIVE YEAR FINANCIAL SUMMARY 五年財務概要

For the year ended 31 December 2019

截至2019年12月31日止年度

The consolidated results of Morris Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) for the years ended 31 December 2018 and 2019 and the consolidated assets and liabilities of the Group as at 31 December 2018 and 2019 are those set out in the audited financial statements.

The summary of the consolidated results of the Group for each of the years ended 31 December 2015 and 2016 and of the consolidated assets and liabilities of the Group as at 31 December 2015 and 2016 has been extracted from the prospectus issued on 30 December 2016 in connection with the listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited on 12 January 2017.

The summary below does not form part of the audited financial statements.

截至2018年及2019年12月31日止年度，慕容控股有限公司（「本公司」）及其附屬公司（下文統稱為「本集團」）的綜合業績以及本集團於2018年及2019年12月31日的綜合資產及負債均載列於經審核財務報表內。

本集團截至2015年及2016年12月31日止各年度的綜合業績概要以及本集團於2015年及2016年12月31日的綜合資產及負債乃摘錄自本公司因股份自2017年1月12日於香港聯合交易所有限公司主板上市所刊發的日期為2016年12月30日的招股章程。

以下概要並不構成經審核財務報表的一部分。

		Year ended 31 December 截至12月31日止年度				
		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元	2017 2017年 RMB'000 人民幣千元 (Restated) (經重列)	2016 2016年 RMB'000 人民幣千元	2015 2015年 RMB'000 人民幣千元
<b>RESULTS</b>	<b>業績</b>					
Revenue	收入	980,298	1,610,043	1,416,395	941,617	926,471
Cost of sales	銷售成本	(877,211)	(1,181,999)	(937,864)	(671,050)	(705,557)
Gross profit	毛利	103,087	428,044	478,531	270,567	220,914
(Loss)/profit before tax	除稅前(虧損)/溢利	(178,943)	100,286	184,043	112,045	103,166
Income tax credit/(expense)	所得稅抵免/(開支)	38,253	(13,881)	(38,348)	(31,369)	(20,098)
(Loss)/profit for the year	年內(虧損)/溢利	(140,690)	86,405	145,695	80,676	83,068

		As at 31 December 於12月31日				
		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元	2017 2017年 RMB'000 人民幣千元 (restated) (經重列)	2016 2016年 RMB'000 人民幣千元	2015 2015年 RMB'000 人民幣千元
<b>ASSETS AND LIABILITIES</b>	<b>資產及負債</b>					
Total assets	總資產	1,344,964	1,432,152	1,142,847	1,102,005	937,359
Total liabilities	總負債	(1,147,997)	(1,064,831)	(802,688)	(943,241)	(862,302)
		196,967	367,321	340,159	158,764	75,057





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