



MORRIS
HOLDINGS LIMITED

GLOBAL
LEADER IN
THE UPHOLSTERED
SOFA INDUSTRY

軟體沙發行業的
全球領導者

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

ANNUAL REPORT 2017 年報



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ANNUAL REPORT 2017 年報

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Corporate Information

公司資料

BOARD OF DIRECTORS

Executive Directors

Mr. ZOU Gebing (*Chairman and Chief Executive Officer*)
Mr. CHEN Guohua
Mr. ZENG Jin
Mr. WANG Ming (resigned on 31 May 2017)
Mr. SHEN Zhidong (appointed on 6 July 2017)

Independent Non-executive Directors

Mr. SHAO Shaomin
Mr. HUANG Wenli
Ms. ZHANG Bingbing (resigned on 31 May 2017)
Mr. LIU Haifeng (appointed on 6 July 2017)

AUDIT COMMITTEE

Mr. SHAO Shaomin (*Chairman*)
Mr. HUANG Wenli
Ms. ZHANG Bingbing (resigned on 31 May 2017)
Mr. LIU Haifeng (appointed on 6 July 2017)

REMUNERATION COMMITTEE

Mr. HUANG Wenli (*Chairman*)
Mr. SHAO Shaomin
Ms. ZHANG Bingbing (resigned on 31 May 2017)
Mr. LIU Haifeng (appointed on 6 July 2017)

NOMINATION COMMITTEE

Ms. ZHANG Bingbing (*Chairman*) (resigned on 31 May 2017)
Mr. LIU Haifeng (*Chairman*) (appointed on 6 July 2017)
Mr. SHAO Shaomin
Mr. HUANG Wenli

COMPANY SECRETARY

Ms. Ho Ka Yan

AUDITOR

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue, Central, Hong Kong

董事會成員

執行董事

鄧格兵先生 (*主席兼行政總裁*)
陳國華先生
曾金先生
王銘先生 (2017年5月31日離任)
沈志東先生 (2017年7月6日獲委任)

獨立非執行董事

邵少敏先生
黃文禮先生
張冰冰女士 (2017年5月31日離任)
劉海峰先生 (2017年7月6日獲委任)

審核委員會

邵少敏先生 (*主席*)
黃文禮先生
張冰冰女士 (2017年5月31日離任)
劉海峰先生 (2017年7月6日獲委任)

薪酬委員會

黃文禮先生 (*主席*)
邵少敏先生
張冰冰女士 (2017年5月31日離任)
劉海峰先生 (2017年7月6日獲委任)

提名委員會

張冰冰女士 (*主席*) (2017年5月31日離任)
劉海峰先生 (*主席*) (2017年7月6日獲委任)
邵少敏先生
黃文禮先生

公司秘書

何家欣女士

核數師

安永會計師事務所
香港中環添美道1號
中信大廈22樓

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 22, Hopewell Centre
183 Queen's Road East Hong Kong

REGISTERED OFFICE

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

HEADQUARTERS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

LEGAL ADVISER

Howse Williams Bowers
27/F Alexandra House
18 Chater Road, Central
Hong Kong

COMPLIANCE ADVISER

GF Capital (Hong Kong) Limited
29-30/F, Li Po Chun Chambers
189 Des Voeux Road Central Hong Kong

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22樓

註冊辦事處

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

中國總部

中國浙江省
海寧經濟開發區
由拳路500號

香港主要營業地點

香港皇后大道中99號
中環中心67樓6707室

法律顧問

何韋鮑律師行
香港中環
遮打道18號
歷山大廈27樓

合規顧問

廣發融資(香港)有限公司
香港德輔道中189號
李寶椿大廈29至30樓

Corporate Information

公司資料

PRINCIPAL BANKERS

Bank of China (Hong Kong) 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

INVESTOR RELATIONS CONSULTANT

DLK Advisory Limited

主要往來銀行

中國銀行(香港)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

投資者關係顧問

金通策略有限公司

Financial Highlights 財務摘要

- Revenue increased by approximately 27.4% to approximately RMB1,199.7 million in 2017 (2016: approximately RMB941.6 million)
- 2017年收益增加約27.4%至約人民幣1,199.7百萬元 (2016年：約人民幣941.6百萬元)
- Gross profit increased by approximately 38.1% to approximately RMB373.7 million in 2017 (2016: approximately RMB270.6 million)
- 2017年毛利增加約38.1%至約人民幣373.7百萬元 (2016年：約人民幣270.6百萬元)
- Profit for the year increased by approximately 98.1% to approximately RMB159.9 million in 2017 (2016: approximately RMB80.7 million)
- 2017年年內溢利增加約98.1%至約人民幣159.9百萬元 (2016年：約人民幣80.7百萬元)
- Profit before tax excluding the one-off listing expenses in 2017 and 2016 increased by approximately 48.5% to approximately RMB200.0 million in 2017 (2016: approximately RMB134.7 million)
- 2017年除稅前溢利不包括2017年和2016年的一次性上市開支，增加約48.5%至約人民幣200.0百萬元 (2016年：約人民幣134.7百萬元)
- Basic and diluted earnings per share attributable to ordinary equity holders of the parent increased by approximately 49.7% to approximately RMB16.11 cents in 2017 (2016: approximately RMB10.76 cents)
- 2017年母公司普通權益持有人應佔每股基本及攤薄盈利增加約49.7%至約人民幣16.11分 (2016年：約人民幣10.76分)
- The Board proposed to declare final dividend of HK3.8 cents per ordinary share (2016: HK1.8 cents and a special dividend of HK8.7 cents) for the year ended 31 December 2017
- 董事會建議就截至2017年12月31日止年度宣派末期股息每股普通股3.8港仙 (2016年：1.8港仙和特別股息8.7港仙)

Chairman's Statement

主席報告書

Dear Shareholders,

On behalf of the board of directors (the "Board") of Morris Holdings Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (the "Group") for the year ended 31 December 2017 ("2017" or the "Reporting Period") to the shareholders of the Company (the "Shareholders").

BUSINESS REVIEW

In early 2017, the Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), marking an important milestone in its development. The Group has smoothly transformed from an original equipment manufacturing ("OEM") production factory to an international enterprise integrating self-owned brand design, production and wholesale and retail business. Owing to the strategic planning and dedicated operation, the Company was able to see healthy development and growing popularity in its products and brand.

The management focused on capacity expansion, market exploration, retail business development and brand building in 2017. Driven by the increasing number of purchase orders, the Company increased the number of its employees and established new factories to fulfill orders from our major clients. In addition to the existing client in North America, the Company's foreign trade department actively explored markets including Europe and Australia, and the online shopping business in North America has also seen a successful start in late 2017. In September 2017 and January 2018, the retail flagship stores of "Morrisofa" in Hong Kong and Shanghai were opened, providing consumers with a brand new option of the group's products. Various promotion campaigns were conducted in Hong Kong and China, thus laying a solid foundation for "Morrisofa" as a brand.

Furthermore, the Company also raised HK\$200 million of convertible loan from International Finance Corporation (the "IFC"), an institution with international reputation, which supported the Company's capacity and business expansion in China and Cambodia.

各位股東，

本人謹代表董事會（「董事會」）向本公司各位股東（「股東」）提呈慕容控股有限公司（「本公司」）及其附屬公司（「本集團」）截至2017年12月31日止年度（「2017年」或「報告期間」）年度報告。

業務回顧

於2017年初，本公司順利在香港聯合交易所有限公司（「聯交所」）主板上市，是本公司發展的一個重要里程碑。本集團從一家原設備生產（「OEM」）的工廠成功轉型為一家自有品牌設計、生產、批發和零售一體化的國際化公司，當中經過戰略策劃和用心經營，讓企業不斷健康發展和讓公司產品和品牌知名度日益提升。

產能擴張、開拓市場、發展零售、建立品牌是公司管理層在2017年的主要工作。在訂單增加的驅動下，本公司增加員工數量、新開設工廠，來滿足來自主要客戶的訂單；除了舊有北美客戶外，本公司的外貿部也積極開拓了包括歐洲和澳洲的市場，另外北美的網購業務也在2017年底順利開拓；在2017年9月和2018年1月，「慕容沙發」的香港和上海零售旗艦店也隆重開幕，為廣大消費者帶來了耳目一新的產品；同時也在香港和中國初步開展了不同的品牌推廣活動，為「慕容沙發」的品牌建造奠定堅實的基礎。

另外，本公司也獲得了國際著名機構國際金融公司（「國際金融公司」）2億港元的可換股貸款，支持本公司在中國和柬埔寨的產能和業務擴張。

Chairman's Statement

主席報告書

With the continuous upgrade of products and the increasing popularity of the brand, the revenue of the Company increased from approximately RMB941.6 million for the year ended 31 December 2016 ("2016") to approximately RMB1,199.7 million in 2017, representing an year-on-year increase of approximately 27.4%. The gross profit margin also increased from approximately 28.7% in 2016 to approximately 31.1% in 2017, primarily due to the Company's product upgrade and the increase of average prices. With the marketing and brand promotion efforts in 2017, the market position of its sofa products consistently enhanced and the products started to enter the higher-end markets.

OUTLOOK

Looking forward, the Group will adhere to the following major objectives on its business development in the coming two to three years, including the cultivation of the Company's corporate culture, the construction of the "Morris Center", the continuing expansion of overseas markets, the development of domestic retail business, the vertical and horizontal integration through merger and acquisition, the brand building of "Morrisofa" and the enhancement of the Company's reputation in the capital market.

The establishment of an unique corporate culture of the Company helps to create self-recognition and a sense of belonging among employees. By introducing the "Five Hearts of Morris" as the core values of our corporate culture, the Company aims to build a united and motivated workforce for the Company's long-term development in the future.

The Company has obtained the financing of HK\$200 million convertible loan from IFC, part of which will be used to build the "Morris Center" in Haining Economic Development Zone. The Company aims to set up new production facilities and equipment as well as implement production upgrade and automation to foster production of higher quality sofa products.

In 2017, the Company successfully established its business presence in several overseas markets outside of North America. In the future, the Company will not only put efforts to drive growth in these newly developed markets, but will also strive to enhance our relationships with and the services to our existing major customers in North America in order to gain market shares. Further, online shopping business will give an extra impetus to our business growth in the future.

由於產品的不斷升級和改進和品牌的知名度的不斷提高，本公司的收入從截至2016年12月31日止年度（「2016年」）的約人民幣941.6百萬元上升到2017年的約人民幣1,199.7百萬元，同比增加約27.4%。毛利率也從2016年的約28.7%上升到2017年的約31.1%，主要受惠於公司產品升級及產品均價的提升。經過2017年的市場營銷和品牌宣傳，本公司的沙發產品的市場地位不斷上升，並漸漸進駐更高端的市場。

展望

展望未來，本集團在未來兩到三年將堅持以下業務發展的主要任務，包括培養本公司企業文化、建設「慕容中心」、繼續拓展海外市場、發展國內零售業務、透過併購進行縱向及橫向整合、建設「慕容沙發」品牌和提高本公司在資本市場的知名度等。

建立本公司的特有企業文化有助於營造員工的認同感與歸屬感。以「五心慕容」為企業文化的核心價值，本公司旨在為公司日後長遠發展建立團結、有衝勁的員工隊伍。

本公司獲得了國際金融公司的2億港元可換股貸款，該貸款的一部分將用於在海寧經濟開發區內建設「慕容中心」。本公司旨在建設新的生產設施及設備，實行生產升級及自動化，生產出更高質量的沙發產品。

在2017年，本公司成功於多個北美以外的海外市場建立其業務據點。未來，本公司不僅會在該等新開發的市場努力推動其增長，亦會增強與現有北美主要客戶的友誼及對其的服務，務求在市場份額上力爭上游。此外，網購業務日後將會為我們的業務增長帶來額外動力。

Chairman's Statement

主席報告書

Driven by consumption upgrade in the domestic market in China, the Company will aggressively develop and expand its domestic retail business in 2018, through its diversified business models and sales channels so as to implant the brand image of “in-heart at a glance” into the vast domestic consumer market. We believe that the retail business will be one of our key revenue contributors in the future.

Making merger and acquisition vertically and horizontally along supply chain to support our expanding business is also our key target in the coming years. The Company will strengthen its financial position by capitalizing resources from the capital market with a vision to become a well-known international furniture enterprise in the future.

Zou Gebing

Chairman and Executive Director

Hong Kong, 14 March 2018

受中國國內市場的消費升級驅動，透過其混合式業務模式及銷售渠道，本公司將於2018年大力發展及擴展其國內零售業務，以將「一眼入心」的品牌形象打進國內廣大消費市場。我們認為，零售業務將成為我們未來的主要收入來源之一。

與供應鏈進行縱向及橫向併購以支持我們擴展的業務亦是我們來年的主要目標。本公司將透過運用資本市場的資源增強其財務狀況，以於未來成為一家知名的國際性傢俱企業。

鄧格兵

主席兼執行董事

香港，2018年3月14日

Profile of Directors and Senior Management

董事與高級管理層履歷

EXECUTIVE DIRECTORS

Mr. Zou Gebing, aged 41, 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 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 16 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.

Mr. Chen Guohua, aged 42, is the executive vice president of the Group and was appointed as an executive Director on 18 March 2016. Mr. Chen is responsible for strategic development, investment planning and the daily management of the Group.

執行董事

鄒格兵先生，41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。鄒先生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，鄒先生自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。鄒先生於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。鄒先生自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16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、本公司控股股東鄔向飛女士為沈先生的配偶的表姊妹。

陳國華先生，42歲，本集團執行副總裁，於2016年3月18日獲委任為執行董事。陳先生負責本集團的戰略發展、投資規劃及日常管理。

Profile of Directors and Senior Management

董事與高級管理層履歷

He had served in several government sectors in Haining. From February 2000 to July 2003, he had served in the People's Government of Haining as a section member of the General Office, a deputy section leader of the Education and Health Section and a deputy section leader of the Social Affairs Section. From August 2003 to April 2008, he had then served as the section leader of the Information Technology Research Section of the General Office of the People's Government of Haining. From April 2008 to March 2012, he had served as the deputy director of the management committee of Jianshan New District of Haining and the deputy mayor of the People's Government of Huangwan Town in Haining. In April 2012, he was employed by Morris PRC as its vice president, and he was then appointed as an executive vice president of Morris PRC in November 2012. He was employed by the Group as the executive vice president immediately after completion of the business transfer in December 2015.

He has gained experience in the furniture industry during his employment with Morris PRC and the Group. He graduated from East China University of Science and Technology in administrative management in Shanghai, PRC in July 1997.

Mr. Zeng Jin, aged 44, 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.

陳先生曾任職於海寧多個政府部門。自2000年2月至2003年7月，陳先生先後擔任海寧市人民政府辦公室科員、海寧市人民政府教衛文體科副科長及海寧市人民政府社會事業科副科長。自2003年8月至2008年4月，陳先生擔任海寧市人民政府辦公室信息調研科科長。自2008年4月至2012年3月，陳先生擔任海寧市尖山新區管理委員會副主任及海寧市黃灣鎮人民政府副鎮長。於2012年4月，陳先生獲慕容中國聘為副總裁，隨後於2012年11月獲委任為慕容中國的執行副總裁。於2015年12月業務轉讓完成後，彼即獲本集團委聘為執行副總裁。

於任職慕容中國及本集團期間，陳先生獲得傢俱行業的豐富經驗。陳先生於1997年7月獲得中國上海華東理工大學行政管理學位。

曾金先生，44歲，本集團高級副總裁及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，曾先生自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，曾先生自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，曾先生自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。曾先生此後加入慕容中國，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，曾先生即獲本集團委聘為高級副總裁及生產與質量管理主管。

Profile of Directors and Senior Management 董事與高級管理層履歷

Mr. Zeng obtained his double bachelor's degrees in polymer science and computer software from 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.

Mr. Shen Zhidong, aged 43, 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.

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。

沈志東先生，43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、鄧先生的配偶鄒向飛女士的表姊妹。

Profile of Directors and Senior Management

董事與高級管理層履歷

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Huang Wenli, aged 36, was appointed as an independent non-executive Director on 10 December 2016 and 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).

獨立非執行董事

黃文禮先生，36歲，於2016年12月10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。

Profile of Directors and Senior Management 董事與高級管理層履歷

Mr. Shao Shaomin, aged 53, was appointed as an independent non-executive Director on 10 December 2016 and 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，53歲，於2016年12月10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

董事與高級管理層履歷

Mr. Liu Haifeng, aged 43, 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.

劉海峰先生，43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及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。

Profile of Directors and Senior Management

董事與高級管理層履歷

SENIOR MANAGEMENT

Ms. Peng Yuling, aged 54, 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 44, 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，54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任為首席財務官。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，44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。

Profile of Directors and Senior Management

董事與高級管理層履歷

Mr. Wang Ming, aged 42, is vice president, head of import and export and head of sales and marketing of the Group. He is primarily responsible for managing and reviewing import and export contracts and overseas trading documents, arranging for transportation, clearance and inspection of cargos and coordinating with the Group's finance department to arrange for payment and tax refund, developing new markets and clientele and maintaining customers' relationship. Before joining the Group, he joined Morris PRC in June 2008 as a foreign trade clerk and was appointed as a manager in the foreign trade marketing department (second section) of Morris PRC in February 2013. He then became a manager of the foreign trade, import and export department of Morris PRC in December 2013 and was further appointed as vice president of Morris PRC in January 2015. He was employed by the Group as a vice president and head of import and export immediately after completion of the business transfer in December 2015. He was further appointed as head of sales and marketing on 1 September 2016. He obtained his bachelor's degree in English from Huaibei Coal Industry Teachers College (now known as Huaibei Normal University) in July 2000 and a master's degree in legal theories from Shanghai Normal University in June 2008.

王銘先生，42歲，為本集團的副總裁、進出口主管及銷售及市場主管。王先生主要負責管理及審查進出口合同及海外貿易文件、安排貨物的運輸、通關及檢查以及與本集團財務部協調以安排付款及退稅、開發新市場及客戶以及維持客戶關係。於加入本集團前，王先生作為外貿業務員於2008年6月加入慕容中國並於2013年2月獲委任為慕容中國外貿營銷部（第二科室）經理。彼隨後於2013年12月成為慕容中國外貿、進出口部的經理，並於2015年1月進一步獲委任為慕容中國的副總裁。於2015年12月業務轉讓完成後，王先生即獲本集團委聘為副總裁及進出口主管，2016年9月1日再獲委任為銷售及市場主管。王先生於2000年7月獲中國淮北煤炭師範學院（現稱為淮北師範大學）頒發英語學士學位，並於2008年6月獲中國上海師範大學頒發法律理論碩士學位。

Management Discussion and Analysis

管理層討論及分析

BUSINESS REVIEW

With the continuous efforts of our management team and our employees, the Group achieved good results in 2017. The Group's revenue increased from approximately RMB941.6 million in 2016 to approximately RMB1,199.7 million in 2017, representing an increase of approximately 27.4%. Profit for the year increased by approximately 98.1% from approximately RMB80.7 million in 2016 to approximately RMB159.9 million in 2017. Excluding the one-off listing expenses incurred in 2017 and 2016, the profit before tax increased by approximately 48.5% from approximately RMB134.7 million in 2016 to approximately RMB200.0 million in 2017.

Capacity Expansion

Capacity expansion is one of the key tasks for the Group's development in 2017. In the first quarter of 2017, the Group actively enhanced its production capacity by setting up new production lines and recruiting a large number of new workers. Having regard to the investment in staff training, the newly recruited workers have become more skillful during the Reporting Period, which laid a solid foundation to cater to the growing demands from both manufacturing and retail businesses in the future.

Overseas Markets

With effective marketing strategies, the Group has further gained customers' recognition and trust. During the Reporting Period, the Group increased its market share in the North America market, and became a major supplier for some well-known furniture retail chains. In addition to the North America market, the Group also made achievements in further expanding its business in other overseas markets, such as the United Kingdom, Ireland and Australia. Furthermore, the Group set up four new warehouses in North America during the Reporting Period to support its export business as well as to serve as a logistics and service hub for its online retail business in order to seize opportunities from the growing e-commerce market.

業務回顧

經過集團管理團隊和員工們的努力經營，本集團於2017年取得良好業績。本集團收入由2016年的約人民幣941.6百萬元增加至2017年的約人民幣1,199.7百萬元，升幅為約27.4%。年內溢利由2016年的約人民幣80.7百萬元上升約98.1%至2017年的約人民幣159.9百萬元。倘不包括於2017年及2016年產生的一次性上市開支，除稅前溢利由2016年的約人民幣134.7百萬元增加約48.5%至2017年的約人民幣200.0百萬元。

產能擴張

產能擴張是本集團發展在2017年的其中一個重要任務。在2017年第一季度，本集團透過設立新的生產線及招聘大量新工人積極提升產能。考慮到於員工培訓方面的投資，新招聘工人的技術於報告期間已日漸成熟，為日後滿足生產及零售業務的增長需求奠定了堅實的基礎。

海外市場

受惠於有效的市場營銷策略，本集團已進一步獲得客戶的認同及信任。於報告期間，本集團於北美市場的市場份額有所增加，並成為一些知名傢俱零售連鎖店的主要供應商。除了北美市場，本集團也在擴張其於英國、愛爾蘭及澳洲等其他海外市場的業務方面取得了成就。另外，本集團於報告期間在北美新開立了4個倉庫，以支持出口業務以及作為網上零售業務的物流及服務中心，從而抓住電子商務市場日益增長的發展機遇。

Management Discussion and Analysis

管理層討論及分析

Retail Market

Building our own brand name “Morrisofa” is a strategic move for the Group’s development in the long run. The Group opened its first flagship store in Wan Chai, Hong Kong in September 2017. The products of “Morrisofa” are designed by a famous designer in Milan, Italy, focusing on a more fashionable, young and multi-functional product line for the targeted mid-end market. With our brand concept of integrating “recreation”, “entertainment” and “healthcare” in one product, the Group hopes to provide a practical and comfortable living experience to all customers. Following the successful start, the Group opened another flagship store in Xuhui District, Shanghai in January 2018, and has been receiving overwhelming responses from customers since its launch.

Strategic Investor

In January 2018, the Company entered into a convertible loan agreement totaling HK\$200 million with IFC, which provided a strong financial support to the Company’s capacity and business expansion in China and Cambodia. Our Directors believe this would provide confidence to our Shareholders and potential investors. At the same time, it also helped to lay a strong foundation for the development of the Company in the capital market.

零售市場

打造「慕容沙發」品牌是本集團長期發展過程中的一項戰略舉措。本集團於2017年9月在香港灣仔開設第一家旗艦店。「慕容沙發」的產品由意大利米蘭的著名設計師設計，專注於更為時尚、年輕、多功能的產品線，市場定位為中端。帶著融「休憩」、「娛樂」及「養生」於一體的品牌理念，本集團希望帶給所有客戶實用而舒適的起居體驗。於順利開張後，本集團於2018年1月在上海徐匯區開設了另一家旗艦店，自開張起便已獲得廣大客戶的熱烈反響。

戰略性投資者

在2018年1月，本公司與國際金融公司簽訂了總額2億港元的可換股貸款協議，為公司在中國和柬埔寨的產能及業務擴張提供強大的財政支援。董事認為，其將給予股東及有意投資者信心，同時，其亦幫助本公司在資本市場的發展奠定了良好的基礎。

Management Discussion and Analysis

管理層討論及分析

FINANCIAL REVIEW

The revenue of the Group increased from approximately RMB941.6 million in 2016 to approximately RMB1,199.7 million in 2017, representing an increase of approximately 27.4%. The profit for the year increased by approximately 98.1% from approximately RMB80.7 million in 2016 to approximately RMB159.9 million in 2017. If excluding the one-off listing expenses incurred in 2017 and 2016, the profit before tax would increase by approximately 48.5% from approximately RMB134.7 million in 2016 to approximately RMB200.0 million in 2017. The Company's basic and diluted earnings per share attributable to ordinary equity holders of the parent was approximately RMB16.11 cents in 2017 (2016: RMB10.76 cents) based on the profit for the year attributable to ordinary equity holders of the parent of RMB159,855,000 (2016: RMB80,676,000), and the weighted average number of ordinary shares of 992,465,753 (2016: 750,000,000) in issue during the year. The weighted average number of ordinary shares in 2016 represented the 100 ordinary shares of the Company as at 1 January 2016, 99,900 ordinary shares of the Company issued under the Share Split (as defined in note 24) and 749,900,000 ordinary shares of the Company issued under the Capitalisation Issue (as defined in note 24), as if these additional shares issued under the Share Split and the Capitalisation Issue had been in issue throughout the year ended 31 December 2016, and 250,000,000 ordinary shares of the Company were issued pursuant to the listing (the "Listing") of our shares on the Main Board of the Stock Exchange as at 12 January 2017.

Revenue

The revenue of the Group increased by approximately 27.4%, from approximately RMB941.6 million in 2016 to approximately RMB1,199.7 million in 2017, which was primarily attributable to the significant increase in sales volume of both sofas and sofa covers. Sofa products continued to contribute as the major component of sales, which was in line with the Group's strategy in developing its original brand manufacturing ("OBM") business model. The Group has been changing its business model from OEM business model to OBM business model and has been increasing its focus on promoting the Group's own brand in the market during the Reporting Period.

財務回顧

本集團收入由2016年的約人民幣941.6百萬元增加至2017年的約人民幣1,199.7百萬元，升幅約為27.4%。年內溢利由2016年的約人民幣80.7百萬元增加約98.1%至2017年的約人民幣159.9百萬元。倘不包括於2017年及2016年產生的一次性上市開支，稅前溢利將由2016年的約人民幣134.7百萬元增加約48.5%至2017年的約人民幣200.0百萬元。本公司2017年的母公司普通權益持有人應佔每股基本及攤薄盈利約為人民幣16.11分（2016年：人民幣10.76分），乃根據本年度母公司普通權益持有人應佔溢利人民幣159,855,000元（2016年：人民幣80,676,000元）以及年內已發行普通股的加權平均數992,465,753股（2016年：750,000,000股）計算。2016年的普通股加權平均數指本公司於2016年1月1日的100股普通股、本公司根據股份分拆（定義見附註24）發行的99,900股普通股及本公司根據資本化發行（定義見附註24）發行的749,900,000股普通股，猶如該等根據股份分拆及資本化發行發行的額外股份已於截至2016年12月31日止整個年度發行，並包括本公司於2017年1月12日根據聯交所主板股份上市（「上市」）發行的250,000,000股普通股。

收入

本集團收入由2016年的約人民幣941.6百萬元增加約27.4%至2017年的約人民幣1,199.7百萬元，主要是由於沙發及沙發套的銷量大為上升。沙發產品繼續為佔據銷量的重要比例，而且符合本集團發展原品牌生產（「OBM」）業務模型的策略。本集團已經把業務模型由OEM轉為OBM，而且於報告期間愈益著重在市場上推廣本集團的自有品牌。

Management Discussion and Analysis

管理層討論及分析

Cost of sales

The cost of sales of the Group increased by approximately 23.1% from approximately RMB671.1 million in 2016 to approximately RMB826.0 million in 2017, which was primarily due to the increase in the consumption of major raw materials and increase in direct labour.

Gross profit

The gross profit of the Group increased by approximately 38.1% from approximately RMB270.6 million in 2016 to approximately RMB373.7 million in 2017, which was primarily due to (i) the increase in average selling price of our sofa products; and (ii) the continuous growth on our OBM business which contributed a higher gross profit margin. Our gross profit margin increased from approximately 28.7% in 2016 to approximately 31.1% in 2017.

Other income and gains

The other income and gains of the Group decreased by approximately 18.5% from approximately RMB16.4 million in 2016 to approximately RMB13.4 million in 2017. Such decrease was primarily due to a net foreign exchange gain of approximately RMB14.2 million recorded in 2016.

Selling and distribution expenses

The selling and distribution expenses of the Group increased by approximately 24.8% from approximately RMB82.0 million in 2016 to approximately RMB102.3 million in 2017. Such increase was primarily due to the increase in marketing and promotion expenses. In particular, there was an increase in the expenditure of expanding and strengthening our sales channels network in our major markets.

Administrative expenses

The administrative expenses of the Group decreased by approximately 6.6% from approximately RMB77.3 million in 2016 to approximately RMB72.3 million in 2017, which was primarily due to the net effects of (i) the decrease of listing expenses from approximately RMB22.6 million incurred in 2016 to approximately RMB1.9 million incurred in 2017; and (ii) a net foreign exchange loss of approximately RMB7.0 million recorded in 2017.

銷售成本

本集團銷售成本由2016年的約人民幣671.1百萬元增加約23.1%至2017年的約人民幣826.0百萬元，主要是由於主要材料消耗增加及直接勞工增加。

毛利

本集團毛利由2016年的約人民幣270.6百萬元增加約38.1%至2017年的約人民幣373.7百萬元，主要是由於(i)沙發產品的平均售價增加；及(ii)毛利率較高的OBM業務持續增長。毛利率由2016年的約28.7%增加至2017年的約31.1%。

其他收入及收益

本集團其他收入及收益由2016年的約人民幣16.4百萬元減少約18.5%至2017年的約人民幣13.4百萬元。該減少主要由於2016年錄得外匯收益淨額約人民幣14.2百萬元。

銷售及分銷開支

本集團銷售及分銷開支由2016年的約人民幣82.0百萬元增加約24.8%至2017年的約人民幣102.3百萬元。該增加主要由於營銷及推廣開支增加。具體而言，有關擴大及鞏固我們於主要市場的銷售渠道網絡的開支增加。

行政開支

本集團行政開支由2016年的約人民幣77.3百萬元減少約6.6%至2017年的約人民幣72.3百萬元，主要是由於(i)產生的上市開支從2016年的約人民幣22.6百萬元減至2017年的約人民幣1.9百萬元；及(ii)2017年錄得外匯虧損淨額約人民幣7.0百萬元的影响淨額。

Management Discussion and Analysis

管理層討論及分析

Finance costs

The finance costs of the Group decreased from approximately RMB14.3 million in 2016 to approximately RMB11.7 million in 2017 primarily due to a lower average balance of bank borrowings outstanding in 2017 compared to 2016.

Income tax expense

The income tax expense of the Group increased by approximately 21.8% from approximately RMB31.4 million in 2016 to approximately RMB38.2 million in 2017. In addition, the effective tax rate decreased from approximately 28.0% in 2016 to approximately 19.3% in 2017. The substantial decrease in effective tax rate in 2017 was mainly attributable to (i) the decrease in the impact of non-deductible expenses for tax from approximately RMB6.5 million in 2016 to approximately RMB2.1 million in 2017, which was mainly due to the decrease in non-deductible listing expenses incurred; (ii) the adjustments of current year income tax in respect of over-provision of prior year income tax provision of approximately RMB5.6 million; and (iii) the increase in the impact of a super-deduction of eligible research and development expenditure from approximately RMB3.2 million in 2016 to approximately RMB7.7 million in 2017, mainly arising from the manufacturing costs incurred by the Group that qualified for an additional 50% tax deduction for PRC CIT purpose in accordance with the Circular on Improving the Policy on Extra Pre-tax Deduction of Research and Development Expenses (關於完善研究開發費用稅前加計扣除政策的通知) which was promulgated by the Ministry of Finance, the State Administration of Taxation and the Ministry of Science and Technology on 2 November 2015 and with effect from 1 January 2016.

Profit for the year

As a result of the foregoing, our profit for the year significantly increased by approximately 98.1% from approximately RMB80.7 million in 2016 to approximately RMB159.9 million in 2017. If excluding the one-off listing expenses incurred in 2017 and 2016, the profit before tax would increase by approximately 48.5% from approximately RMB134.7 million in 2016 to approximately RMB200.0 million in 2017.

融資成本

本集團融資成本由2016年的約人民幣14.3百萬元減少至2017年的約人民幣11.7百萬元，主要是由於2017年末償還銀行借款平均結餘較2016年減少。

所得稅開支

本集團所得稅開支由2016年的約人民幣31.4百萬元增加約21.8%至2017年的約人民幣38.2百萬元。此外，實際稅率由2016年的約28.0%降至2017年的約19.3%。2017年的實際稅率大幅降低主要是由於(i)受不可扣稅開支由2016年的約人民幣6.5百萬元減至2017年的約人民幣2.1百萬元的影响，而有關減少主要是由於產生的不可扣稅上市開支減少所致；(ii)於本年度就過往年度所得稅撥備的超額撥備作出所得稅調整約人民幣5.6百萬元；及(iii)合資格研發開支的超額抵扣影響由2016年的約人民幣3.2百萬元增至2017年的約人民幣7.7百萬元，主要由於根據財政部、國家稅務總局及科技部於2015年11月2日頒佈並於2016年1月1日生效的《關於完善研究開發費用稅前加計扣除政策的通知》，本集團產生的生產成本合資格額外抵扣50%的中國企業所得稅。

年內溢利

由於上述原因，年內溢利由2016年的約人民幣80.7百萬元大幅增加約98.1%至2017年的約人民幣159.9百萬元。倘不包括於2017年及2016年產生的一次性上市開支，除稅前溢利將由2016年的約人民幣134.7百萬元增加約48.5%至2017年的約人民幣200.0百萬元。

Management Discussion and Analysis

管理層討論及分析

LIQUIDITY AND CAPITAL RESOURCES

Working capital

For 2017, cash and cash equivalents of the Group decreased by approximately RMB47.4 million, which mainly comprised (i) the gross proceeds from our Listing of approximately RMB234.0 million; (ii) dividends paid for 2016 final and 2017 interim dividends in total of approximately RMB143.3 million; and (iii) repayments of interest-bearing bank borrowings of approximately RMB124.5 million.

Borrowing and pledge of assets

As at 31 December 2017, the Group's interest-bearing bank borrowings amounted to approximately RMB149.7 million, all of which were repayable within twelve months from 31 December 2017. The bank loans' interest rates ranged between 2.1% to 6.5% per annum.

As at 31 December 2017, approximately RMB181.9 million restricted bank balances were pledged for bills payables.

Gearing ratio

The gearing ratio of the Group, which is total interest-bearing bank borrowings divided by total equity as at the end of the year and multiplied by 100%, decreased from approximately 174.6% as at 31 December 2016 to approximately 39.1% as at 31 December 2017, which was primarily due to increase in total equity and repayment of interest-bearing bank borrowings during 2017.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 31 December 2017.

Trade and bills receivables

The trade and bills receivables of the Group increased to approximately RMB389.0 million as at 31 December 2017 (31 December 2016: RMB220.0 million), primarily due to the significant increase in sales to our customers in the fourth quarter in 2017 as compared to the corresponding period in 2016.

流動資金及資本來源

營運資金

於2017年，本集團現金及現金等價物減少約人民幣47.4百萬元，主要包括(i)上市所得款項總額約人民幣234.0百萬元；(ii)派付2016年末期及2017年中期股息合共約人民幣143.3百萬元；(iii)償還計息銀行借款約人民幣124.5百萬元。

借款及資產抵押

於2017年12月31日，本集團的計息銀行借款約為人民幣149.7百萬元，全部均須於自2017年12月31日起12個月內償還。銀行貸款年利率介乎2.1%至6.5%。

於2017年12月31日，約人民幣181.9百萬元的受限制銀行結餘已用作應付票據的抵押。

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）從2016年12月31日約174.6%減至2017年12月31日約39.1%，主要由於2017年的權益總額增加及償還計息銀行借款。

或然負債

本集團於2017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

本集團的貿易應收款項及應收票據增至2017年12月31日的約人民幣389.0百萬元（2016年12月31日：人民幣220.0百萬元），主要由於較2016年同期而言，2017年第四季度向客戶所作銷售大幅增加。

Management Discussion and Analysis

管理層討論及分析

Trade and bills payables

The trade and bills payables of the Group decreased to approximately RMB438.2 million as at 31 December 2017 (31 December 2016: RMB542.7 million), primarily due to early settlement of balances with some of our suppliers.

HUMAN RESOURCES MANAGEMENT

The management believes that talent is the basis for long-term development and growth of enterprises. The Group targeted to enhance its corporate image through the building-up of the Company's brand name. With 'Five Hearts of Morris': ambition, confidence, determination, perseverance and loyalty, as the core values of our corporate culture, the Group targeted to establish a distinctive corporate culture. Through regular trainings and education of our corporate culture, the Group provides its staff with potentials for personal growth and increase our 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 creates a good working environment, and establishes teamwork spirit among employees. We carry out "performance evaluation for excellence" quarterly, and irregularly carry out "Morris Artisans" evaluations, aiming at encouraging the morale of our technicians. The Group regularly reviews human resources policies to ensure that the policies align with market practice and comply with regulatory requirements. As of December 31, 2017, the Group employed 2,052 employees (31 December 2016: 1,996 employees). The total annual salary and related costs (excluding directors' remuneration) for 2017 was approximately RMB143.2 millions (2016: RMB139.5 million).

貿易應付款項及應付票據

本集團的貿易應付款項及應付票據減至2017年12月31日的約人民幣438.2百萬元(2016年12月31日: 人民幣542.7百萬元), 主要由於較早與部分供應商進行結餘清算。

人力資源管理

管理層認為人才是企業長期發展及壯大的基礎。本集團擬透過建設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企業文化核心價值, 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潛力, 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, 本集團創造良好的工作環境, 並在員工之間建設團隊精神。我們按季度進行「績效評優」, 並定期進行「慕容巨匠」評選活動, 旨在激勵技術人員的士氣。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2017年12月31日, 本集團僱用2,052名員工(2016年12月31日: 1,996名員工)。2017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143.2百萬元(2016年: 人民幣139.5百萬元)。

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 2017 maintained at a satisfactory level. As at 31 December 2017, the Group had no significant capital commitment.

Foreign currency risk

Revenue from major customers is mainly from the U.S. while the Group's production mainly operates in the PRC. Accordingly, its revenue is received in U.S. dollar while transactions arising from its operations were generally settled in RMB. As a result, fluctuations in the value of U.S. dollars against RMB could adversely affect the operations of the Group. During 2017, 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 2017 and there was no hedging instruments outstanding as at 31 December 2017. 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份主要風險及不確定因素。除如下所示的風險及不確定因素外，本集團還可能存在目前尚不知悉或者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

流動性風險

本集團之政策為定期監察其流動性需要，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之承諾資金額度（如適用）。本集團於2017年12月31日之現金及現金等價物維持在滿意水平。於2017年12月31日，本集團概無重大資本承諾。

外匯風險

本集團源於主要客戶的收入主要來自美國，但生產營運主要在中國。因此，本公司的收入以美元收取，但來自業務的交易通常以人民幣結算。所以，美元兌人民幣的匯率波動可能對本集團的業務帶來不利影響。於2017年，本集團業務或流動性未因匯率波動而遭遇任何重大困難或影響。

於2017年，本集團並無使用任何金融工具作對沖用途，亦無任何於2017年12月31日尚未平倉之對沖工具。本集團將繼續密切監察源自現有業務及未來新投資的匯率風險。本集團將在適當時進一步實施必要的對沖安排，以緩解任何重大的匯率風險。

Principal Risks and Uncertainties

主要風險及不確定因素

Credit risk

The Group's credit risk is primarily attributable to trade receivables. Credit evaluations are performed on all credit customers taken 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 four 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 82.0% and 79.0% of the Group's total trade receivables as at 31 December 2017 and 2016 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.

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償還能力、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四個月。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損失。

本集團面臨來自五大客戶的貿易應收款項之集中風險，該等貿易應收款項於2017年12月31日及2016年12月31日分別約佔本集團貿易應收款項總額的82.0%和79.0%。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有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

由於本集團的大部份收入來自美國，故其經營業績及財務狀況取決於美國的經濟。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治不穩定性變動等挑戰。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，這可能對本集團的業務帶來不利影響。

Principal Risks and Uncertainties

主要風險及不確定因素

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.

Economic environment of Cambodia

The factory of Cambodia is planned to operate in 2018. The economic risk and political risk of Cambodia is set out in the section headed “Cambodia: Political and economic outlook” on page 27 of this annual report.

OPERATIONAL RISK

Raw materials

Changes in raw materials costs may adversely affect the future results of the Company. The Company aims to maintain long-term business relationships with suppliers to acquire raw materials.

Availability, recruitment and retention of skilled personnel

The Group's success and ability to grow depends largely on its ability to attract, train, retain, and motivate highly skilled and qualified managerial, sales, marketing, administrative, operating, and technical personnel. The loss of key personnel, or the inability to find additional qualified personnel, could materially and adversely affect the Group's prospects and results of operations. The Group constantly reviews its human resources strategy to ensure that its human resources policies, processes and practices are able to facilitate its organization development.

The Group is committed to its risk management system in order to identify and assess risks of major projects and key business areas at all levels. With risk reports highlighting weaknesses and potential risks, the Group reviews and implements its risk management and control measures to control and manage the risks which the Group is exposed to.

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。

柬埔寨的經濟環境

柬埔寨工廠計劃在2018年營運。柬埔寨的經濟風險及政治風險載於本年報第27頁的「柬埔寨：政治與經濟前景」章節。

經營風險

原材料

原材料成本變動可能對本公司未來業績產生不利影響。本公司旨在與供應商維持長期業務關係，以獲取原材料。

得到、招聘及挽留高技能員工

本集團的成功及增長能力很大程度取決於我們吸引、培訓、挽留及激勵高技能及合資格的管理、銷售、營銷、行政、營運及技術人才的能力。主要人員流失或無法獲得額外的合資格人才可能對本集團的前景及經營業績產生重大不利影響。本集團持續檢討其人力資源策略，以確保人力資源政策、流程及常規能促進組織發展。

本集團致力其風險管理制度，以確保識別和評估主要項目及各級主要業務領域的風險。透過突出缺陷及潛在風險的風險報告，本集團審核及實施其風險管理與控制措施，以控制及管理本集團面臨的風險。

Cambodia: Political and Economic Outlook

柬埔寨：政治和經濟前景

DOMESTIC AND EXTERNAL POLITICAL ENVIRONMENT

Elections for the country's National Assembly are due on July 29, 2018. In the last election, held in 2013, the Cambodian People's Party (CPP) under its leader Hun Sen, who has been Prime Minister since 1985, won 68 seats of the 123 then available and 48.8% of the vote. This sharp drop from the CPP's performance in 2008, when it took 90 seats and 58.1% of the vote, was due to the newly formed Cambodian National Rescue Party (CNRP) led by Sam Rainsy and Kem Sokha, which won 55 seats and 44.5% of the vote in 2013.

As recently as mid-2017, the CNRP appeared to be maintaining a serious challenge to the CPP ahead of this year's legislative elections. The country's most recent electoral test -- voting for council seats in June 2017, when the turnout was 90% -- saw the CPP win 50.8% of the vote while the CNRP took 43.8%.

Hun Sen has responded to the challenge from the CNRP in two ways. One has been to indicate a crackdown on corruption, to increase pay in the public sectors as well as the crucial garment industry, and to back policies intended to support economic expansion and modernisation.

At the same time, however, the CPP moved to dismantle the CNRP by making it illegal for political parties to associate with criminals (a category that includes Rainsy) or to damage the 'national interest'. In September, Kem Sokha, who had succeeded Rainsy as party leader in March 2017, was arrested on treason charges. Then in November, following government allegations that the CNRP had been plotting a coup with international help, Cambodia's Supreme Court ordered the dissolution of the party and banned 118 of its top officials from political activities for five years.

The CPP quickly moved to redistribute the CNRP's seats in the National Assembly among a number of minor parties, effectively fracturing the opposition. Funcinpec, the royalist party that was previously in coalition with the CPP, was handed 41 seats that had been held by the CNRP seats. The Cambodian Nationality Party (CNP) gained two and the Khmer Economic Development Party (KEDP) one. The CPP itself picked up eleven seats that two other minor parties refused to accept.

國內及外圍政治環境

該國的國會選舉將於2018年7月29日舉行。在2013年上一屆選舉中，自1985年已出任首相的洪森所領導的柬埔寨人民黨（「人民黨」）贏得當時123個議席的68席，得票率為48.8%。較2008年取得90個議席和得票率58.1%相比，人民黨表現有所下滑，原因是新成立的由桑蘭西和根索卡領導的柬埔寨救國黨（「救國黨」）於2013年贏得55個議席並取得44.5%的得票率。

直至最近2017年中旬，救國黨似乎仍是人民黨在今年大選前的重大威脅。在該國近期的大選前哨戰－2017年6月的地方選舉中，投票率為90%，而人民黨贏得其中的50.8%，而救國黨的得票率為43.8%。

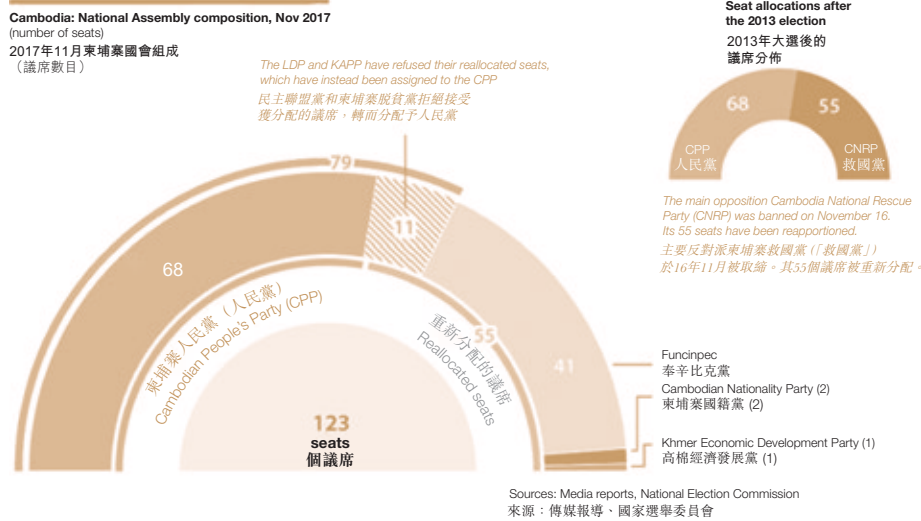
洪森以兩種方式應付救國黨的挑戰。首先是表明打擊貪污、對公營部門和至關重要的製衣業投放更多開支，並支持經濟擴張及現代化的政策。

然而，同時間人民黨指稱政黨與罪犯（其中包括桑蘭西）聯繫或損害「國家利益」屬不合法，試圖解散救國黨。根索卡於2017年3月繼承桑蘭西成為救國黨黨魁後，於9月涉叛國罪被捕。其後於11月，在政府聲稱救國黨勾結外國勢力策劃政變後，柬埔寨最高法院裁決解散救國黨，而其118名高級黨員被禁止在五年內參政。

人民黨迅即動議將救國黨在國會的議席在多個小政黨之間重新分配，實際上將反對派瓦解。曾與人民黨結盟的保皇黨奉辛比克黨獲分配之前由救國黨持有的41個議席。柬埔寨國籍黨（「國籍黨」）獲得兩席，而高棉經濟發展黨（「經濟發展黨」）則獲得一席。人民黨本身取得其他兩個小政黨拒絕接受的十一個議席。

Cambodia: Political and Economic Outlook

柬埔寨：政治和經濟前景



The banning of the CNRP has left voters opposed to the ruling CPP in a dilemma ahead of the July election. In the absence of the major opposition party, it is likely that their votes would be split across a range of minor parties. Even Funcinpec, currently the second-largest party in the National Assembly following the post-CNRP redistribution despite winning less than 4% of the vote in 2013, has said that it intended to operate as a “minority” party rather than an opposition party. Although Funcinpec, the CNP and KEDP now constitute the formal opposition, they may well avoid opposing the CPP so as to avoid the fate suffered by CNRP. This non-confrontational approach will make it difficult for the three parties to build public profiles that voters will respect.

In January 2018, Sam Rainsy launched the Cambodia National Rescue Movement from exile in France in the hope of encouraging meaningful international economic pressure on the CPP government while urging Cambodians to conduct non-violent protests. However, Rainsy's plan is unlikely to work given the risks of contravening the new laws on assembly and the enhanced powers now available to the security services.

救國黨被取締後，在7月大選前的兩難局面下，選民群起反對執政人民黨。在缺乏主要反對派的情況下，選票很可能會在多個小政黨之間瓜分。即使奉辛比克黨於2013年的得票率少於4%，但於救國黨的議席重新分配後，奉辛比克黨現已成為國會第二大黨。該黨曾表示擬以「少數」黨而非以反對派的姿態參政。雖然奉辛比克黨、國籍黨和經濟發展黨現已形成正式的反對勢力，但三黨很可能會避免反對人民黨，以免遭到救國黨的同命運。這非對抗的方式，將令三黨難以建立選民所尊重的公眾形象。

流亡法國後，桑蘭西於2018年1月發起柬埔寨救國運動，以期鼓吹對人民黨政府施加實質的國際經濟壓力，同時呼籲柬埔寨人民進行非暴力抗爭。然而，由於存在違反新集會法例的風險，加上保安部門現時可運用更大權力，故桑蘭西的計劃似乎不大可行。

Cambodia: Political and Economic Outlook

柬埔寨：政治和經濟前景

Hun Sen and the CPP are aware that the quality of governance in Cambodia faces longer-term pressures as a developing middle class demands better administration and a functioning infrastructure that includes effective healthcare and education. Although the CPP is likely to retain power in July, it cannot satisfy the demands of the voters as the economy expands then its current efforts to constrain the opposition may well turn voters against the party in subsequent elections.

Within the wider region, there is an increasing acceptance that Cambodia will largely take the Chinese line on regional issues. Although ASEAN was unsettled by Phnom Penh's pro-Beijing stance when Cambodia chaired the organisation in 2012, there is no political will in the region to try and pull Phnom Penh out of Beijing's orbit. Singapore, which chairs ASEAN in 2018, is unwilling to confront China directly, and when Thailand takes over in 2019 it will still be absorbed in domestic issues. As a result, its closeness to China should cause Cambodia little regional trouble in the next two years.

The only exception is the alarm being caused by the long-term ecological consequences of the dams that Cambodia is building on its tributary rivers with Chinese help. Vietnam is the country most affected, and it will be chairing ASEAN in 2020.

In general, Southeast Asia will see healthy economic growth in the next 2-3 years, and all countries in the region will benefit to some degree. The World Bank's latest projections continue to see the Cambodian economy growing at 6.9% in 2018 thanks to the combination of substantial foreign investment, greater export diversification, and a more buoyant global outlook. Efforts to develop an ASEAN Economic Community, as well as the proposed Regional Comprehensive Economic Agreement (RCEP) and the interest from Europe and North America in forging free trade agreements in the region, will all reinforce Cambodia's attractiveness for investment and its role in the light manufacturing supply chain.

The United Kingdom is a leading European export destination for Cambodian garments. As London moves to define its post-Brexit economic arrangements, one of its aims is to strike free trade agreements internationally. Cambodia has already expressed a wish to reach a free trade agreement with the UK, and London may well decide to pursue such a deal relatively quickly.

由於正在發展的中產階級要求加強施政，以及將有效的醫療保健和教育納入功能基建體系，故洪森和人民黨明白到柬埔寨的管治質素將面對較長期的壓力。雖然人民黨應可於7月重新掌權，但於經濟增長之時未能滿足選民的要求，使其現時著力打壓反對勢力，或會令選民於往後的選舉中轉而反對該黨。

在更廣義的地區問題上，人們已日漸接受柬埔寨將大致跟隨中國的立場。雖然於2012年柬埔寨擔任東盟主席國之時，東盟因金邊親北京的姿態而感到為難，但區內並無政治力量意圖把金邊拉離追隨北京的路線。於2018年擔任東盟主席國的新加坡，也不願直接與中國對抗，而當泰國於2019年接任主席國時，仍將受到國內問題困擾。因此，親中國的姿態，應會令柬埔寨於未來兩年不會受到地區問題的困擾。

唯一例外是，柬埔寨在中國協助下，在其分支河流中建造水壩造成長期生態影響所引起的警號。越南是最受影響的國家，而該國將於2020年擔任東盟的主席國。

普遍東南亞國家的經濟於未來2至3年將有健康的增長，而區內所有國家將在某程度上受惠。據世界銀行最近的預測，由於大量外資湧入、出口種類更多樣化，加上全球經濟前景更為樂觀，柬埔寨經濟將於2018年繼續以6.9%的速度增長。各國努力發展東盟經濟共同體，以及所建議的區域全面經濟夥伴關係協定(RCEP)和歐洲及北美有意在區內促成自由貿易協定，均會提升柬埔寨的投資吸引力及其在輕工製造業供應鏈的角色。

英國是柬埔寨成衣的主要歐洲出口國。由於英國正著手確定其脫歐後的經濟安排，其中一個目標是敲定國際自由貿易協議。柬埔寨經已表示希望與英國達成自由貿易協定，而倫敦很可能決定盡快爭取達成協議。

Cambodia: Political and Economic Outlook

柬埔寨：政治和經濟前景

ECONOMIC OUTLOOK AND BUSINESS ENVIRONMENT

The expanding economy is driving a demand for credit that the market is finding it difficult to meet. About 1.8 million households had outstanding loans at the end of the third quarter of 2017, according to the Cambodia Microfinance Association, which was down from 2.1 million at the end of 2016. There was almost 4 billion dollars of outstanding credit in April-June 2017, up from 3.1 billion in late 2016, and the World Bank has indicated that the credit market is under pressure.

The UN University's 2016 World Risk Report indicated that Cambodia is among the countries in the Asia-Pacific region whose high exposure to risks from natural disasters is coupled with a poor capacity to cope with the consequences of disaster. However, insurance markets are still in their infancy in Cambodia.

The government is in favour of foreign investment and has a range of tax policy incentives to attract international companies. Cambodia's stock market is developing steadily, and the government is making gradual moves to reduce dollarisation in the economy in favour of Cambodia's riel currency. There are moves underway to develop a national minimum wage, which at present allies only to the garment and textiles sector. This sector may also benefit as more international companies indicate that they expect the government to move towards international standards for working conditions.

Tourism continues to be a growth area, although the pace of growth has slowed recently from the 25% rise in tourist numbers seen in 2012, and the sector is now the country's third largest employer. There are more tourists from the United States than from Europe or Japan, although Vietnam and China, together with South Korea, now provide the most visitors.

The prospect of political stability, albeit a largely enforced stability after the removal of the CNRP and the fracturing of the remaining opposition, should mean a relatively predictable environment for business in the medium term.

經濟前景及營商環境

經濟擴張帶動信貸需求上升，但市場難以滿足此需求。據柬埔寨小額信貸協會表示，於2017年第三季末，約有180萬個家庭有未償還貸款，較2016年底的210萬有所下降。於2017年4月至6月約有40億元的未償還信貸額，較2016年底的31億元有所上升，而世界銀行表示信貸市場正在受壓。

聯合國大學的2016年全球風險報告顯示，柬埔寨是亞太區內面對很高天災風險但應付災難後果的能力較差的國家之一。然而，柬埔寨的保險市場仍在初期發展階段。

政府支持外國投資，並制定多項稅務優惠政策以吸引國際企業。柬埔寨的股票市場正穩步發展，而政府正逐步減少經濟中的美元化，從而支持柬埔寨貨幣瑞爾。當局正動議制訂全國最低工資，而目前最低工資僅適用於製衣及紡織業。由於有更多國際企業表示預期政府會將勞工條件提升至國際標準，故製衣及紡織業亦會受惠。

儘管遊客人數於2012年增長25%後，近年增長速度已有所放緩，但旅遊業仍繼續擴張，目前是該國就業人數最多的第三大行業。來自美國的遊客較歐洲或日本的遊客為多，而現時遊客最多的是來自越南、中國及南韓。

雖在救國黨解散及餘下反對勢力瓦解後才帶來政治穩定性，但穩定的前景應會在中期營造一個相對可預測的營商環境。

Cambodia: Political and Economic Outlook

柬埔寨：政治和經濟前景

CORRUPTION

Transparency International's Corruption Perceptions Index has ranked Cambodia as one of the worst countries for corruption in the Asia Pacific region for the last several years. Although international agencies have been helping the government to write anti-corruption legislation since the 1990s, and many provisions such as the 2011 Anticorruption Law cover Western concerns about corruption, but poor enforcement means that they have little effect.

In Cambodia, endemic levels of corruption combine with a high degree of bureaucracy to make the commercial environment potentially difficult. The 2018 edition of the World Bank's Ease of Doing Business survey places Cambodia 135th out of 190 countries, with only the ability to obtain easy credit offsetting the poor rankings for starting a business (183rd), dealing with construction permits (179th), and enforcing contracts (179th). All these are areas that are susceptible to bribery and corruption.

Other areas that are particularly vulnerable to corruption include establishing land ownership and infrastructure projects that will have particular environmental consequences or an impact on the local population. Business licenses and permits are particularly difficult to obtain, even by Southeast Asia standards, without an offer of gifts and corruption in the customs sector is particularly rife. The legal system, including the police, offers little relief, as the judiciary continues to be viewed as the most corrupt institution in Cambodia.

Corruption is becoming an issue not only for businesses but also individuals. As the economy has improved, research has revealed that corruption is one of the leading concerns for ordinary Cambodians. However, while a meaningful rather than cosmetic anti-corruption campaign would probably be popular, it remains unlikely that the CPP will feel the need to move beyond rhetoric to significant action during 2018.

LABOUR

In recent years, the garment sector, which contributed Cambodia's major manufactured export, has seen regular protests in support of higher minimum pay. The government has usually responded by providing some sort of increase, but last year Hun Sen specifically intervened to order a significant increase in the sector's minimum wage ahead of the 2018 elections. At the same time, legislation on trade unions passed in 2016 has put further limits on the right to strike, and union registration has become more complex.

貪污

透明國際(Transparency International)的貪污觀感指數(Corruption Perceptions Index)過去數年將柬埔寨列為亞太區內貪污最嚴重的國家之一。雖然自1990年代起，國際機構一直協助該國政府擬定反貪污法例，而不少條文(例如2011年借鑑西方的反貪污法)均關注貪污問題，但執法不力導致成效不彰。

在柬埔寨，地方貪污陋習普遍加上官僚主義嚴重，令營商環境有潛在困難。在世界銀行的2018年「企業經營難易度」調查中，柬埔寨在190個國家中排名第135位，只有易於獲取信貸這項能力，能抵銷開展業務(排名第183位)、辦理建築許可證(排名第179位)及執行合約(排名第179位)的差劣排名。這些方面均容易受到貪污受賄的影響。

特別容易涉及貪污的其他方面，包括將產生特定環境影響或對當地人口造成影響的土地所有權及基建項目的落實。尤其普遍的現象是，如不向海關部門送贈禮物及賄賂，則難以取得營業執照及許可證(即使以東南亞標準而言)。由於司法部一直被視為柬埔寨最腐敗的機構，法律制度(包括警方)的效力有限。

貪污不僅對於企業，且對於個人來說也是日漸關切的問題。隨著經濟改善，研究發現貪污是一般柬埔寨人主要憂慮的問題之一。雖然人民普遍樂見當局有實質的反貪運動而非只流於門面功夫，但人民黨除出口術外，仍不大可能感到有必要於2018年作出其他重大行動。

勞工

柬埔寨的主要出口製造業—製衣業，近年經常出現支持提高最低工資的示威行動。政府過往通常會作些微調高以作安撫，但去年洪森特別介入，在2018年大選前命令大幅調高該行業的最低工資。與此同時，於2016年有關工會的法例獲通過，進一步限制罷工的權利，而工會的登記也變得更加繁複。

Cambodia: Political and Economic Outlook

柬埔寨：政治和經濟前景

Although the government wants to modernise the economy by moving away from the continuing emphasis on agriculture, which still employs two-thirds of the workforce, doing so will require not only domestic and foreign investment but also improvements to the education system and the development of worker training. This should become easier as the percentage of the population living in urban centres increases, but the urbanisation process will also put pressure on the available housing stock and the ability to provide health care.

SOCIAL STABILITY

With the removal of the main opposition, many voters may come to regard civil society activism rather than party politics, as the most effective form of political activity during 2018. However, the police and military are closely aligned with the CPP and the government has passed laws that constrain freedom of assembly. Further limitations on opposition movements look likely, and any significant protests would be met with a severe response from the security forces.

TAX POLICY

The government operates a full range of tax incentives in a bid to help business and attract foreign investment, although there may be greater pressure on taxes if the CPP feels the need to push ahead with a greater degree of economic populism.

However, taxes are an area of corruption that is seen by various business groups as particularly troubling and a major deterrent for foreign investment, not least because the government does not appear to apply a uniform tax rate across the board but instead tailors tax rates to benefit those foreign partners that it prefers.

雖然政府希望擺脫一直對農業的依賴，推動經濟現代化，但農業仍聘用三分之二的勞動力，脫農不僅需要國內及外國投資，也要改善教育制度和發展工人培訓。隨著在市中心生活的人口百分比上升，應會令脫農變得更容易，但城市化過程也會對可供居住的住房及提供醫療保健服務的能力構成壓力。

社會穩定

隨著主要反對派解散，很多選民或會認為公民社會運動將取代黨派政治成為2018年政治活動的最有效方式。然而，警方和軍方與人民黨有緊密聯繫，而政府已通過法例限制集會自由。抗爭活動應會進一步受限制，而任何大型示威或會招致保安部隊的鎮壓。

賦稅政策

政府實施多項賦稅優惠，務求協助企業和吸引外國投資，但若人民黨感到有需要推行更大程度的經濟民粹主義，可能會對賦稅構成更大壓力。

然而，不同企業集團均視賦稅為特別受貪污情況困擾的範疇，而且是外資的主要絆腳石，原因不僅是政府似乎不會一視同仁應用劃一稅率，反而為其屬意的外貿合作夥伴制訂特別稅率而令他們受惠。

Cambodia: Political and Economic Outlook

柬埔寨：政治和經濟前景

IMPORT AND EXPORT MEASURES

When Hun Sen removed the CNRP as a political threat last year, he tested the limits of international tolerance. He will probably have been surprised, and certainly pleased, by the limited condemnation he received. At the end of 2017, as a response to the banning of the CNRP, the US imposed travel sanctions on several individuals from the CPP for “undermining democracy” in Cambodia. However, trade sanctions are not currently under consideration and ASEAN has made clear that it will take no action on Cambodia’s domestic situation.

In the fourth quarter of 2017, the Garment Manufacturers Association in Cambodia petitioned Washington for an extension of the US Generalized System of Preferences (GSP) to the footwear sector, in which Cambodian manufacturers are heavily engaged. This request is considered rather optimistic, as footwear has not been included within the GSP before. The GSP programme is intended to promote economic growth in developing countries by providing duty-free entry to more developed markets for up to 5,000 goods, depending on the development level of an individual country. Many South-east Asian economies are structured to take advantage of the GSP, and Cambodia is already the ninth-largest beneficiary of the programme.

The Trump administration’s ‘America First’ approach to trade policy has made expectations of GSP access less certain but at the same time more important for the region. However, the decision to end American interest in the Trans-Pacific Partnership (TPP) has had little impact on Cambodia as it is not eligible to participate in the TPP because it is not an APEC member.

Although the GSP programme will need to be reauthorised this year, the encouraging news for Cambodia is that the Trump administration does not appear to view GSP recipients through a political lens, as did Obama administration tended to do. As a result, authoritarian South-east Asian states such as Thailand and Cambodia are not likely to have GSP withheld for political purposes, even if other sanctions are applied. Moreover, with the US now showing greater concern about the protection of intellectual property in GSP countries, Cambodia is confident that its current export profile will ensure that intellectual property is not a major issue.

進出口措施

當去年洪森消除救國黨的政治威脅時，他測試了國際社會的容忍限度。或許讓他意想不到的是他所受的譴責有限，而肯定他會暗自竊喜。於2017年末，作為救國黨被取締的回應，美國以「損害柬埔寨民主」為由對來自人民黨的數名人員實施簽證制裁。然而，目前不會考慮對柬埔寨實施貿易制裁，而東盟已表明不會對柬埔寨的國內情況採取行動。

在2017年第四季，柬埔寨製衣廠商會請求美國政府把美國普遍優惠制(GSP)延伸至柬埔寨廠商有廣泛業務的製鞋行業。由於鞋類過往並未獲納入GSP，此要求被認為相當樂觀。GSP計劃乃視乎個別發展中國家的發展水平，對出口至更發達市場的多達5,000種貨品提供免稅優惠，以促進發展中國家的經濟發展。很多東南亞經濟體已建立架構以利用GSP的優惠，而柬埔寨經已是該計劃的第九個最大受惠國。

特朗普政府對於貿易政策的「美國優先」取態，雖令給予GSP優惠的期望變得不太確定，但同時這取態對區內更為重要。然而，由於柬埔寨並非亞太經合組織成員，不合資格參與跨太平洋夥伴關係協定(TPP)，因此終止美國在TPP利益的決定，對柬埔寨的影響不大。

雖然GSP計劃將需於今年重新授權，但令柬埔寨鼓舞的是特朗普政府似乎不會跟奧巴馬政府所傾向的做法，從政治利益角度審視GSP受惠國。因此，像泰國及柬埔寨等東南亞獨裁主義國家即使被實施其他制裁，亦不大可能因政治目的而不獲給予GSP優惠。再者，美國現時更為關注在GSP國家保護知識產權，而柬埔寨有信心其目前的出口狀況，將確保知識產品不會是重大問題。

Corporate Governance Report

企業管治報告

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 set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") (the "Corporate Governance Code") 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.

Under Code Provision A.6.7 of the Corporate Governance Code, independent non-executive directors and other non-executive directors should attend general meetings. One of the independent non-executive Directors, Ms. Zhang Bingbing, did not attend the 2016 annual general meeting of the Company ("AGM"), held on 31 May 2017 due to other business engagements.

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（即股份於聯交所上市之日（「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訂業務策略及執行業務計劃時更敏捷、有效率及更具效益。董事會相信，由經驗豐富的優秀人才組成的高級管理層及董事會進行營運足以達致平衡其權力與權限。董事會現時由四名執行董事（包括鄒格兵先生）及三名獨立非執行董事組成，因此其組成具有相當高的獨立性。然而，董事會仍將根據現況不時檢討董事會的架構及組成，以保持本公司的高水平企業管治常規。

根據企業管治守則守則條文A.6.7，獨立非執行董事及其他非執行董事應出席股東大會。其中一名獨立非執行董事張冰冰女士由於其他商務約定，故並無出席本公司於2017年5月31日舉行的2016年股東週年大會（「股東週年大會」）。

Corporate Governance Report

企業管治報告

Pursuant to Code Provision I(f) of the Corporate Governance Code and Rules 3.10(1) and 3.21 of the Listing Rules, an issuer must include in its board of directors of at least three independent non-executive directors and an audit committee comprising of a minimum of three members which shall comprise of non-executive directors only.

As disclosed in the Company's circular dated 26 April 2017 and the Company's announcement dated 31 May 2017, Ms. Zhang Bing Bing resigned as an independent non-executive Director on 31 May 2017. Upon Ms. Zhang's retirement, the number of independent non-executive Directors and the number of members of the Audit Committee fell below the minimum number required under Rules 3.10(1) and 3.21 of the Listing Rules.

Mr. Liu Haifeng was appointed as an independent non-executive Director and as the chairman of the Nomination Committee and a member of each of the Audit Committee and the Remuneration Committee on 6 July 2017. Following Mr. Liu's appointment, the Company has fulfilled the requirement under Rules 3.10 and 3.21 of the Listing Rules for having at least three independent non-executive Directors and three members in the Audit Committee, respectively.

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 of the Listing Rules as a code of conduct of the Company for Directors' securities transactions. The Company has made specific enquiry with all Directors and the relevant employees regarding any non-compliance with the Model Code during the period from the Listing Date to the date of this report, and they all confirmed that they had fully complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions throughout the period from the Listing Date to the date of this report.

根據企業管治守則守則條文I(f)及上市規則第3.10(1)及3.21條，發行人的董事會必須包括至少三名獨立非執行董事，且審核委員會至少要有三名成員，成員須全部為非執行董事。

誠如本公司日期為2017年4月26日之通函及本公司日期為2017年5月31日之公告所披露，張冰冰女士於2017年5月31日辭任獨立非執行董事。張女士退任後，獨立非執行董事成員及審核委員會成員將低於上市規則第3.10(1)及3.21條規定之最低數目。

於2017年7月6日，劉海峰先生獲委任為獨立非執行董事、提名委員會主席以及本公司審核委員會和薪酬委員會成員。劉先生獲委任後，本公司已符合上市規則第3.10及3.21條至少分別有三名獨立非執行董事且審核委員會至少由三名成員組成之規定。

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之期望。

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。本公司向所有董事及相關員工進行具體查詢，查詢其自上市日期至本報告日期期間是否遵守標準守則，彼等確認自上市日期至本公告日期期間已遵守載列於標準守則中之要求準則及董事進行證券交易的行為守則。

Corporate Governance Report

企業管治報告

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.

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' liability has been arranged by the Company.

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（統稱為「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，董事都能全面、及時獲取本集團的資料。本公司已建立程序，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）。

董事在經常會議之前至少14天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，以獲取其資訊和記錄。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，以供審閱。簽署的會議記錄由公司秘書妥善保管，供董事查閱。

本公司已安排有關董事責任的保險。

Corporate Governance Report

企業管治報告

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

於本報告日期，董事會的組成如下：

Executive Directors:

Mr. Zou Gebing (*Chairman and CEO*)
Mr. Chen Guohua
Mr. Zeng Jin
Mr. Wang Ming (resigned on 31 May 2017)
Mr. Shen Zhidong (appointed on 6 July 2017)

執行董事：

鄒格兵先生 (主席兼行政總裁)
陳國華先生
曾金先生
王銘先生 (2017年5月31日離任)
沈志東先生 (2017年7月6日獲委任)

Independent Non-executive Directors:

Mr. Huang Wenli
Mr. Shao Shaomin
Ms. Zhang Bingbing (resigned on 31 May 2017)
Mr. Liu Haifeng (appointed on 6 July 2017)

獨立非執行董事：

黃文禮先生
邵少敏先生
張冰冰女士 (2017年5月31日離任)
劉海峰先生 (2017年7月6日獲委任)

The biographies of the Directors are set out in "Profile of Directors and Senior Management" on page 9 to page 14 of this annual report.

董事履歷載於本年度報告第9頁至14頁之「董事與高級管理層履歷」。

During the period from the Listing Date to the date of this report, the attendance of the individual Directors at the meetings is set out below:

在上市日期至本報告日期期間，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 from the Listing Date to the date of this report				
		Remuneration Committee 薪酬委員會	Nomination Committee 提名委員會	Audit Committee 審核委員會	Board 董事會	General Meeting 股東大會
Executive Directors		執行董事				
Mr. Zou Gebing	鄒格兵先生	N/A	N/A	N/A	7/12	1/1
Mr. Chen Guohua	陳國華先生	N/A	N/A	N/A	12/12	1/1
Mr. Zeng Jin	曾金先生	N/A	N/A	N/A	12/12	1/1
Mr. Wang Ming (Note 1)	王銘先生 (附註1)	N/A	N/A	N/A	3/4	0/1
Mr. Shen Zhidong (Note 2)	沈志東先生 (附註2)	N/A	N/A	N/A	7/7	N/A
Independent non-executive Directors		獨立非執行董事				
Mr. Shao Shaomin	邵少敏先生	3/3	3/3	6/6	11/12	1/1
Mr. Huang Wenli	黃文禮先生	3/3	3/3	6/6	9/12	1/1
Ms. Zhang Bingbing (Note 3)	張冰冰女士 (附註3)	0/1	0/1	0/2	0/4	0/1
Mr. Liu Haifeng (Note 4)	劉海峰先生 (附註4)	2/2	2/2	4/4	7/7	N/A

Notes:

附註：

- Mr. Wang Ming resigned on 31 May 2017
- Mr. Shen Zhidong was appointed on 6 July 2017
- Ms. Zhang Bingbing resigned on 31 May 2017
- Mr. Liu Haifeng was appointed on 6 July 2017

- 王銘先生於2017年5月31日辭任
- 沈志東先生於2017年7月6日獲委任
- 張冰冰女士於2017年5月31日辭任
- 劉海峰先生於2017年7月6日獲委任

Corporate Governance Report

企業管治報告

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. 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 Directors Mr. Shao Shaomin and Mr. Huang Wenli were appointed on 10 December 2016, and 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. Ms. Zhang Bingbing resigned and did not seek for re-election as an independent non-executive Director at the 2016 AGM on 31 May 2017, due to her other business commitments, appointment as an official at another organisation. Please refer to "Corporate Governance Practices" on page 34 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。

他們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，遵循上市規則所載的獨立標準。

董事會成員之間沒有財務、商業、家庭或其他重大／相關的關係。本公司已收到各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。董事會認為全體獨立非執行董事均符合上市規則的獨立性。

獨立非執行董事邵少敏先生與黃文禮先生於2016年12月10日獲委任，而劉海峰先生則於2017年7月6日獲委任。彼等須根據本公司組織章程細則輪值退任。因出任其他機構的公職，張冰冰女士已於2017年5月31日舉行的2016年股東週年大會上辭任獨立非執行董事，且沒有膺選連任。詳情請參考本報告第34頁的「企業管治常規」。

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企業管治報告

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 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;
3. Reading materials on risk management and internal control.

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 Shareholders upon request.

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

AUDIT COMMITTEE

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.

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，本公司還向董事會安排和提供持續的專業發展培訓和相關材料，以確保他們了解集團經營業務的商業、法律和監管環境的最新變化，並更新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、上市公司的合規性問題及／或法律法規要求的資料；
2. 閱讀企業管治和財務報告資料；
3. 閱讀風險管理和內部控制資料。

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。

各董事委員會的成員是獨立非執行董事。

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、內部控制系統及風險管理系統，監察審核程序以及履行董事會授予的其他職責與責任。

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Members of the Audit Committee are Mr. Huang Wenli, Mr. Liu Haifeng and Mr. Shao Shaomin (all are independent non-executive Directors). Mr. Shao Shaomin currently serves as the chairman of the Audit Committee.

Pursuant to the meeting of the Audit Committee on 14 March 2018, the Audit Committee reviewed, among other things, the audited financial statements for 2017 with recommendations to the Board for approval and discussed with the management and the external auditor the accounting policies and practices which may affect the Group, the report prepared by the external auditor 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 three independent non-executive Directors, namely Mr. Huang Wenli, Mr. Liu Haifeng and Mr. Shao Shaomin. Mr. Huang Wenli currently serves as the chairman of the Remuneration Committee.

Pursuant to the meeting of the Remuneration Committee on 14 March 2018, 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.

審核委員會成員是黃文禮先生、劉海峰先生和邵少敏先生（均為獨立非執行董事）。邵少敏先生目前擔任審核委員會主席。

根據審核委員會於2018年3月14日舉行的會議，審核委員會已審閱（其中包括）本公司於2017年的經審核財務報表並向董事會建議予以批准，與管理層和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）以及會計和財務報告事項。

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建立與檢討董事及高級管理層的薪酬政策及架構，就董事和高級管理層的薪酬包和其他僱員福利安排提出建議。

薪酬委員會由三名獨立非執行董事組成，即黃文禮先生、劉海峰先生和邵少敏先生。黃文禮先生目前擔任薪酬委員會主席。

根據薪酬委員會於2018年3月14日舉行的會議，薪酬委員會已評估本公司董事及高級管理層的表现，並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。

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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 2017 are set out in note 8 to the financial statements.

董事和高級管理層薪酬包括基本工資、退休福利及酌情花紅。於2017年支付的董事酬金之金額詳情載於財務報表附註8。

Details of the remuneration by band of the 3 members of the senior management of the Company, whose profile are set out on pages 15 to 16 of this annual report, for 2017 are set out below:

於2017年，本公司高級管理層3名成員（其履歷載於本年報第15頁至16頁）的薪酬範圍詳情載列如下：

Remuneration band	Number of individual	薪酬範圍	人數
Nil to HK\$1,000,000	3	零至1,000,000港元	3

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 our Directors, to assess the independence of the independent non-executive Directors, to take up references and to consider related matters.

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之獨立性，取得證明以及考慮相關事宜。

The Nomination Committee consists of three independent non-executive Directors, namely Mr. Huang Wenli, Mr. Liu Haifeng and Mr. Shao Shaomin. Mr. Liu Haifeng currently serves as the chairman of the Nomination Committee.

提名委員會由三名獨立非執行董事組成，即黃文禮先生、劉海峰先生和邵少敏先生。劉海峰先生目前擔任提名委員會主席。

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.

提名委員會負責就均衡專業知識、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。

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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.

Pursuant to the meeting of the Nomination Committee on 14 March 2018, 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，提名委員會在審查委員會的組成時，將考慮到董事會的多樣性，其中包括性別、年齡、文化和教育背景、服務時間、技能、知識和專業經驗。本公司承認並擁護董事會成員多元化的利益。

根據於2018年3月14日舉行的提名委員會會議，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，並已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所載的企業管治職責，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度報告中的企業管治報告內的披露。

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。

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AUDITOR'S REMUNERATION

During 2017, the total fees paid/payable in respect of services provided by the Group's external auditor are set out below:

核數師薪酬

於2017年，本集團外聘核數師就其服務已獲支付／應獲支付的總費用如下所示：

		2017 2017年 RMB'000 人民幣千元
Audit and audit related services	審計及審計相關服務	1,440
Non-audit services: Professional service fees in relation to initial public offering of the Group	非審計服務：與本集團首次公開發售有關的專業服務費	730
Taxation and other professional services	稅務及其他專業服務	69
		2,239

COMPANY SECRETARY

Ms. Li Oi Lai ("Ms. Li") was appointed as the company secretary of the Company on 18 March 2016, who was responsible for handling company secretarial matters including compliance with the companies ordinance. On 27 June 2017, Ms. Li resigned from the role as the company secretary of the Company, and Ms. Hui Yin Shan ("Ms. Hui") was appointed as the successor of Ms. Li on the same day. Ms. Hui was an assistant vice president of SW Corporate Services Group Limited. Ms. Hui has taken no less than 15 hours of relevant professional training. On 28 February 2018, Ms. Hui resigned from the role as the company secretary of the Company, and also Ms. Ho Ka Yan ("Ms. Ho") was appointed as the successor of Ms. Hui on the same day.

公司秘書

李愛麗女士（「李女士」）於2016年3月18日獲委任為本公司的公司秘書，負責處理公司秘書事宜（包括遵守《公司條例》）。2017年6月27日，李女士辭任本公司的公司秘書一職，職位由許燕珊女士（「許女士」）同日繼任。許女士為信永方圓企業服務集團有限公司副總監。許女士已接受不少於15個小時的相關專業培訓。2018年2月28日，許女士辭任本公司的公司秘書一職，職位由何家欣女士（「何女士」）同日繼任。

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Board, supported by the finance and accounts 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.

董事對財務報表之責任

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，已應用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之事件或情況之重大不確定因素。

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The statement by the auditor of the Company regarding their reporting responsibilities on the financial statements of the Group is included in the Report of the Independent Auditor on pages 70 to 78 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

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:

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.

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:

Control Environment:	A set of standards, processes and structures that provide the basis for carrying out internal control across the Group.
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本公司核數師就本集團財務報表之申報責任聲明載於本年度報告第70至78頁的獨立核數師報告內。

風險管理及內部監控

管理層負責維持合適及有效之風險管理及內部監控系統，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系統（涵蓋包括財務、營運及合規監控等重要監控）之有效性，以確保現時系統之足夠性及有效性。本集團已採納一項風險管理系統以管理有關其業務及營運的風險。該系統包括以下層面：

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，確保與董事會就風險進行有效溝通並持續監察剩餘風險。

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，簡稱「COSO」）於2013年發出的框架之內部監控系統。COSO框架可促使本集團達致營運有效性及效率性、財務報告可靠性及遵守適用法例及規例的目標。COSO框架由以下五個關鍵部分組成：

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。
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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份是否存在及運行而進行的持續及單獨評估。

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 consultant 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 Audit Committee. The Board and Audit Committee has also reviewed the resources, staff qualifications and experience and training programs of the external independent consultant and considered they are adequate and sufficient.

然而，本集團之風險管理及內部監控系統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之保證。

本集團已就是否需要設立內部審計部門進行年度檢討。鑒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一個獨立的內部審計部門，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系統並檢討其有效性。

於報告期間，本公司委聘一家外部獨立顧問（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系統進行獨立檢討，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。

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企業管治報告

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 (the “SFO”) and the Listing Rules.

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.

The Board and Audit Committee had reviewed the adequacy and effectiveness of the Group’s risk management and internal control systems during the period from Listing Date to the date of annual report and believes that the existing systems are adequate and effective.

就處理及發佈內幕消息的程序及內部監控措施而言，本公司知悉證券及期貨條例（「證券及期貨條例」）及上市規則下之相關義務。

為加強本集團的內幕消息控制系統並確保其公開披露的真實性、準確性、完整性與及時性，本集團亦採納並實施一套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他們的保密責任。
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，包括任何因他／她的職位或僱傭關係有可能持有有關本公司之內幕消息的所有僱員須遵守本公司所採納之證券交易規則，其條款不遜於上市規則之規定。

董事會及審核委員會已在上市日期至本年報日期期間檢討本集團風險管理及內部監控系統的足夠性及有效性並認為現有的制度充分而且有效。

Corporate Governance Report

企業管治報告

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 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.

股東權利

本公司之股東大會為股東提供一個直接與董事會交換意見之論壇。根據開曼群島之適用法律條文及上市規則，細則規定本公司每年舉行一次股東週年大會（「股東週年大會」），會議地點由董事會指定。非股東週年大會之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之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之任何事項。

如果在遞呈請求21天內，董事會沒有召開會議，請求人本人可以相同方式召開會議，並且請求者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。本公司會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。

Corporate Governance Report

企業管治報告

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. Sun Ho Chau
Telephone: (852) 2106 3238
Email: ryan.sun@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 6707, 67/F, The Center
99 Queen's Road Central
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 22, 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，惟有關資料須已公開可用及本公司有投資者關係人士處理來自股東的詢問。聯絡人的詳情載列如下：

姓名：孫浩洲先生
電話：(852) 2106 3238
電郵：ryan.sun@morrisholdings.com.hk

股東亦可於本公司的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
皇后大道中99號
中環中心67樓6707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，應向卓佳證券登記有限公司（為本公司的香港股份過戶登記分處）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22樓
電話：(852) 2980 1333
傳真：(852) 2810 8185
電郵：is-enquiries@hk.tricorglobal.com

Corporate Governance Report

企業管治報告

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出席股東週年大會。本公司會於股東週年大會前至少足20個營業日向全體股東派發年度報告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，以使他們知悉最新業務發展及財務表現，包括股東週年大會、於聯交所網站及本公司網站刊發年度報告、通告及通函，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及於上市日期採納經修訂及重列的章程細則。

Directors' Report

董事會報告

The Directors present this annual report and the audited consolidated financial statements of the Company for 2017.

BUSINESS REVIEW

The review of business performance of the Group, the Group's business prospect and the financial key performance indicators during 2017 are set out in the sections headed "Financial Highlights", "Chairman's Statement" and "Management Discussion and Analysis" on page 5, pages 6 to 8 and pages 17 to 23 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" and "Cambodia: Political and economic outlook" on pages 24 to 26 and pages 27 to 33 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 2017, 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於2017年年報及經審核綜合財務報表。

業務回顧

本集團2017年業務之回顧、本集團業務可能未來發展動向及運用財務關鍵指標分析載於本年報第5頁的「財務摘要」、第6頁至8頁的「主席報告書」及本年報第17頁至23頁的「管理層討論及分析」章節，該內容為本董事會報告之一部份。

公司面臨的主要風險及不確定性

本報告期間，本集團主要風險及不確定性載於本年報第24頁至26頁的「主要風險及不確定因素」及本年報第27頁至33頁的「柬埔寨：政治和經濟前景」章節，該內容為本董事會報告之一部份。

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和法規。本集團已設定合規程序確保遵守相關法律、規則及規例。於2017年，本集團已遵守對本集團營運有重大影響的相關法律法規。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27編製，並將分別於盡可能接近本年報或不得遲於本公司年報公佈的三個月後於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.

CORPORATE REORGANISATION

The Company was incorporated with limited liability in Cayman Islands. The Shares of the Company were listed on the Main Board of the Stock Exchange with effect from 12 January 2017.

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

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

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 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on page 79 of this annual report.

與持份者的關係

本集團確認僱員、客戶及業務夥伴是我們可持續發展的關鍵。本集團致力與僱員建立密切及關顧之關係，為客戶提供優質服務，並加強與我們的業務夥伴的合作。

公司重組

本公司於開曼群島註冊成立為有限責任公司。本公司股份由2017年1月12日起在聯交所主板上市。

就本公司股份於聯交所上市而言，本公司以每股1.05港元發行250,000,000股（每股面值0.001美元）新股，現金代價總額（扣除開支前）為262,500,000港元（相當於約人民幣234,042,000元）。本公司股份自2017年1月12日於聯交所開始買賣。

本公司因全球發售而設立股份溢價賬後，錄得金額為749,900美元（相當於約人民幣5,185,000元）的股份溢價賬進賬，相關金額已於2017年1月12日透過用於按面值悉數繳足配發及發行予當時現有股東的749,900,000股股份而資本化。緊隨全球發售及資本化發行完成之後，本公司已發行股份共計1,000,000,000股，其中包括全球發售時發行的250,000,000股股份。

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2017年之業績載於本年報第79頁之綜合損益及其他全面收益報表。

Directors' Report

董事會報告

The Board recommended a payment of final dividend of HK3.8 cents per Share for the year ended 31 December 2017 payable on 29 June 2018 to all Shareholders on the register of members of the Company on 15 June 2018 subject to approval by the Shareholders in the forthcoming AGM.

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 2017 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 24 to the Company's financial statements.

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

The Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company during 2017.

DISTRIBUTABLE RESERVES

As at 31 December 2017, the distributable reserves of the Company amounted to approximately RMB333.3 million (31 December 2016: RMB98.1 million).

FIVE YEAR FINANCIAL SUMMARY

Five year financial summary are set up in the sections headed "Five Year Financial Summary" on page 168 of this annual report.

董事會已建議於2018年6月29日向所有於2018年6月15日名列本公司股東名冊的股東派發截至2017年12月31日止年度每股股份3.8港仙的末期股息，惟須待股東於應屆股東週年大會上批准。

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的稅項減免。

物業、廠房及設備

本集團之物業、廠房及設備於2017年之變動詳情載於綜合財務報表附註13。

股本

本公司之股本詳情載於綜合財務報表附註24。

購買、出售或贖回本公司上市證券

於2017年，本公司及其附屬公司概無購買、出售或贖回本公司任何上市證券。

可供分派儲備

截至2017年12月31日，本公司可分配儲備約人民幣333.3百萬元（2016年12月31日：人民幣98.1百萬元）。

五年財務摘要

五年財務摘要載於本年報第168頁的「五年財務摘要」。

DIRECTORS

The Directors during 2017 and up to the date of this annual report were:

Executive Directors:

Mr. ZOU Gebing (*Chairman and CEO*)
Mr. CHEN Guohua
Mr. ZENG Jin
Mr. WANG Ming (resigned on 31 May 2017)
Mr. SHEN Zhidong (appointed on 6 July 2017)

Independent Non-executive Directors:

Ms. ZHANG Bingbing (resigned on 31 May 2017)
Mr. HUANG Wenli
Mr. SHAO Shaomin
Mr. LIU Haifeng (appointed on 6 July 2017)

In accordance with the Company's Articles of Association, 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. Mr. Chen Guohua, Mr. Zeng Jin and Mr. Shao Shaomin will retire at the forthcoming AGM and will offer themselves for re-election. The terms of office of Mr. Shen Zhidong and Mr. Liu Haifeng will expire at the forthcoming AGM, and both Mr. Shen and Mr. Liu will offer themselves for re-election. None of the Directors proposed for re-election at the forthcoming AGM has a service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

董事

本公司於2017年及截至本年報日期之董事如下：

執行董事：

鄒格兵先生 (*主席兼行政總裁*)
陳國華先生
曾金先生
王銘先生 (於2017年5月31日離任)
沈志東先生 (於2017年7月6日獲委任)

獨立非執行董事：

張冰冰女士 (於2017年5月31日離任)
黃文禮先生
邵少敏先生
劉海峰先生 (於2017年7月6日獲委任)

根據公司章程，三分之一的董事須輪值退任，每名董事須於股東周年大會上至少每三年退任一次，符合資格的退任董事可重新當選為來年的董事。陳國華先生、曾金先生及邵少敏先生將於即將舉行的股東週年大會上退任並重新提名連任。沈志東先生及劉海峰先生的任期僅直至即將舉行的股東週年大會，屆時彼等將重新提名連任。在即將召開的股東週年大會中，沒有董事建議重選本集團除法定賠償外一年內未經賠償和無法確定的服務合同。

Directors' Report

董事會報告

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, 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.

Independent non-executive Directors Mr. Shao Shaomin and Mr. Huang Wenli have been appointed on 10 December 2016 and Mr. Liu Haifeng has been appointed on 6 July 2017. 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).

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 30 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 at 31 December 2017 or at any time during 2017.

董事之服務合約

每名執行董事已與本公司訂立服務合約，固定期限為自上市日期起計三年，除非任何一方在初始任期結束到期時提供不少於三個月的書面通知。

獨立非執行董事邵少敏先生及黃文禮先生已於2016年12月10日獲委任，而劉海峰先生於2017年7月6日獲委任。彼等須每3年最少一次於股東週年大會輪值退任及重選，直至不少於三個月向本公司或相關獨立董事提出終止書面通知。

建議在應屆股東周年大會上重選之董事，概無與本公司或其附屬公司訂立本集團不做賠償（法定賠償除外）則不得於一年內終止服務的合約。

董事於交易，安排及重大合同中的利益

除「關連交易及持續關連交易」一節及綜合財務報表附註30所披露的關連方交易所披露者外，於2017年12月31日或2017年內的任何時間，概無與本公司業務有關而且本公司或其任何附屬公司作為訂約方及本公司董事或董事之關聯實體擁有直接或間接實質利益的重大交易、安排或合同。

DIRECTORS' INTERESTS IN SECURITIES

As at the date of this report, 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

本公司

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.

附註1：字母「L」表示該人在該等股份中的好倉。

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.

附註2：慕容資本有限公司(「慕容資本」)由鄒格兵先生擁有85%。因此，根據證券及期貨條例，鄒格兵先生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)

慕容資本(附註1)

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 2) 證券數目(附註2)	Approximate percentage of shareholding 佔股權百分比
Mr. Zou Gebing 鄒格兵先生	Interest of controlled corporation 受控法團權益	85 Shares of US\$1 each (L) 85股每股1美元的股份(L)	85%

董事於證券之權益

於本年報日期，本公司之董事及最高行政人員於本公司及其相聯法團(按證券及期貨條例第XV部賦予之涵義)之股份、相關股份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獲得或被視為有關的權益或淡倉)或根據證券及期貨條例第352條須列入其登記冊或須符合「標準守則」的權益及淡倉載列如下：

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

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

附註1：慕容資本持有本公司股份50%以上。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。

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 the date of this report.

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the date of this report, 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:

主要股東之權益

於本年報日期，本公司根據證券及期貨條例第336條存置之主要股東登記冊顯示，下列股東（本公司董事或行政總裁除外）於本公司已發行股本中擁有相關權益或淡倉：

Shareholders	Nature of interest	Number of Shares/underlying Shares held (Note 1)	Percentage of Shares of the Company in issue
股東名稱	權益性質	所持已發行普通股數目（附註1）	佔本公司已發行股本之概約百分比
Morris Capital (Note 2) 慕容資本（附註2）	Beneficial owner 實益擁有人	750,000,000 Shares (L) 750,000,000股(L)	75% (L)
Wu Xiangfei (Note 3) 鄔向飛女士（附註3）	Interest of spouse 配偶權益	750,000,000 Shares (L) 750,000,000股(L)	75% (L)
RAYS Capital Partners Limited 睿思資本有限公司	Investment manager 投資經理	90,112,000 Shares (L) 90,112,000股(L)	9.01% (L)
Ruan David Ching-chi 阮清旗	Interest of controlled corporation 受控法團權益	90,112,000 Shares (L) 90,112,000股(L)	9.01% (L)
Asian Equity Special Opportunities Portfolio Master Fund Limited 亞洲股權特別機會投資組合基金	Beneficial owner 實益擁有人	70,034,000 Shares (L) 70,034,000股(L)	7% (L)

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

附註1：字母「L」表示該人在該等股份中的好倉。

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

附註2：慕容資本由鄒格兵先生擁有85%及由鄔向飛女士擁有15%。

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

附註3：鄔向飛女士是鄒格兵先生的配偶。根據證券及期貨條例，鄔向飛女士將因此被視為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。

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 the date of this report.

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

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 2017.

管理合約

2017年概無訂立或存在有關本公司全部或任何重大部份業務的經營管理的合約。

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.

薪酬政策

本集團深知獎勵及挽留其僱員的重要性。本集團向其僱員提供具競爭力的薪酬福利，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。本公司已設立薪酬委員會，以根據本集團之整體經營業績、個人表現及可資比較市場慣例，檢討本集團之薪酬政策以及本集團董事及最高行政人員之薪酬福利。

Details of the remuneration of the Directors for 2017 are set out in note 8 to the financial statements of this annual report.

於2017年的董事薪酬詳情載於本年報財務報表附註8。

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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 of the Company had a material interest, whether directly or indirectly, subsisted as at 31 December 2017 or at any time during 2017.

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 2017.

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 2017.

購買股份或債權證之安排

除上文所披露之持股外，本公司或其任何附屬公司於年內任何時間概無訂立任何安排，使董事（包括其配偶及18歲以下的子女）可藉購入本公司或任何其他法團之股份或債權證而獲益。

董事於競爭業務的權益

於2017年12月31日或於2017年期間的任何時間，概無董事於與本公司業務直接或間接構成競爭的業務中擁有任何重大權益。

不競爭契據

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

於2017年，本公司已收到不競爭契約方按照不競爭契據的年度合規確認函。

於2017年，獨立非執行董事已審查不競爭契約方對不競爭契據的的合規性。獨立非執行董事確認，不競爭契約方不違反不競爭契據。

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Non-Exempt Continuing Connected Transactions

During 2017, the Group had the following non-exempt continuing connected transactions, details of which are set out below:

The Lease Agreements with Morris PRC

Haining Gelin Furniture Co., Ltd. (“Haining Gelin Furniture”), 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 (the “Existing Lease Agreements”) for the lease of various premises located in Haining, Zhejiang Province, PRC (the “Existing Lease Properties”) for factory, direct sale store and office use. However, as the area of Existing Leased Properties was insufficient to meet the production requirements of the Group, Haining Gelin Furniture, Haining Morris Home Gallery, Haining Morris International (each as tenant) entered into new lease agreements (the “New Lease Agreements”) with Morris PRC (as landlord) on 17 March 2017 for the lease of new leased properties (the “New 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 Existing Lease Agreements and the New 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2017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

海寧格林家具有限公司（「海寧格林家具」）、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」）（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（「現有租賃物業」）訂立租賃協議（「現有租賃協議」）。然而，由於現有租賃物業面積無法滿足本集團的生產需求，海寧格林家具、海寧慕容世家家居及海寧慕容國際（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新增租賃物業訂立新增租賃協議（「新增租賃協議」），租期為三年，自2017年3月17日始至2020年3月16日止。現有租賃協議及新增租賃協議的主要條款如下：

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Lease agreement	Term	Tenant	Landlord	Leased area (sq. m.) 租賃面積 (平方米)	Rent per annum (RMB) 每年租金 (人民幣元)
租賃協議	期限	租客	業主		
Existing lease agreement					
現有租賃協議					
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)	Haining Gelin Furniture 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)	Haining Morris Home Gallery 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)	Haining Morris International 海寧慕容國際	Morris PRC 慕容中國	1,000.00	72,000.00
New lease agreement					
新增租賃協議					
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)	Haining Morris Home Gallery 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)	Haining Morris Home Gallery 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)	Haining Gelin Furniture 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)	Haining Gelin Furniture 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)	Haining Morris International 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)	Haining Morris International 海寧慕容國際	Morris PRC 慕容中國	4,608.00	331,776.00

The aggregated annual caps of the Existing Lease Agreements and the New Lease Agreements for the year ended 31 December 2017 and the years ending 31 December 2018, 2019 and 2020 are RMB15 million, RMB15 million, RMB15 million and RMB15 million, respectively. For further details of the New 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, Inc. (“Jennifer Convertibles”)

Mstar International Trading (HK) entered into a sales agreement with Jennifer Convertibles (the “Jennifer Convertibles Sales Agreement”) on 1 January 2016, pursuant to which our Group agreed to supply sofas to Jennifer Convertibles.

The Jennifer Convertibles Sales Agreement is valid until either (i) the expiry of a period of three years or (ii) the date on which Jennifer Convertibles ceases to be our connected person, whichever comes earlier. Both parties to the agreement may negotiate to extend the agreement for a further term of three years within two months before the expiry of the three-year term of the agreement unless the agreement is terminated due to Jennifer Convertibles ceasing to be our connected person.

現有租賃協議及新增租賃協議的總年度上限於截至2017年12月31日止年度及截至2018年、2019年及2020年12月31日止年度分別是人民幣15百萬元、人民幣15百萬元和人民幣15百萬元。有關新增租賃協議的詳情，請參閱本公司日期為2017年3月17日的公告。

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，慕容中國是鄒格兵先生的聯繫人，因此慕容中國為本公司之關連人士。

與Jennifer Convertibles, Inc. (「Jennifer Convertibles」) 的銷售協議

於2016年1月1日，美星國際貿易(香港)與Jennifer Convertibles訂立銷售協議(「Jennifer Convertibles銷售協議」)，據此，本集團同意向Jennifer Convertibles供應沙發。

Jennifer Convertibles銷售協議的有效有效期至(i)三年期限屆滿之日或(ii)Jennifer Convertibles不再為我們的關連人士當日(以較早者為準)為止。協議訂約雙方可在協議三年期限屆滿前兩個月內協商將協議期限再延長三年，除非協議因Jennifer Convertibles不再為我們的關連人士而終止。

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The annual caps of the sales by our Group to Jennifer Convertibles for the years ended 31 December 2016 and 2017 and the year ending 31 December 2018 are RMB32.0 million, RMB32.0 million and RMB32.0 million respectively.

As the entire issued share capital of Jennifer Convertibles is owned by Mr. Zou Gebing, Jennifer Convertibles 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.

Since the highest relevant percentage ratio under the Listing Rules in respect of each of the transactions contemplated under the Lease Agreements and the New Lease Agreements and the Jennifer Convertibles Sales Agreement is expected to be, on an annual basis, less than 5%, the transactions will be exempt pursuant to Rule 14A.76(2) of the Listing Rules from the circular (including independent financial advice) and independent shareholders' approval requirement but will be subject to the announcement, annual reporting and annual review requirements under Chapter 14A of the Listing Rules.

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

Jennifer Convertibles的銷售年度上限於截至2016年及2017年12月31日止年度以及截至2018年12月31日止年度分別是人民幣32.0百萬元、人民幣32.0百萬元和人民幣32.0百萬元。

Jennifer Convertibles全部已發行股本由鄒格兵先生擁有，因此，根據上市規則第14A.07條，Jennifer Convertibles是鄒格兵先生的聯繫人，因此Jennifer Convertibles為本公司之關連人士。

由於上市規則有關租賃協議及新租賃協議及Jennifer Convertibles銷售協議項下擬進行交易的最高相關百分比按年度基準計算預期低於5%，故該等交易將獲豁免遵守上市規則第14A.76(2)條的通函（包括獨立財務意見）及獨立股東批准規定，但將須遵守上市規則第14A章項下的公告、年度申報及年度審閱規定。

上述持續關連交易的詳情進一步總結如下：

Name of connected party	Nature of transaction	Transaction amount for	Annual Cap for
		2017	2017
關聯方的名稱	交易性質	2017年 交易金額 RMB'000 人民幣千元	2017年 上限 RMB'000 人民幣千元
Morris PRC 慕容中國	Lease of properties 物業租賃	11,733	15,000
Jennifer Convertibles	Supply of sofas 供應沙發	27,009	32,000

The continuing connected transaction mentioned above has been reviewed by the independent non-executive Directors who have confirmed that the transaction has 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 transaction on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

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 transaction 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 2017 is disclosed in note 30 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 34 to 49 of this annual report.

上述持續關連交易乃經獨立非執行董事檢討，彼等確認，該交易乃：(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，且符合股東的整體利益。

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「關於香港《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中所披露的持續關連交易的發現及結論。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，於截至2017年作出的並非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30中披露。

本公司管治報告

本報告期間，本公司之公司管治報告載於本年報第34頁至49頁的「企業管治報告」章節。

Directors' Report

董事會報告

MAJOR CUSTOMERS AND SUPPLIERS

During 2017, sales to the Group's five largest customers and purchases from the five largest suppliers accounted for approximately 65.8% and 56.3% of the total revenue and purchases for the year, respectively. The Group's largest customer accounted for around 18.7% of the total revenue for the year. The Group's largest supplier accounted for around 16.8% of the total purchase for the year.

At no time during 2017 did a Director, a close associate of a Director or a Shareholder of the Company (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest customers or suppliers.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's articles of association, every director of the Company 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 its 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 2017 or subsisted as at 31 December 2017.

主要客戶及供應商

於2017年，本集團向五大客戶之銷售額及向五大供應商之採購額分別佔本年度總收益及總採購額約65.8%及56.3%。本集團最大客戶佔年度總收益約18.7%。本集團最大供應商佔年度總採購額約16.8%。

於2017年任何時間，概無本公司董事、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。

獲准許之彌償條文

根據本公司章程細則，本公司的每名董事均有權從本公司的資產中獲得彌償，以應付他在執行他的職責時可能遭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之董事或高級人員的法律行動安排適當的保險並每年審查覆蓋水平一次。

股票掛鈎協議

除本年報內有關購股權計劃所披露者外，概無於2017年訂立或於2017年12月31日存在之股票掛鈎協議。

Directors' Report

董事會報告

USE OF PROCEEDS FROM THE LISTING

The Company Listed its shares on the Main Board of the Stock Exchange on 12 January 2017. Net proceeds from the listing were approximately HK\$218.6 million (after deduction of the underwriting commission and relevant expenses), which are intended to be applied in the manner as disclosed in the prospectus of the Company dated 30 December 2016 (the "Prospectus"). As at the date of this report, the net proceeds from the Listing were utilized as follows:

上市所得款項用途

本公司股份於2017年1月12日在聯交所主板上市。上市所得款項淨額約為218.6百萬港元（經扣除包銷佣金及相關開支），擬按本公司日期為2016年12月30日的招股章程（「招股章程」）所披露的方式應用該等款項。於本報告日期，上市所得款項淨額的使用如下：

		Actual net proceeds	Amount utilised as at the date of this report	Amount unutilised as at the date of this report
		實際所得 款項淨額	於本報告 日期已動用 金額	於本報告 日期未動用 金額
		HK\$ million	HK\$ million	HK\$ million
		百萬港元	百萬港元	百萬港元
Further expansion of sales and marketing network	進一步拓展銷售及營銷網絡	68.5	68.5	–
Repay bank borrowings	償還銀行借款	57.7	57.7	–
Brand recognition in furniture market	提高於傢俱市場的品牌認可度	56.8	48.0	8.8
Working capital	營運資金	21.4	12.5	8.9
Expansion of the manufacturing capabilities in Cambodia	提高於柬埔寨的產能	14.2	14.2	–
Total	總計	218.6	200.9	17.7

The unutilized net proceeds from the Listing have been deposited in the bank accounts of the Group.

未動用的上市開支所得款項淨額已存入本集團銀行賬戶。

The use of IPO proceeds is faster than expected with an excess amount of HKD54.6 million, which was expected to be expended from 2018 to 2020. It was due to the Company's strategy to boost a faster growth of the business by spending more on promotion activities and sales network expansion.

首次公開發售所得款項的使用較預期快，超出金額54.6百萬港元（原預期該金額於2018年至2020年支出），主要是由於本公司通過增加推廣活動以及拓展銷售網絡投入以促進業務快速增長的戰略。

Directors' Report

董事會報告

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 eligible person(s) (the "Eligible person(s)") as rewards or rewards for their contribution to the Group.

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 date of the listing of the Shares of the Stock Exchange, i.e. 12 January 2017 (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 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 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.

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合資格人士（「合資格人士」）授出購股權，作為彼等對本集團所作貢獻的獎勵或回報。

購股權計劃的主要條款概述如下：

1. 根據購股權計劃及本集團可能會不定期採用授出股份的其他計劃（「其他計劃」），授出股份概不得超過股份於2017年1月12日股份上市日已發行股份的10%（即100,000,000股份），除非已獲得股東批准並不得超過已發行股份的30%。

於本年報日期，根據購股權計劃可供發行之股份總數為100,000,000股，佔本年報日期當日已發行股份的10%。

2. 任何12個月期間，根據購股權計劃及其他計劃行使授予合資格人士之購股權所發行及將予發行之股份總數，不得超過已發行股份1%。經股東在與合資格人士在股東大會上投票批准的情況下，本公司可以向該合資格人士進一步授予購股權，儘管進一步的授予購股權將導致在行使所有在購股權計劃及其他計劃下授出的所有股份（包括進一步授出日期為止的十二個月期間發行及發行股份）合共超過已發行股份的1%。

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.
 5. The Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date of the listing of the Shares of the Stock Exchange, i.e. 12 January 2017.
3. 根據購股權計劃的條款，購股權可在董事會決定和通知每名合資格人士期間的任何時間行使，條件是期權行使不得超過自授出期權之日起計算10年。
 4. 由承授人以代價港幣1元支付給本公司。
 5. 購股權計劃自聯交所股份上市日期（即2017年1月12日）起有效期為十年。

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 the date of this report.

購股權計劃的其他詳情載於招股章程。截至本年報日期，本公司沒有根據購股權計劃發行股份。

PRE-EMPTIVE RIGHTS

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

優先購買權

公司細則或開曼群島法例並無有關優先購買權之規定，致使本公司須按比例向現有股東發售新股份。

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 Listing Date.

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，本公司自上市日期起一直維持足夠上市規則要求的公眾持股量。

INDEPENDENT AUDITOR

The accompanying consolidated financial statements have been audited by Ernst and Young who shall retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM. Having approved by the Board upon the recommendation of the Audit Committee, a resolution to re-appoint Ernst and Young as the independent auditor of the Company and to authorise the Board to fix its remuneration will be proposed at the forthcoming AGM.

獨立核數師

隨附的綜合財務報表已經由安永會計師事務所審計，安永會計師事務所將退任，並有資格在即將召開的股東週年大會上再次委任。經董事會根據審核委員會的建議批准後，將於即將舉行的股東週年大會上提議一項決議案，重新委任安永會計師事務所為本公司之獨立核數師，並授權董事會釐定其酬金。

Directors' Report

董事會報告

EVENT AFTER THE REPORTING PERIOD

On 5 January 2018, the Company entered into a convertible loan agreement (“Convertible Loan Agreement”) with 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. 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 share (subject to adjustments as set out in the Convertible Loan Agreement). On the assumption that the Convertible Loan would be converted into shares of the Company in full at the conversion price of HK\$2.22 per share, the aggregate principal amount of the Convertible Loan of HK\$200,000,000 is convertible into approximately 90,090,090 Shares, which represent approximately 9.01% of the total issued share capital of the Company as at the date of this report and approximately 8.26% of the issued share capital of the Company as enlarged by the allotment and issue of the Shares upon full exercise of the Convertible Loan at the initial conversion price (without taking into account any Shares which may be issued by the Company after the date of this report). The initial conversion price represents a premium of approximately 29.82% of the closing price of HK\$1.71 per Share as quoted on the Stock Exchange on 5 January 2018. The net proceeds of the Convertible Loan (after deducting the fees and expenses in relation to obtaining the Convertible Loan) were approximately HK\$196.5 million, which are intended to be utilised to finance the Company's capacity expansion program for additional production facilities and working capital in Cambodia and the PRC and refinancing of short term debt. Please refer to the announcements of the Company dated 5 January 2018 and 24 January 2018 for further details.

報告期其後事項

在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2億港元的可換股貸款（「可換股貸款」）。國際金融公司有權於將可換股貸款的全部或任何部分未償還本金額按初始轉換價每股股份2.22港元（可按可換股貸款協議所載進行調整）轉換為本公司股份。假設可換股貸款將按轉換價每股股份2.22港元悉數轉換為本公司股份，可換股貸款本金總額200,000,000港元可轉換為約90,090,090股本公司股份，相當於本公司於本報告日期已發行股本總額的約9.01%及於可換股貸款按初始轉換價獲全面行使後本公司經配發及發行本公司股份擴大的已發行股本約8.26%（未計入於本報告日期後本公司可能發行的任何股份）。初始轉換價相當於2018年1月5日聯交所所報的收市價每股1.71港元溢價約29.82%。可換股貸款所得款項淨額（經扣除取得可換股貸款的費用及開支）約196.5百萬港元，擬用於為柬埔寨及中國擴大產能計劃，增加生產設施及營運資金提供資金，亦用於短期債務再融資。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。

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.

根據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（一家由鄒先生及鄒女士分別擁有85%及15%的公司）及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），鄒先生已承諾於所有時間維持其於本公司及慕容中國的控股股份（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。

On Behalf of the Board

代表董事會

ZOU Gebing

Chairman and Executive Director

Hong Kong, 14 March 2018

鄒格兵

主席兼執行董事

香港，2018年3月14日

Independent Auditor's Report

獨立核數師報告



To the shareholders of Morris Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Morris Holdings Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 79 to 167, which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017, 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 *Auditor’s 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.

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)

意見

我們已審計列載於第79至167頁的慕容控股有限公司（「貴公司」）及其附屬公司（以下統稱「貴集團」）的綜合財務報表，此綜合財務報表包括於2017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2017年12月31日的綜合財務狀況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》（以下簡稱「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。

Independent Auditor's Report

獨立核數師報告

To the shareholders of Morris Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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)

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。我們對下述每一事項在審計中是如何應對的描述也以此為背景。

我們已經履行了本報告「核數師就審計綜合財務報表承擔的責任」部分闡述的責任，包括與這些關鍵審計事項相關的責任。相應地，我們的審計工作包括執行為應對評估的綜合財務報表重大錯誤陳述風險而設計的審計程序。我們執行審計程序的結果，包括應對下述關鍵審計事項所執行的程序，為綜合財務報表整體發表審計意見提供了基礎。

Independent Auditor's Report

獨立核數師報告

To the shareholders of Morris Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Key audit matters (Continued)

Key audit matter

關鍵審計事項

Provision against obsolete and slow-moving inventories

陳舊及積壓存貨撥備

As at 31 December 2017, the Group recorded inventories of RMB343 million after provision against obsolete and slow-moving inventories of RMB7 million, which accounted for 31% of the Group's total assets.

於2017年12月31日，貴集團於計提陳舊及積壓存貨撥備人民幣7百萬元後錄得存貨人民幣3.43億元，佔貴集團資產總額的31%。

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根據最新發票價格及當前市況按該等存貨的可變現淨值估計。貴集團為沙發、沙發套及其他傢俱產品生產商，面對不斷變化的消費者需求和沙發行業時尚趨勢，提升其估計存貨撥備的判斷水平。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物品的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久性以及生產中所用材料的市場價值。

The disclosures in relation to inventories are included in notes 3 and 15 to the consolidated financial statements.

與存貨相關的披露載於綜合財務報表附註3及附註15。

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)

關鍵審計事項 (續)

How our audit addressed the key audit matter

該事項在審計中是如何應對的

Our audit procedures included evaluating management's basis adopted by the Group for its policy of the provision against obsolete and slow-moving inventories and the assessment of the slow-moving or obsolete inventories. We also evaluated the estimates and underlying data used by the Group in calculating the provision by checking the ageing profile of inventories, the historical sales and usage records of the inventories and the usages and sales of inventories made after the year end.

我們的審計程序包括評價貴集團所採取的陳舊及積壓存貨撥備政策的管理層依據以及評估積壓及陳舊存貨。我們亦透過核查存貨的賬齡分佈、存貨的歷史銷售和使用記錄以及年底之後存貨的使用和銷售來評價貴集團計算撥備時使用的估計數及相關數據。

Independent Auditor's Report

獨立核數師報告

To the shareholders of Morris Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

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)

Key audit matters (Continued)

關鍵審計事項 (續)

Key audit matter

How our audit addressed the key audit matter

關鍵審計事項

該事項在審計中是如何應對的

Impairment assessment of trade and bills receivables

貿易應收款項及應收票據減值評估

As at 31 December 2017, the Group had trade receivables and bills receivable of RMB389 million, which represented 35% of total assets of the Group.

於2017年12月31日，貴集團錄得貿易應收款項及應收票據人民幣3.89億元，佔貴集團資產總額的35%。

Management performs impairment assessment of trade and bills receivables regularly. The impairment assessment is based on the evaluation of collectability and terms of the receivables, including the due dates, debtors' repayment history, reputation and business relationship with the Group.

管理層定期對貿易應收款項及應收票據進行減值評估。減值評估乃基於貴集團應收款項收款能力及期限（包括到期日期）、債務人還款歷史、聲譽及彼等與貴集團的業務關係的評價作出。

We focused on this area because the impairment assessment of receivables is estimated by management through the application of significant judgement.

我們關注該領域，此乃由於應收款項的減值評估是由管理層透過應用重大判斷估計而得。

The related disclosures are included in notes 3 and 16 to the consolidated financial statements.

有關披露載於綜合財務報表附註3及附註16。

Our audit procedures included, on a sampling basis, checking the aging of receivable balances, the debtors' historical payment patterns and the bank receipts for the payment received subsequent to the end of the reporting period as well as the latest correspondence with debtors.

我們的審計程序包括，基於樣本基準，核查應收款項餘額的賬齡、債務人的過往付款模式，以及核查於報告期間結束之後所收款項的銀行收據及與債務人最近的通訊。

Independent Auditor's Report

獨立核數師報告

To the shareholders of Morris Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Key audit matters (Continued)

Key audit matter

關鍵審計事項

Derecognition of trade and bills receivables
終止確認貿易應收款項及應收票據

The Group entered into trade receivable factoring agreements with recourse with financial institutions for the factoring of trade receivables from certain designated customers. The Group also discounted some of its bills receivable accepted by banks in Mainland China on a recourse basis to obtain financing. In addition, the Group endorsed certain bills receivable to certain of its suppliers in order to settle the trade payables due to such suppliers.

貴集團已與金融機構訂立附追索權貿易應收款項保理協議，以便保理某些指定客戶的貿易應收款項。貴集團亦對中國內地銀行接納的部分應收票據進行付追索權貼現，以取得融資。此外，貴集團還將部分應收票據背書予某些供應商，以清償應付該等供應商的貿易應付款項。

As at 31 December 2017, discounted or endorsed bills receivable with an aggregate carrying amount of RMB117 million were fully derecognised from the Group's consolidated statement of financial position, whereas factored trade receivables and total discounted or endorsed bills receivables amounting to RMB34 million and RMB5 million, respectively, were not derecognised from the Group's consolidated statement of financial position.

於2017年12月31日，貴集團總賬面值人民幣1.17億元的已貼現或已背書應收票據已從綜合財務狀況表中全面終止確認，而貴集團分別為人民幣34百萬元及人民幣5百萬元的已保理貿易應收款項及已貼現或已背書應收票據總額並無從綜合財務狀況表中終止確認。

We focused on this area because application of significant judgement by management is required to determine whether, and to what extent, the risks and rewards of the factored, discounted or endorsed trade and bills receivables that have been transferred to the financial institutions or suppliers at the end of the reporting period.

我們關注該領域，此乃因為確定於報告期末已保理、已貼現或已背書貿易應收款項及應收票據的風險與報酬是否及在多大程度上已轉移至有關金融機構或供應商需要管理層應用重大判斷。

The related disclosures are included in notes 3 and 32 to the consolidated financial statements.

有關披露載於綜合財務報表附註3及附註32。

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)

關鍵審計事項 (續)

How our audit addressed the key audit matter

該事項在審計中是如何應對的

We evaluated the terms and conditions of the factoring, discounting or endorsement arrangements of trade and bills receivables entered into by the Group and checked the risks such as default risk and slow payment risk retained by the Group and the amounts of trade and bills receivables derecognised by the Group.

我們已評價 貴集團訂立的貿易應收款項及應收票據保理、貼現或背書安排的條款及條件，並且已核查 貴集團存留的違約及緩慢支付等風險以及 貴集團終止確認貿易應收款項及應收票據的金額。

We then assessed the accounting treatment on the derecognition of trade and bills receivables.

我們進而評估終止確認貿易應收款項及應收票據的會計處理。

Independent Auditor's Report

獨立核數師報告

To the shareholders of Morris Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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 for the consolidated financial statements

The directors of the Company 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.

In preparing the consolidated financial statements, the directors of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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)

刊載於年度報告內的其他信息

董事需對其他信息負責。其他信息包括刊載於年度報告內的信息，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。

董事就綜合財務報表須承擔的責任

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控制負責。

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。

審核委員會協助董事履行職責，監督 貴集團的財務報告過程。

Independent Auditor's Report

獨立核數師報告

To the shareholders of Morris Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Auditor's 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 auditor's report that includes our opinion. Our report is made 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.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism 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.

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)

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）作出報告，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，如果合理預期它們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。

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，或凌駕於內部控制之上，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控制，以設計適當的審計程序，但目的並非對貴集團內部控制的有效性發表意見。
- 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。

Independent Auditor's Report

獨立核數師報告

To the shareholders of Morris Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Auditor's 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 auditor's 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 auditor's 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.

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.

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)

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、重大審計發現等，包括我們在審計中識別出內部控制的任何重大缺陷。

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，並與他們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。

Independent Auditor's Report

獨立核數師報告

To the shareholders of Morris Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

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 auditor's 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 partner on the audit resulting in this independent auditor's report is Chiu Caroline Su Yuen.

Ernst & Young
Certified Public Accountants

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong
14 March 2018

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)

核數師就審計綜合財務報表承擔的責任 (續)

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合夥人是趙素顯。

安永會計師事務所
執業會計師

香港中環
添美道1號
中信大廈22樓
2018年3月14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 2017
截至 2017 年 12 月 31 日止年度

		Notes 附註	2017 2017年 RMB'000 人民幣千元	2016 2016年 RMB'000 人民幣千元
REVENUE	收入	5	1,199,714	941,617
Cost of sales	銷售成本		(826,008)	(671,050)
Gross profit	毛利		373,706	270,567
Other income and gains	其他收入及收益	5	13,399	16,449
Selling and distribution expenses	銷售及分銷開支		(102,331)	(82,000)
Administrative expenses	行政開支		(72,251)	(77,321)
Other expenses and losses	其他開支及虧損		(2,797)	(1,318)
Finance costs	融資成本	6	(11,670)	(14,332)
PROFIT BEFORE TAX	除稅前溢利	7	198,056	112,045
Income tax expense	所得稅開支	10	(38,201)	(31,369)
PROFIT FOR THE YEAR	年內溢利		159,855	80,676
OTHER COMPREHENSIVE INCOME	其他全面收益			
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>	<i>於其後期間並未重新分類至損益的其他全面收益：</i>			
Exchange differences on translation of financial statements	換算財務報表的匯兌差額		(11,356)	3,031
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	年內全面收益總額		148,499	83,707
Profit attributable to owners of the parent	母公司擁有人應佔溢利		159,855	80,676
Total comprehensive income attributable to owners of the parent	母公司擁有人應佔全面收益總額		148,499	83,707
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	母公司普通權益持有人應佔每股盈利			
Basic and diluted	基本及攤薄	12	RMB16.11 cents 人民幣16.11分	RMB10.76 cents 人民幣10.76分

Consolidated Statement of Financial Position

綜合財務狀況表

31 December 2017
2017年12月31日

		Notes 附註	2017 2017年 RMB'000 人民幣千元	2016 2016年 RMB'000 人民幣千元
NON-CURRENT ASSETS	非流動資產			
Property, plant and equipment	物業、廠房及設備	13	57,638	44,092
Prepaid land lease payments	預付土地租賃款項	14	7,054	7,641
Deferred tax assets	遞延稅項資產	23	1,941	2,986
Total non-current assets	非流動資產總額		66,633	54,719
CURRENT ASSETS	流動資產			
Inventories	存貨	15	343,289	314,543
Trade and bills receivables	貿易應收款項及應收票據	16	389,002	219,980
Prepayments, deposits and other receivables	預付款項、按金及其他應收款項	17	88,844	218,294
Pledged deposits	已抵押存款	18	181,861	220,822
Cash and cash equivalents	現金及現金等價物	18	26,241	73,647
Total current assets	流動資產總額		1,029,237	1,047,286
CURRENT LIABILITIES	流動負債			
Trade and bills payables	貿易應付款項及應付票據	19	438,206	542,715
Other payables and accruals	其他應付款項及應計費用	20	51,497	72,863
Interest-bearing bank borrowings	計息銀行借款	21	149,659	277,183
Warranty provision	保修撥備	22	3,292	2,790
Income tax payables	應付所得稅		61,520	43,810
Total current liabilities	流動負債總額		704,174	939,361
NET CURRENT ASSETS	流動資產淨值		325,063	107,925
TOTAL ASSETS LESS CURRENT LIABILITIES	資產總額減流動負債		391,696	162,644

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Consolidated Statement of Financial Position

綜合財務狀況表

31 December 2017
2017年12月31日

		Notes 附註	2017 2017年 RMB'000 人民幣千元	2016 2016年 RMB'000 人民幣千元
NON-CURRENT LIABILITIES	非流動負債			
Deferred tax liabilities	遞延稅項負債	23	8,942	3,880
Net assets	資產淨值		382,754	158,764
EQUITY	權益			
Equity attributable to owners of the parent	母公司擁有人應佔權益			
Share capital	股本	24	6,914	1
Reserves	儲備	25	375,840	158,763
Total equity	權益總額		382,754	158,764

Zou Gebing
鄒格兵
Director
董事

Chen Guohua
陳國華
Director
董事

Consolidated Statement of Changes in Equity

綜合權益變動表

Year ended 31 December 2017
截至 2017 年 12 月 31 日止年度

		Attributable to owners of the parent 母公司擁有人應佔					
		Share capital 股本	Share premium 股份溢價	Exchange fluctuation reserve 匯兌波動儲備	Reserve funds 儲備資金	Retained profits 保留溢利	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	RMB'000 人民幣千元	RMB'000 人民幣千元
		(note 24) (附註24)	(note 25(i)) (附註25(i))	(note 25(ii)) (附註25(ii))	(note 25(iii)) (附註25(iii))		
At 1 January 2016	於2016年1月1日	1	-	7,528	8,081	59,447	75,057
Profit for the year	年內溢利	-	-	-	-	80,676	80,676
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	-	-	3,031	-	-	3,031
Total comprehensive income for the year	年內全面收益總額	-	-	3,031	-	80,676	83,707
At 31 December 2016 and 1 January 2017	於2016年12月31日及2017年1月1日	1	-*	10,559*	8,081*	140,123*	158,764
Profit for the year	年內溢利	-	-	-	-	159,855	159,855
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	-	-	(11,356)	-	-	(11,356)
Total comprehensive income for the year	年內全面收益總額	-	-	(11,356)	-	159,855	148,499
Transfer from retained profits	轉撥自保留溢利	-	-	-	3,919	(3,919)	-
Issue of shares pursuant to the Listing of the Company	根據本公司上市發行股份	1,728	232,314	-	-	-	234,042
Capitalisation issue of shares	股份發行資本化	5,185	(5,185)	-	-	-	-
Expenses incurred in connection with issue of new shares	發行新股相關開支	-	(15,229)	-	-	-	(15,229)
Dividends paid	已派付股息	-	-	-	-	(143,322)	(143,322)
At 31 December 2017	於2017年12月31日	6,914	211,900*	(797)*	12,000*	152,737*	382,754

* These reserve accounts comprise the consolidated reserves of RMB375,840,000 (2016: RMB158,763,000) 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375,840,000元(2016年：人民幣158,763,000元)。

Consolidated Statement of Cash Flows

綜合現金流量表

Year ended 31 December 2017
截至 2017 年 12 月 31 日止年度

			2017 2017年 RMB'000 人民幣千元	2016 2016年 RMB'000 人民幣千元
CASH FLOWS FROM OPERATING ACTIVITIES	經營活動所得現金流量			
Profit before tax	除稅前溢利		198,056	112,045
Adjustments for:	調整項目：			
Interest income	利息收入	5	(3,473)	(1,968)
Depreciation	折舊	7	5,900	2,690
Loss on disposal of items of property, plant and equipment, net	出售物業、廠房及設備項目的虧損，淨額	7	139	334
Gain on disposal of an available-for-sale investment	出售一項可供出售投資的收益	5	—	(9)
Recognition of prepaid land lease payments	確認預付土地租賃款項	7	163	160
Impairment of trade receivables	貿易應收款項減值	7	95	154
Write-down of inventories to net realisable value	撇減存貨至可變現淨值	7	(1,366)	2,790
Reversal of provision against obsolete and slow-moving inventories	陳舊及積壓存貨撥備撥回	7	(7,898)	(950)
Product warranty additional provision	產品保修額外撥備	7	3,405	4,104
Reversal of unutilised product warranties	未使用產品保修撥回	22	—	(2,092)
Finance costs	融資成本	6	11,670	14,332
			206,691	131,590
Increase in inventories	存貨增加		(19,868)	(115,550)
(Increase)/decrease in trade and bills receivables	貿易應收款項及應收票據(增加)/減少		(178,922)	76,454
Decrease/(increase) in prepayments, deposits and other receivables	預付款項、按金及其他應收款項減少/(增加)		129,441	(165,928)
(Decrease)/increase in trade and bills payables	貿易應付款項及應付票據(減少)/增加		(104,509)	66,252
(Decrease)/increase in other payables and accruals	其他應付款項及應計費用(減少)/增加		(21,561)	8,682
Decrease in warranty provision	保修撥備減少		(2,632)	(3,684)
Cash generated from/(used in) operations	經營所得/(所用)現金		8,640	(2,184)
Income tax paid	已付所得稅		(12,565)	(14,259)
Net cash flows used in operating activities	經營活動所用現金流量淨額		(3,925)	(16,443)

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Consolidated Statement of Cash Flows

綜合現金流量表

Year ended 31 December 2017
截至 2017 年 12 月 31 日止年度

	Note	2017 2017年 RMB'000 人民幣千元	2016 2016年 RMB'000 人民幣千元
	附註		
CASH FLOWS FROM INVESTING ACTIVITIES	投資活動所得現金流量		
Payment for purchases of items of property, plant and equipment	購買物業、廠房及設備項目的付款	(22,716)	(5,591)
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	736	396
Proceeds from disposal of an available-for-sale investment	出售一項可供出售投資的所得款項	—	26,009
Interest received	已收利息	3,473	1,968
Loan to a director	向一名董事貸款	—	(13,382)
Repayment of a loan to a director	向一名董事償還貸款	—	13,382
Repayment from related parties	關連方還款	—	214,390
Advances to related parties	墊款予關連方	—	(116,840)
Decrease/(increase) in pledged deposits	已抵押存款減少/(增加)	38,961	(124,345)
Net cash flows from/(used in) investing activities	投資活動所得/(所用)現金流量淨額	20,454	(4,013)
CASH FLOWS FROM FINANCING ACTIVITIES	融資活動所得的現金流量		
New bank borrowings	新銀行借款	579,609	645,836
Repayment of bank borrowings	償還銀行借款	(704,116)	(572,041)
Proceeds from issue of new shares	發行新股所得款項	234,042	—
Expenses paid in connection with the issue of shares	就發行股份已付的開支	(15,229)	—
Dividends paid	已派付股息	(143,322)	—
Interest paid	已付利息	(11,670)	(14,332)
Net cash flows (used in)/from financing activities	融資活動(所用)/所得現金流量淨額	(60,686)	59,463
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	現金及現金等價物(減少)/增加淨額	(44,157)	39,007
Cash and cash equivalents at beginning of year	年初現金及現金等價物	73,647	33,131
Effect of foreign exchange rate changes, net	外幣匯率變動的影響，淨額	(3,249)	1,509
CASH AND CASH EQUIVALENTS AT END OF YEAR	年末現金及現金等價物	26,241	73,647
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS	現金及現金等價物結餘分析		
Cash and bank balances	現金及銀行結餘	26,241	73,647

Notes to the Consolidated Financial Statements

綜合財務報表附註

31 December 2017
2017年12月31日

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 6707, 67/F, The Center, 99 Queen’s Road Central, 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為「本集團」）為一家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皇后大道中99號中環中心67樓6707室。

本公司股份已自2017年1月12日起於香港聯合交易所有限公司主板上市。

本公司為一家投資控股公司。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

綜合財務報表附註

31 December 2017
2017年12月31日

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 of America	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
Haining Morris International Home Furnishings Co., Ltd.* (海寧慕容國際家居 有限公司)(a)	The People's Republic of China (the "PRC")	RMB2,000,000	–	100%	Trading of other furniture products
海寧慕容國際家居 有限公司(a)	中華人民共和國 (「中國」)	人民幣2,000,000元	–	100%	買賣其他傢俱產品
Zhejiang Apollo Leather Products Co., Ltd.* (浙江阿波羅皮革製品 有限公司)(b)	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(b)	中國	615,000美元	–	100%	生產及銷售沙發套

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

綜合財務報表附註

31 December 2017
2017年12月31日

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	
Haining Morris Home Gallery Co., Ltd.* (海寧慕容世家 家居有限公司)(b)	The PRC	US\$3,000,000	–	100%	Manufacture and sale of upholstered sofas
海寧慕容世家家居 有限公司(b)	中國	3,000,000美元	–	100%	生產及銷售軟體沙發
Zhejiang Morris Fashion Home Co., Ltd.* (Formerly known as “Haining Gelin Furniture Co., Ltd.”) (浙江慕容時尚 家居有限公司) (前稱「海寧格林家具 有限公司」)(c)	The PRC	US\$20,000,000	–	100%	Manufacture 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」)(c)	中國	20,000,000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 (續)

Notes to the Consolidated Financial Statements

綜合財務報表附註

31 December 2017
2017年12月31日

1. CORPORATE AND GROUP INFORMATION

(Continued)

Information about subsidiaries (Continued)

Notes:

- (a) This entity is registered as a domestic enterprise under the laws of the PRC.
- (b) These entities are registered as Sino-foreign equity joint ventures under the laws of the PRC.
- (c) 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.

2.1 BASIS OF PREPARATION

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

The 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.

1. 公司及集團資料 (續)

附屬公司資料 (續)

附註：

- (a) 該實體根據中國法律註冊為內資企業。
- (b) 該等實體根據中國法律註冊為中外合營企業。
- (c) 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本集團淨資產之重大部分的本集團附屬公司。董事認為，提供其他附屬公司資料會導致詳情過長。

2.1 編製基準

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。

財務報表已按歷史成本慣例編製。財務報表以人民幣（「人民幣」）呈列，除另有指明外，所有數值均湊整至最接近的千位數（人民幣千元）。

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綜合財務報表附註

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2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2017.

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).

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.

2.1 編製基準 (續)

綜合基準

綜合財務報表包括本集團截至2017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。

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。

Notes to the Consolidated Financial Statements

綜合財務報表附註

31 December 2017
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2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

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.

If the Group loses control over a subsidiary, it derecognises (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 adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Amendments to HKFRS 12 included in <i>Annual Improvements to HKFRSs 2014-2016 Cycle</i>	<i>Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12</i>

2.1 編製基準 (續)

綜合基準 (續)

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。

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 會計政策變動及披露事項

本集團已就當前年度財務報表首次採納下列經修訂香港財務報告準則。

《香港會計準則》第7號(修訂本)	<i>披露計劃</i>
《香港會計準則》第12號(修訂本)	<i>就未變現虧損確認遞延稅項資產</i>
《香港財務報告準則》第12號(修訂本)作為《香港財務報告準則》2014年至2016年週期之年度改進	<i>披露於其他實體之權益：澄清國際財務報告準則第12號中披露規定之範圍</i>

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2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

None of the above amendments to HKFRSs has had a significant financial effect on these financial statements. Disclosure has been made in note 26 to the financial statements upon the adoption of amendments to HKAS 7, which require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The nature and the impact of the amendments are described below:

- (a) Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Disclosure of the changes in liabilities arising from financing activities is provided in note 26 to the financial statements.
- (b) Amendments to HKAS 12 clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments have had no impact on the financial position or performance of the Group as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

2.2 會計政策變動及披露事項 (續)

上述《香港財務報告準則》的修訂本對本財務報表並無重大財務影響。採納《香港會計準則》第7號(修訂本)後，我們在財務報表的附註26中作出相關披露，該修訂本要求實體提供信息披露，使財務報表的使用者評估融資活動，包括現金流量和非現金變動兩個變動而產生的負債的變化。

各修訂本的性質及影響載述如下：

- (a) 《香港會計準則》第7號(修訂本)要求實體提供信息披露，使財務報表的使用者評估融資活動，包括現金流量和非現金變動兩個變動而產生的負債的變化。因融資活動所產生負債變化披露於財務報表的附註26。
- (b) 《香港會計準則》第12號(修訂本)釐清實體需要考慮稅務法例是否對於可扣減暫時差異轉回時可用作抵扣的應課稅利潤的來源有所限制。此外，該等修訂就實體應如何釐定未來應課稅利潤提供指引，並解釋應課稅利潤可包括收回超過賬面值的部分資產的情況。然而，由於本集團並無任何可扣減暫時差額或該等修訂範圍內的資產，故該等修訂對本集團的財務狀況及業績並無任何影響。

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2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

- (c) Amendments to HKFRS 12 clarify that the disclosure requirements in HKFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of HKFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale. The amendments have had no impact on the Group's financial statements as the Group does not have any subsidiaries classified as a disposal group held for sale as at 31 December 2017 and so no additional information is required to be disclosed.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i> ¹
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i> ¹
HKFRS 9	<i>Financial Instruments</i> ¹
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i> ²
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
HKFRS 15	<i>Revenue from Contracts with Customers</i> ¹

2.2 會計政策變動及披露事項 (續)

- (c) 《香港財務報告準則》第12號(修訂本)釐清香港財務報告準則第12號中的披露規定(除B10-B16段外)適用於已劃分至持作出售或已包括在某處置組且該處置組已劃分至持作出售的附屬公司、合營公司或聯營公司中的實體權益(或其在合營公司或聯營公司中的部分權益)。由於本集團在2017年12月31日並無將任何附屬公司劃分至持作出售的處置組,因此該修訂本對本集團財務報表沒有影響,亦無需披露其他資料。

2.3 已頒佈但尚未生效的香港財務報告準則

本集團並無於財務報表內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。

香港財務報告準則第2號(修訂本)	以股份為基礎支付交易的分類及計量
香港財務報告準則第4號(修訂本)	於香港財務報告準則第4號保險合約應用香港財務報告準則9號之金融工具 ¹
香港財務報告準則第9號	金融工具 ¹
香港財務報告準則第9號(修訂本)	具有負補償之提前還款特性 ²
香港財務報告準則第10號及香港會計準則第28號(2011年)(修訂本)	投資者與其聯營公司或合營企業之間的資產銷售或注入 ⁴
香港財務報告準則第15號	客戶合約收入 ¹

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2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

(Continued)

Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers¹</i>
HKFRS 16	<i>Leases²</i>
HKFRS 17	<i>Insurance Contracts³</i>
Amendments to HKAS 28	<i>Investments in Associates and Joint Ventures²</i>
Amendments to HKAS 40	<i>Transfers of Investment Property¹</i>
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration¹</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments²</i>
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28 ¹
Annual Improvements 2015-2017 Cycle	Amendments to the following standards: – HKFRS 3 <i>Business Combinations</i> ² – HKFRS 11 <i>Joint Arrangements</i> ² – HKAS 12 <i>Income Taxes</i> ² – HKAS 23 <i>Borrowing Costs</i> ²

- ¹ Effective for annual periods beginning on or after 1 January 2018
- ² Effective for annual periods beginning on or after 1 January 2019
- ³ Effective for annual periods beginning on or after 1 January 2021
- ⁴ No mandatory effective date yet determined but available for adoption

2.3 已頒佈但尚未生效的香港財務報告準則 (續)

香港財務報告準則第15號 (修訂本)	香港財務報告準則第15號客戶合約收入之澄清
香港財務報告準則第16號	租賃 ²
香港財務報告準則第17號	保險合約 ³
香港會計準則第28號 (修訂本)	於聯營公司及合營企業的投資 ²
香港會計準則第40號 (修訂本)	投資物業轉讓 ¹
香港 (國際財務報告詮釋委員會) 詮釋第22號	外幣交易及墊付代價 ¹
香港 (國際財務報告詮釋委員會) 詮釋第23號	所得稅處理的不確定性 ²
2014-2016週期年度改進	香港會計準則第1和28號 (修訂本) ¹
2015-2017週期年度改進	對下列標準的修訂: – 香港財務報告準則第3號業務合併 ² – 香港財務報告準則第11號合營安排 ² – 香港會計準則第12號所得稅 ² – 香港會計準則第23號貸款成本 ²

- ¹ 於2018年1月1日或之後開始的年度期間生效
- ² 於2019年1月1日或之後開始的年度期間生效
- ³ 於2021年1月1日或之後開始的年度期間生效
- ⁴ 尚未釐定強制生效日期，惟可予採納

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2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

(Continued)

Further information about those HKFRSs that are expected to be applicable to the Group is described below. Of those standards, HKFRS 9 and HKFRS 15 will be applicable for the Group's financial year ending 31 December 2018 and are expected to have an impact upon adoption. Whilst management has performed a detailed assessment of the estimated impacts of these standards, that assessment is based on the information currently available to the Group, including expectations of the application of transitional provision options and policy choices. The actual impacts upon adoption could be different to those below, depending on additional reasonable and supportable information being made available to the Group at the time of applying the standards and the transitional provisions and policy options finally adopted.

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt HKFRS 9 from 1 January 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018. During 2017, the Group has performed a detailed assessment of the impact of the adoption of HKFRS 9. The key requirements of HKFRS 9 which are relevant to the Group includes:

- (a) 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 and 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 adjustments to the carrying amount of the financial liability is recognised in profit or loss at the date of modification;

2.3 已頒佈但尚未生效的香港財務報告準則 (續)

預期適用於本集團的香港財務報告準則的進一步資料載於下文。在這些標準中，香港財務報告準則第9號以及香港財務報告準則第15號適用於本集團截至2018年12月31日止財年，預期在採納後有影響。管理層已對該等標準的預期影響進行詳細評估，該評估乃基於本集團目前可取得之資料，包括對應用過渡性規定方案以及政策選擇的預期。根據本集團在運用最終採納的標準及過渡性規定和政策方案之時可取得的其他合理及支持性資料，採納後的實際影響或會有別於下文所述。

於2014年9月，香港會計師公會頒佈香港財務報告準則第9號的最終版本，將金融工具項目的所有階段合併，以取代香港會計準則第39號及香港財務報告準則第9號先前的所有版本。該準則引入分類及計量、減值以及對沖會計的新規定。本集團自2018年1月1日起採納香港財務報告準則第9號。本集團將不會重述比較性資料，並將根據2018年1月1日的期初股本結餘確認任何過渡性調整。於2017年內，本集團已對採納香港財務報告準則第9號的影響作出詳細評估。本集團相關的香港財務報告準則第9號之主要規定如下：

- (a) 對於不導致終止確認的對金融負債之非重大更改，相關金融負債的賬面值將按照經修改的合約現金流之現值計算，並按照金融負債的原始實際利率折算。產生的交易成本或費用調整至經修改金融負債的賬面值，並在剩餘期限內攤銷。對金融負債之賬面值的任何調整於修改當日在損益中確認；

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2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

(Continued)

- (b) the classification and measurement of financial assets will depend on two assessments: the financial asset's contractual cash flow characteristics and the entity's business model for managing the financial asset. The Group's bills receivables of RMB4,842,000 as at 31 December 2017 are managed with a business model under which bills receivables are not held to collect contractual cash flows as the Group regularly discounts bills receivables to banks or endorsed to suppliers prior to their expiry date. Accordingly, these bills receivables will be reclassified as financial assets at fair value through profit or loss; and
- (c) an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, will be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade and other receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its receivables within the next twelve months.

2.3 已頒佈但尚未生效的香港財務報告準則 (續)

- (b) 金融資產的分類與計量取決於兩項評估：金融資產的合約現金流特徵以及管理金融資產的實體業務模式。本集團於2017年12月31日金額達人民幣4,842,000元的應收票據乃透過業務模式管理，在該模式下，由於本集團定期將應收票據在到期日之前貼現予銀行或背書予供應商，故我們不持有應收票據以收取合約現金流。因此，該等應收票據將透過損益以公允值重新分類為金融資產；及
- (c) 透過其他全面收益以攤銷成本或公允值記錄的債務工具之減值，以及在香港財務報告準則第9號下並未透過損益以公允值計量的租賃應收款項、貸款承諾以及財務擔保合約之減值，將以十二個月或整段年期的基準按照預期的信貸虧損模式記錄。本集團將運用簡化方法，並記錄根據所有現金缺口的現值而在其所有貿易及其他應收款項之剩餘年期內估計的整段年期之預期虧損。此外，本集團將運用全面方法，並記錄根據在接下來十二個月內可能發生的應收款項之違約事件而估計的十二個月預期信貸虧損。

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2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

(Continued)

HKFRS 15, issued in July 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group will adopt HKFRS 15 from 1 January 2018 and plans to adopt the transitional provisions in HKFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2018. In addition, the Group plans to apply the new requirements only to contracts that are not completed before 1 January 2018.

2.3 已頒佈但尚未生效的香港財務報告準則 (續)

於2014年7月頒佈的香港財務報告準則第15號建立一個新的五步模式，將應用於自客戶合約產生的收益。根據香港財務報告準則第15號，收益按能反映實體預期就交換向客戶轉讓貨物或服務而有權獲得的代價金額確認。香港財務報告準則第15號下的準則就計量及確認收入提供一套更有條理的方法。該準則亦引入廣泛的定性及定量披露規定，包括分拆收益總額，關於履行責任、不同期間的合約資產及負債賬目結餘的變動以及主要判斷及估計的資料。該準則將取代香港財務報告準則項下所有現時收益確認的規定。標準初步運用之時，須採用全面追溯性運用或修訂追溯採納的方式。2016年6月，香港會計師公會頒佈香港財務報告準則第15號的修訂本，用於說明實施問題，包括識別履約責任、委託人與代理人及知識產權許可的應用指引以及準則採納的過渡。該等修訂本亦旨在於實體採納香港財務報告準則第15號及降低準則採納成本及複雜度時，助力確保較為連貫一致的採納。本集團自2018年1月1日起採納香港財務報告準則第15號，並計劃採納香港財務報告準則第15號中的過渡性規定來將初始採納的累積性影響確認為對2018年1月1日留存盈利之期初結餘的調整。此外，本集團計劃僅對在2018年1月1日之前未完成的合約運用新的要求。

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2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

(Continued)

The Group's principal activities consist of the manufacture and sale of sofas, sofa covers and other furniture products and the Group provides trade discounts or volume rebates for some of these sales contracts with customers. Currently, the Group recognises revenue from the sale of goods measured at fair value of the consideration received or receivable, net of allowances, trade discounts and/or volume rebates. If revenue cannot be reliably measured, revenue recognition is deferred until the uncertainty is resolved. Under HKFRS 15, a transaction price is considered variable if a customer is provided with trade discounts or volume rebates. The Group is required to estimate the amount of consideration to which it will be entitled in the sales of its sofas, sofa covers and other furniture products and the estimated amount of variable consideration will be included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Group has decided to use the expected value method to estimate the amount of allowances, trade discounts and volume rebates as this method better predicts the amount of variable consideration to which the Group will be entitled. The Group has assessed that the adoption of HKFRS 15 will not materially affect how the Group currently recognises revenue and cost of sales under HKAS 18 when the customers have a right to allowance, trade discounts and volume rebates.

In addition, the application of HKFRS 15 in the future may result in more disclosures in the consolidated financial statements.

2.3 已頒佈但尚未生效的香港財務報告準則(續)

本集團的主要活動包括製造及銷售沙發、沙發套以及其他傢俱產品，以及本集團就某些銷售合約向客戶提供交易折扣或批量打折。當前本集團從按照已收或應收代價之公允價值計量的貨物銷售中確認收入，並減去補貼、交易折扣及／或批量打折。若收入無法可靠計量，則收入確認將被推遲到不確定因素獲得解決為止。根據香港財務報告準則第15號，若客戶獲提供交易折扣或批量打折，則交易價格被視為浮動價格。本集團需要估計其在銷售沙發、沙發套以及其他傢俱產品中取得的代價金額，而浮動代價的估計金額只有在有關浮動代價的不確定因素隨後得到解決，且已確認的累計收入金額極有可能不會發生重大撥回時才能納入交易價格。本集團已決定使用預期價值法估計補貼、交易折扣和批量打折的金額，因為該方法能夠更好地預測本集團可取得的浮動代價之金額。經本集團評估，對於客戶有權取得補貼、交易折扣和批量打折的情況，採納香港財務報告準則第15號不會對本集團在香港會計準則第18號下的收入與銷售成本之當前確認方式產生重大影響。

此外，在將來運用香港財務報告準則第15號可能會導致在綜合財務報表中作出更多披露。

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HKFRS 16, issued in May 2016, replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from 1 January 2019. The Group is currently assessing the impact of HKFRS 16 upon adoption and is considering whether it

2.3 已頒佈但尚未生效的香港財務報告準則 (續)

於2016年5月頒佈的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(國際財務報告詮釋委員會)– 詮釋第4號釐定安排是否包括租賃、香港(準則詮釋委員會)– 詮釋第15號經營租賃 – 優惠以及香港(準則詮釋委員會)– 詮釋第27號評估涉及租賃法律形式交易的內容。該準則載列確認、計量、呈列及披露租賃的原則，並要求承租人就大多數租賃確認資產及負債。該準則包括給予承租人兩項確認豁免 – 低價值資產租賃及短期租賃。於租賃開始日期，承租人將把於租賃期支付租賃款項確認為負債(即租賃負債)而把相關資產使用權確認為資產(即使用權資產)。除非使用權資產符合香港會計準則第40號投資物業的定義，或涉及到運用再評估模型的物業、廠房及設備類別，否則使用權資產後續按成本減累計折舊及任何減值虧損計量。租賃負債後續會因反映租賃負債利息而增加，亦將因支付租賃款項而減少。承租人將須分別確認租賃負債的利息開支及使用權資產的折舊開支。承租人亦須於若干事件發生時重新計量租賃負債，例如由於租賃期變更或用於釐定該等付款的一項指數或比率變更而引致未來租賃付款變更。一般而言，承租人將確認租賃負債重新計量的數額為對使用權資產的調整。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號內相同的分類原則對所有租賃進行分類，並將之分為經營租賃及融資租賃。相較於根據香港會計準則第17號，香港財務報告準則第16號規定承租人及出租人作出更廣泛的披露。承租人可選擇透過全面追溯性或修訂追溯方式來運用標準。本集團預計自2019年1月1日開始採納香港財務報告準則第16號。本集團目前正在評估採納香港財務報告準則第16號的影響，並考慮是否選擇利用權宜措施，以及應採用哪種過渡和緩解方法。誠如財務報表附註28所載，於2017年12月31日，本集團不可撤銷經營租賃項下之未來最低租賃付款總額為人民幣9,237,000元。採納香港財務報告準則第16

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will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As disclosed in note 28 to the financial statements, at 31 December 2017, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately RMB9,237,000. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

HK(IFRIC)-Int 22, issued in June 2017, provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. Entities may apply the interpretation on a full retrospective basis or on a prospective basis, either from the beginning of the reporting period in which the entity first applies the interpretation or the beginning of the prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group expects to adopt the interpretation prospectively from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 已頒佈但尚未生效的香港財務報告準則 (續)

號後，其中的某些金額需要確認為新的使用權資產和租賃負債。不過需要進行進一步分析來確定有待確認的新使用權資產和租賃負債的金額，包括但不限於有關低價值資產租賃及短期租賃的金額，其他權宜措施和選定的緩解措施，以及在採納日期前訂立的新租賃。

香港國際財務報告詮釋委員會詮釋第22號於2017年6月頒佈，當香港會計準則第21號適用時，該詮釋就實體為釐定以外幣收取或支付墊付代價的交易之日期，以及確認非貨幣資產或非貨幣負債提供指引。該詮釋指明，釐定首次確認相關資產、開支或收益（或當中部分）所使用之匯率之交易日期為實體首次確認支付或收取墊付代價產生的非貨幣資產（例如預付款項）或非貨幣負債（例如遞延收入）之日。倘確認有關項目時存在多次付款或提前收取，實體必須釐定每次支付或收取墊付代價的交易日期。實體可自首次應用該詮釋的報告期初起或自前一個報告期初起，全面追溯應用或日後應用該詮釋，呈列為實體首次應用該詮釋的報告期的財務報表中載列之比較資料。本集團預期自2018年1月1日起提前採納該詮釋。該修訂本預期不會對本集團的財務報表產生重大影響。

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HK(IFRIC)-Int 23, issued in July 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as “uncertain tax positions”). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

2.3 已頒佈但尚未生效的香港財務報告準則 (續)

香港國際財務報告詮釋委員會詮釋第23號於2017年7月頒佈，該詮釋有關當會計處理涉及會影響香港會計準則第12號應用的不確定性因素（常稱為「不確定課稅情況」）時，如何將所得稅（即期或遞延）入賬。該詮釋並不適用於香港會計準則第12號範疇以外的稅項或徵費，亦無載列與不確定稅務處理有關的利息及罰款之特定要求。詮釋具體處理(i)實體有否單獨考慮不確定稅務處理；(ii)稅務當局調查稅務處理時，實體作出的假設；(iii)實體如何釐定應課稅溢利或稅務虧損、稅基、未動用稅務虧損、未動用稅務抵免及稅率；以及(iv)實體如何考慮事實及情況變動。該詮釋即將在不利用後見之明的情況下全面追溯應用，或按應用的累積影響追溯應用（作為初始採納當日期初權益的調整，且並不會重列比較資料）。本集團預期自2019年1月1日起採納該詮釋。該修訂本預期不會對本集團的財務報表產生重大影響。

2.4 主要會計政策概要

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。

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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 categorised 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。

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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折現率貼現至其現值。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。

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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;
 - (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.

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；
 - (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。

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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%

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.

2.4 主要會計政策概要 (續)

物業、廠房及設備及折舊

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份須定期替換,則本集團確認該等部份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%

倘物業、廠房及設備項目的各部份有不同的使用年期,該項目的成本將在各部份之間作合理分配,而每部份將個別計提折舊。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。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

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 capitalised 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.

Leases

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)

物業、廠房及設備及折舊 (續)

首次確認的物業、廠房及設備項目(包括任何重要部份)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。

租賃

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，根據經營租賃的應付租金扣除從出租人收取的任何優惠後按租賃年期以直線法自損益中扣除。

經營租賃下的預付土地租賃款項首次按成本入賬，隨後於租期內按直線法確認。

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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.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

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。

投資及其他金融資產

首次確認及計量

金融資產於首次確認時分類為貸款及應收款項（如適用）。金融資產於首次確認時按公允值加收購金融資產引致的交易成本計量。

金融資產的所有常規買賣乃於交易日（即本集團承諾購買或出售該資產之日）確認。常規買賣指需要在一般由法規或市場慣例確定的期間內移交資產的金融資產買賣。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in other expenses and losses.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.4 主要會計政策概要 (續)

投資及其他金融資產 (續)

後續計量

金融資產的後續計量取決於以下分類：

貸款及應收款項

貸款及應收款項指有固定或可確定款項（在活躍市場上沒有報價）的非衍生金融資產。初始計量後，該等資產隨後採用實際利率法以攤銷成本減任何減值撥備計量。計算攤銷成本時，考慮收購產生的任何折讓或溢價，且包括作為實際利率組成部份的費用或成本。實際利率攤銷於損益表中計入其他收入及收益。減值產生的虧損於損益表中的其他開支及虧損內確認。

終止確認金融資產

出現以下情形時，金融資產（或（如適用）部份金融資產或一組同類金融資產的一部份）會被初步終止確認（即自本集團綜合財務狀況表移除）：

- 從資產收取現金流量的權利屆滿時；或
- 本集團已根據「過手」安排轉讓從資產收取現金流量的權利，或已承擔向第三方無重大延誤全額支付所收現金流量的責任；及(a)本集團已轉讓資產的絕大部份風險及回報，或(b)本集團雖未轉讓或保留資產的絕大部份風險及回報，但已轉讓資產的控制權。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial assets (Continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.4 主要會計政策概要 (續)

終止確認金融資產 (續)

倘本集團已轉讓從資產收取現金流量的權利或訂立過手安排，則評估有否保留資產所有權的風險及回報及保留程度。倘本集團並無轉讓或保留資產的絕大部份風險及回報，亦無轉讓資產控制權，本集團將以本集團持續參與程度為限繼續確認所轉讓資產。在此情況下，本集團亦確認相關負債。已轉讓資產及相關負債根據反映本集團所保留權利及責任的基準計量。

以擔保方式繼續參與已轉讓資產的程度，乃按該資產的原賬面值及本集團可被要求償還的代價最高金額兩者中的較低者計量。

金融資產減值

本集團於各報告期末評估是否有客觀跡象顯示一項或一組金融資產出現減值。倘資產首次確認後出現一項或多項事件而對能可靠估計的金融資產或一組金融資產的估計未來現金流量有影響，則說明已發生減值。減值跡象可能包括單個債務人或一組債務人有重大財務困難、拖欠利息或本金付款、可能破產或進行其他財務重組，以及可觀察數據顯示估計未來現金流量減少且可計量，例如與拖欠有關的欠款或經濟狀況變動。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed item of financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses and losses in profit or loss.

2.4 主要會計政策概要 (續)

金融資產減值 (續)

按攤銷成本入賬的金融資產

對於按攤銷成本入賬的金融資產，本集團首先按個別基準評估單項重大或按組合基準評估單項非重大的金融資產有否減值。倘本集團釐定單項評估的金融資產並無客觀減值證據，則不論重大與否均須將該資產歸入一組具有相似信貸風險特徵的金融資產，以整體評估有否減值。已單獨評估減值並已確認或將繼續確認減值虧損的資產不會進行整體減值評估。

已識別減值虧損金額以資產的賬面值與估計未來現金流量現值（不包括尚未發生的未來信用損失）的差額計量。估計未來現金流量現值按金融資產的原實際利率（即初始確認時計算採用的實際利率）貼現。

資產賬面值通過使用撥備賬扣減，而虧損於損益確認。利息收入持續按已扣減賬面值累計，利率為計量減值虧損時貼現未來現金流量所使用的貼現率。倘不可能於未來實現收回且所有抵押品已變現或轉至本集團，則貸款及應收款項連同任何相關撥備可予撇銷。

倘後續期間於減值確認後發生的事項導致估計減值虧損增加或減少，則先前確認的減值虧損通過調整撥備賬增加或減少。倘撇銷於日後收回，則收回的減值虧損計入損益的其他開支及虧損。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

2.4 主要會計政策概要 (續)

金融負債

首次確認及計量

首次確認時，金融負債歸類為貸款及借款，且首次按公允價值確認，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、其他應付款項及計息銀行借款。

後續計量

金融負債其後按類別以下列方法計量：

貸款及借款

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。

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中的融資成本。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

Subsequent measurement (Continued)

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

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.

2.4 主要會計政策概要 (續)

金融負債 (續)

後續計量 (續)

財務擔保合約

本集團發出的財務擔保合約為規定須付款以償付持有人因特定債務人未能根據債務工具的條款償還到期款項而招致損失的合約。財務擔保合約首次按公允值確認為負債，並就發出擔保直接產生的交易成本作出調整。於首次確認後，本集團按以下兩項的較高者計量財務擔保合約：(i)於報告期末履行現有責任所需開支的最佳估計數額；及(ii)首次確認金額減(如適用)累計攤銷。

終止確認金融資產

金融負債於負債責任解除、取消或屆滿時終止確認。

倘現有金融負債被另一項由同一借貸人提供而絕大部份條款不同的負債所取代，或現有負債的條款被大幅修訂，則有關取代或修訂以終止確認原有負債及確認新負債方式處理，而相關賬面值的差額會於損益確認。

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。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

2.4 主要會計政策概要 (續)

存貨

存貨按成本及可變現淨值兩者的較低者入賬。成本按加權平均基準計算，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的間接費用。可變現淨值按預計售價減去預計完成及出售所需成本計算。

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份的銀行透支。

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（包括定期存款及等同現金資產）。

撥備

倘因過往事件須承擔現時責任（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。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions (Continued)

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.

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.

2.4 主要會計政策概要 (續)

撥備 (續)

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。

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。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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.

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.

2.4 主要會計政策概要 (續)

所得稅 (續)

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。

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。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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.

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.

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。

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。

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，則按公允價值確認政府補助。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。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and
- (b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

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.

2.4 主要會計政策概要 (續)

收益確認

收益於可能為本集團帶來經濟利益及能可靠地計量時確認，基準如下：

- (a) 對於貨品銷售收益，當擁有權的重大風險及回報已轉移至買家，而本集團參與管理的程度並不足以附帶擁有權，亦無實際控制已售出貨品時確認；及
- (b) 利息收入採用將金融工具的估計未來現金按預計年期或較短期間（如適用）完全折現至金融資產賬面淨值的利率，按應計基準使用實際利率法確認。

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。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits (Continued)

Pension schemes (Continued)

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.

Dividends

Final dividends and special 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.

2.4 主要會計政策概要 (續)

僱員福利 (續)

退休金計劃 (續)

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。

股息

末期股息及特別股息於獲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。

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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 financial statements are presented in RMB. Each entity in the Group determines its own functional currency and items included in the 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).

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.

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始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，採用初始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)。

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。出售該業務時，與該項業務有關的其他全面收益部份不於損益確認。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's 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 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:

Impairment of receivables

The Group records impairment of receivables based on assessment of the recoverability of receivables. The identification of impairment of receivables 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 receivables and doubtful debt expenses/write-back of doubtful debts in the reporting period in which such estimate is changed.

2.4 主要會計政策概要 (續)

外幣 (續)

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。

3. 重大會計判斷及估計

編製本集團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：

應收款項減值

本集團根據對應收款項可收回程度的評估記錄應收款項的減值。識別應收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，則有關差額將影響相關估計發生變動的報告期間的應收款項賬面值及呆賬支出／呆賬撥回。

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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.

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.

2.4 主要會計政策概要 (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。

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。

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Impairment of advances to suppliers

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.

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 23 to the financial statements.

3. 重大會計判斷及估計 (續)

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。

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及遞延稅項資產及負債載於綜合財務狀況表及財務報表附註23。

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

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 32 to the financial statements.

Warranty provision

As further explained in note 22 to the 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.

3. 重大會計判斷及估計 (續)

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份風險及回報，包括與該等應收款項有關的違約風險。財務資產轉移詳情計入財務報表附註32內。

保修撥備

如財務報表附註22所進一步詳述，本集團經考慮本集團的當前銷售水準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。

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4. SEGMENT INFORMATION

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

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. Accordingly, in the opinion of the directors, the presentation of geographical information would provide no additional useful information to the users of the financial statements.

(b) Non-current assets

China (including Hong Kong)	中國(包括香港)
Cambodia	柬埔寨
The United States of America	美國

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

4. 分部資料

就管理而言，本集團僅有一個可呈報經營分部，即生產及銷售沙發、沙發套及其他傢俱產品。由於本集團僅有一個可呈報經營分部，因此概無呈列進一步經營分部分析。

地區資料

(a) 來自外部客戶的收入

由於本集團的大部份收入來自美國的外部客戶（按照向客戶送達產品的地理位置劃分），因此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本財務資料的用戶提供額外有用資料。

(b) 非流動資產

	2017 2017年 RMB'000 人民幣千元	2016 2016年 RMB'000 人民幣千元
China (including Hong Kong)	22,214	9,888
Cambodia	42,316	41,845
The United States of America	162	–
	64,692	51,733

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。

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4. SEGMENT INFORMATION (Continued)

Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue for the year is set out below:

		2017 2017年 RMB'000 人民幣千元	2016 2016年 RMB'000 人民幣千元
Customer 1	客戶1	224,824	N/A* 不適用*
Customer 2	客戶2	221,818	211,028
Customer 3	客戶3	156,363	142,823
Customer 4	客戶4	126,362	N/A* 不適用*
Customer 5	客戶5	N/A* 不適用*	105,660

* The corresponding revenue of these customers is not disclosed as they individually did not contribute 10% or more of the Group's total gross revenue for the relevant reporting period.

4. 分部資料 (續)

有關主要客戶的資料

佔本集團於該年度收入的10%或以上的各主要客戶的收入載列如下：

* 由於該等客戶於相關報告期間對本集團總收入的貢獻均未超過10%或以上，因此並未披露該等客戶的相關收入。

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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、折扣及增值稅後的發票淨值。

本集團的收入、其他收入及收益分析如下：

		2017 2017年 RMB'000 人民幣千元	2016 2016年 RMB'000 人民幣千元
Revenue	收入		
Sales of goods	銷售貨品	1,199,714	941,617
Other income and gains	其他收入及收益		
Interest income	利息收入	3,473	1,968
Exchange gains, net	匯兌收益，淨額	-	14,164
Government subsidies#	政府補貼#	8,269	140
Sales of scrap materials	銷售廢料	1,410	-
Gain on disposal of an available-for-sale investment	出售一項可供出售投資的收益	-	9
Others	其他	247	168
		13,399	16,449

Subsidies have been received from the local governments in Zhejiang Province in respect of successful listing in Hong Kong and the Group's contribution to sofa industry. There were no unfulfilled conditions or contingencies relating to these subsidies as at 31 December 2017 (2016: Nil).

浙江省地方政府就於香港成功上市及本集團對沙發產業的貢獻授出的補助。於2017年12月31日，概無有關該等補貼的未達成條件或意外事件（2016年：零）。

6. FINANCE COSTS

6. 融資成本

		2017 2017年 RMB'000 人民幣千元	2016 2016年 RMB'000 人民幣千元
Interest on bank loans	銀行貸款利息	9,909	11,650
Interest on discounted bills	貼現票據利息	1,761	2,682
		11,670	14,332

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7. PROFIT BEFORE TAX

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

		Notes 附註	2017 2017年 RMB'000 人民幣千元	2016 2016年 RMB'000 人民幣千元
Cost of inventories sold	已售存貨成本		835,272	669,210
Depreciation	折舊	13	5,900	2,690
Recognition of prepaid land lease payments	預付土地租賃款項確認	14	163	160
Loss on disposal of items of property, plant and equipment, net***	出售物業、廠房及設備項目的虧損，淨額***		139	334
Minimum lease payments under operating leases	經營租賃項下的最低租賃付款		20,232	9,743
Auditor's remuneration	核數師酬金		1,440	1,510
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		134,293	130,439
Pension scheme contributions*	退休計劃供款*		8,876	9,073
			143,169	139,512
Reversal of provision against obsolete and slow-moving inventories**	陳舊及積壓存貨撥備撥回**		(7,898)	(950)
(Reversal of write-down)/write-down of inventories to net realisable value**	存貨（撇減撥回）／撇減至可變現淨值**		(1,366)	2,790
Impairment of trade receivables, net***	貿易應收款項減值，淨額***	16	95	154
Product warranty additional provision	產品保修額外撥備	22	3,405	4,104
Foreign exchange differences, net	匯兌差額，淨額		6,959	(14,164)
Listing expenses	上市開支		1,943	22,622

* At 31 December 2017, the Group had no forfeited contributions available to reduce its contributions to pension schemes in future years (2016: 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.

7. 除稅前溢利

本集團的除稅前溢利乃經扣除／（計入）下列各項：

	Notes 附註	2017 2017年 RMB'000 人民幣千元	2016 2016年 RMB'000 人民幣千元
Cost of inventories sold		835,272	669,210
Depreciation	13	5,900	2,690
Recognition of prepaid land lease payments	14	163	160
Loss on disposal of items of property, plant and equipment, net***		139	334
Minimum lease payments under operating leases		20,232	9,743
Auditor's remuneration		1,440	1,510
Employee benefit expense (excluding directors' and Chief executives remuneration (note 8)):			
Salaries, wages and benefits in kind		134,293	130,439
Pension scheme contributions*		8,876	9,073
		143,169	139,512
Reversal of provision against obsolete and slow-moving inventories**		(7,898)	(950)
(Reversal of write-down)/write-down of inventories to net realisable value**		(1,366)	2,790
Impairment of trade receivables, net***	16	95	154
Product warranty additional provision	22	3,405	4,104
Foreign exchange differences, net		6,959	(14,164)
Listing expenses		1,943	22,622

* 於2017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（2015年：零）。

** 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。

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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:

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)條及公司(披露董事利益資料)規則第二部分，該年度董事及主要行政人員酬金披露如下：

		2017 2017年 RMB'000 人民幣千元	2016 2016年 RMB'000 人民幣千元
Fees	袍金	3,227	2,121
Other emoluments:	其他薪酬：		
Salaries, allowances and benefits in kind	薪金、工資及實物利益	1,713	1,906
Discretionary bonuses	酌情花紅	1,043	2,780
Pension scheme contributions	退休計劃供款	105	94
		2,861	4,780
		6,088	6,901

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

(a) 獨立非執行董事

年內獨立非執行董事的袍金載列如下：

		2017 2017年 RMB'000 人民幣千元	2016 2016年 RMB'000 人民幣千元
Mr. Huang Wenli	黃文禮先生	101	-
Mr. Shao Shaomin	邵少敏先生	101	-
Mr. Liu Haifeng	劉海峰先生	51	-
Ms. Zhang Bingbing	張冰冰女士	42	-
		295	-

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8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(a) Independent non-executive directors (Continued)

Ms. Zhang Bingbing, Mr. Huang Wenli and Mr. Shao Shaomin were appointed as independent non-executive directors of the Company on 10 December 2016.

Mr. Liu Haifeng was appointed as an independent non-executive director of the Company on 6 July 2017.

Ms. Zhang Bingbing resigned as an independent non-executive director on 31 May 2017.

There were no other emoluments payable to the independent non-executive directors during the year (2016: Nil).

8. 董事及主要行政人員酬金 (續)

(a) 獨立非執行董事 (續)

張冰冰女士、黃文禮先生及邵少敏先生於2016年12月10日獲委任為本公司獨立非執行董事。

劉海峰先生於2017年7月6日獲委任為本公司獨立非執行董事。

張冰冰女士於2017年5月31日辭任獨立非執行董事。

概無其他年內應付獨立非執行董事之薪酬(2016年：零)。

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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:

		Salaries, allowances, and benefits	Discretionary bonuses	Pension scheme contributions	Total remuneration
	Fees	in kind			
	袍金	薪金、工資及實物利益	酌情花紅	退休計劃供款	酬金總額
	RMB'000	RMB'000	RMB'000	RMB'000	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
Year ended 31 December 2017 截至2017年12月31日止年度					
Executive Directors:	執行董事：				
Mr. Zou	1,691	1,220	520	29	3,460
Mr. Chen Guohua	441	172	200	29	842
Mr. Zeng Jin	441	172	200	29	842
Mr. Wang Ming	138	68	25	4	235
Mr. Shen Zhidong	221	81	98	14	414
	2,932	1,713	1,043	105	5,793
Year ended 31 December 2016 截至2016年12月31日止年度					
Executive Directors:	執行董事：				
Mr. Zou	1,284	1,518	2,567	28	5,397
Mr. Chen Guohua	331	162	51	28	572
Mr. Zeng Jin	331	159	51	28	569
Mr. Wang Ming	175	67	111	10	363
	2,121	1,906	2,780	94	6,901

Mr. Shen Zhidong was appointed as executive director of the Company on 6 July 2017. Mr. Zou was redesignated as an executive director and the chief executive officer of the Company on 18 March 2016. Mr. Chen Guohua, Mr. Zeng Jin and Mr. Wang Ming were appointed as executive directors of the Company on 18 March 2016.

Mr. Wang Ming resigned as an executive director on 31 May 2017.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2016: Nil).

8. 董事及主要行政人員酬金 (續)

(b) 行政總裁及執行董事

該等執行董事的酬金載列如下：

沈志東先生於2017年7月6日獲委任為本公司執行董事。鄒先生於2016年3月18日調任為本公司執行董事兼行政總裁。陳國華先生、曾金先生及王銘先生於2016年3月18日獲委任為本公司執行董事。

王銘先生於2017年5月31日辭任執行董事。

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 (2016年：零)。

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9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four directors (2016: three), details of whose remuneration are set out in note 8 above. The emoluments of Mr. Wang Ming 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:

		2017 2017年 RMB'000 人民幣千元	2016 2016年 RMB'000 人民幣千元
Fees	袍金	3,347	1,946
Salaries, allowances and benefits in kind	薪金、工資及實物利益	1,905	3,639
Discretionary bonuses	酌情花紅	1,180	6,239
Pension scheme contributions	退休計劃供款	129	100
		6,561	11,924

The number of highest paid employees whose remuneration fell within the following bands is as follows:

		2017 2017年	2016 2016年
Nil to HK\$1,000,000	零至1,000,000港元	4	2
HK\$2,500,001 to HK\$3,000,000	2,500,001港元至3,000,000港元	-	1
HK\$3,500,001 to HK\$4,000,000	3,500,001港元至4,000,000港元	1	1
HK\$6,000,001 to HK\$6,500,000	6,000,001港元至6,500,000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 (2016: Nil).

9. 五位最高薪僱員

年內五位最高薪僱員包括本公司四位董事(2016年：三位)，有關其酬金的詳情載於上文附註8。王銘先生於附註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。五位最高薪僱員的薪酬詳情分析如下：

薪酬介乎下列範圍的最高薪僱員數目如下：

於年內，本集團概無向五位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(2016年：零)。

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10. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong.

Under the income tax law of the PRC, companies with operations in Mainland China are subject to corporate income tax ("CIT") at a rate of 25% (2016: 25%) on the taxable income.

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

根據開曼群島及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。

香港利得稅乃根據在香港產生的估計應課稅溢利按16.5%（2016年：16.5%）的稅率計提撥備。

根據中國所得稅法，於中國內地開展業務的公司須按其應納稅收入的25%（2016年：25%）繳納企業所得稅（「CIT」）。

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。

		2017 2017年 RMB'000 人民幣千元	2016 2016年 RMB'000 人民幣千元
Current – PRC	即期 – 中國		
– Charge for the year	– 年內支出	20,027	18,587
– Overprovision in prior year	– 過往年度超額撥備	(5,564)	(627)
Current – Hong Kong	即期 – 香港	17,631	8,957
Deferred (note 23)	遞延 (附註23)	6,107	4,452
Tax charge for the year	年內稅項支出	38,201	31,369

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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:

		2017 2017年 RMB'000 人民幣千元	2016 2016年 RMB'000 人民幣千元
Profit before tax	除稅前溢利	198,056	112,045
Tax calculated at domestic tax rates applicable to profit in the respective jurisdiction	按有關司法權區適用稅率計算的稅項	42,347	24,595
Adjustments in respect of current tax of previous periods	就過往期間即期稅項之調整	(5,564)	(627)
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	5,062	3,921
Expenses not deductible for tax	不可扣稅開支	2,091	6,521
Super-deduction of eligible research and development expenditure	合資格研發開支超額抵扣	(7,683)	(3,234)
Income not subject to tax	毋須課稅收入	(228)	(1,425)
Tax losses utilised from previous years	過往年度已動用稅項虧損	(737)	(20)
Tax losses not recognised	未確認稅項虧損	2,913	1,638
Tax charge for the year	年內稅項支出	38,201	31,369

The weighted average applicable tax rate was 21.4% (2016: 22.0%). 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)

按本公司大部份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21.4% (2016年：22.0%)。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。

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11. DIVIDEND

11. 股息

		2017 2017年 RMB'000 人民幣千元	2016 2016年 RMB'000 人民幣千元
Interim dividend paid	已付中期股息		
– HK1.5 cents (2016: Nil) per ordinary share	– 每股普通股1.5港仙 (2016年：無)	12,868	–
Interim special dividend paid	已付中期特別股息		
– HK4.5 cents (2016: Nil) per ordinary share	– 每股普通股4.5港仙 (2016年：無)	38,604	–
Final dividend proposed	擬派末期股息		
– HK3.8 cents (2016: HK1.8 cents) per ordinary share	– 每股普通股3.8港仙 (2016年：1.8港仙)	30,632	16,135
Special dividend proposed	擬派特別股息		
– Nil (2016: HK8.7 cents) per ordinary share	– 每股普通股無 (2016年：8.7港仙)	–	76,840
		82,104	92,975

Subsequent to the end of the Reporting Period, the Board has resolved to propose a final dividend of HK3.8 cents per ordinary share (2016 HK1.8 cents) for the year ended 31 December 2017.

報告期末後，董事會決議就截至2017年12月31日止年度擬派末期股息每股普通股3.8港仙（2016年：1.8港仙）。

The final dividend for the year ended 31 December 2017 proposed subsequent to the Reporting Period have not been recognised as a liability at the end of the Reporting Period and are subject to the approval of the Company's Shareholders at the forthcoming annual general meeting ("AGM").

報告期間後擬派截至2017年12月31日止年度之末期股息及特別股息並無於報告期末確認為負債，且須由本公司股東於應屆股東週年大會（「股東週年大會」）批准。

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

12. 母公司普通權益持有人應佔每股盈利

The calculation of basic earnings per share amount for the year ended 31 December 2017 was based on the profit for the year attributable to ordinary equity holders of the parent of RMB159,855,000 (2016: RMB80,676,000), and the weighted average number of ordinary shares of 992,465,753 (2016: 750,000,000) in issue during the year.

截至2017年12月31日止年度，每股基本盈利乃根據本年度母公司普通權益持有人應佔溢利人民幣159,855,000元（2016年：人民幣80,676,000元）以及該年度已發行普通股的加權平均數992,465,753股（2016年：750,000,000股）計算。

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

(Continued)

The weighted average number of ordinary shares used to calculate the basic earnings per share for the year ended 31 December 2017 represented 100,000 ordinary shares of the Company as at 1 January 2017, 749,900,000 ordinary shares of the Company issued under the Capitalisation Issue as if these additional shares issued under the Capitalisation Issue had been in issue throughout the year ended 31 December 2017, and weighted average number of 242,465,753 ordinary shares of the Company issued upon the Listing.

The weighted average number of ordinary shares used to calculate the basic earnings per share for the year ended 31 December 2016 represented 100 ordinary shares of the Company as at 1 January 2016, 99,900 ordinary shares of the Company issued under the Share Split and 749,900,000 ordinary shares of the Company issued under the Capitalisation Issue, as if these additional shares issued under the Share Split and Capitalisation Issue had been in issue throughout the year ended 31 December 2016.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2017 and 2016 as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2017 and 2016.

12. 母公司普通權益持有人應佔每股盈利 (續)

截至2017年12月31日止年度，計算每股基本盈利的普通股加權平均數，包括本公司於2017年1月1日的100,000股普通股、本公司根據資本化發行發行的749,900,000股普通股，且該等根據資本化發行發行的額外股份應被視為於截至2017年12月31日止全年度均發行在外，以及於上市後發行的本公司242,465,753股普通股的加權平均數。

截至2016年12月31日止年度，計算每股基本盈利的普通股加權平均數，包括本公司於2016年1月1日的100股普通股、本公司根據股份分拆發行的99,900股普通股及本公司根據資本化發行發行的749,900,000股普通股，且該等根據股份分拆及資本化發行發行的額外股份應被視為於截至2016年12月31日止全年度均發行在外。

由於本集團於截至2017年及2016年12月31日止年度並無發行在外的潛在攤薄普通股，故本集團截至2017年及2016年12月31日止年度的每股基本盈利並無調整。

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13. PROPERTY, PLANT AND EQUIPMENT

13. 物業、廠房及設備

		Buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
		建築物	租賃物業裝修	廠房及機器	傢俬及辦公設備	汽車	在建工程	總計
	Note	RMB'000	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	人民幣千元
31 December 2017	2017年12月31日							
At 31 December 2016 and 1 January 2017:	於2016年12月31日及2017年1月1日:							
Cost	成本	-	4,360	15,520	6,658	1,295	34,204	62,037
Accumulated depreciation	累計折舊	-	(3,005)	(9,666)	(4,732)	(542)	-	(17,945)
Net carrying amount	賬面淨值	-	1,355	5,854	1,926	753	34,204	44,092
At 1 January 2017, net of accumulated depreciation	於2017年1月1日，扣除累計折舊	-	1,355	5,854	1,926	753	34,204	44,092
Additions	添加	-	7,646	4,010	7,578	1,231	2,251	22,716
Disposals/write-off	出售/撤銷	-	-	(861)	(7)	(7)	-	(875)
Transfer	轉讓	35,572	-	-	-	-	(35,572)	-
Depreciation	折舊	-	(792)	(887)	(3,679)	(542)	-	(5,900)
Exchange realignment	匯兌調整	(1,177)	(124)	(149)	(62)	-	(883)	(2,395)
At 31 December 2017, net of accumulated depreciation	於2017年12月31日，扣除累計折舊	34,395	8,085	7,967	5,756	1,435	-	57,638
At 31 December 2017:	於2017年12月31日:							
Cost	成本	34,395	11,843	18,130	14,148	2,464	-	80,980
Accumulated depreciation	累計折舊	-	(3,758)	(10,163)	(8,392)	(1,029)	-	(23,342)
Net carrying amount	賬面淨值	34,395	8,085	7,967	5,756	1,435	-	57,638

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13. PROPERTY, PLANT AND EQUIPMENT (Continued)

13. 物業、廠房及設備 (續)

	Note	Leasehold improve- ments 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
	附註	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	RMB'000 人民幣千元	RMB'000 人民幣千元
31 December 2016							
At 1 January 2016:							
Cost		4022	18,492	5,366	1,279	29,736	58,895
Accumulated depreciation		(2,581)	(11,162)	(4,554)	(18)	-	(18,315)
Net carrying amount		1,441	7,330	812	1,261	29,736	40,580
At 1 January 2016, net of accumulated depreciation		1,441	7,330	812	1,261	29,736	40,580
Additions		316	791	1,311	16	2,438	4,872
Disposals/write-off		-	(723)	(7)	-	-	(730)
Depreciation	7	(424)	(1,544)	(198)	(524)	-	(2,690)
Exchange realignment		22	-	8	-	2,030	2,060
At 31 December 2016, net of accumulated depreciation		1,355	5,854	1,926	753	34,204	44,092
At 31 December 2016:							
Cost		4,360	15,520	6,658	1,295	34,204	62,037
Accumulated depreciation		(3,005)	(9,666)	(4,732)	(542)	-	(17,945)
Net carrying amount		1,355	5,854	1,926	753	34,204	44,092

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14. PREPAID LAND LEASE PAYMENTS

14. 預付土地租賃款項

		Note	2017 2017年 RMB'000 人民幣千元	2016 2016年 RMB'000 人民幣千元
Carrying amount at beginning of the year	年初的賬面值		7,808	7,465
Amortisation	攤銷	7	(163)	(160)
Exchange realignment	匯兌調整		(433)	503
Carrying amount at end of the year	年末的賬面值		7,212	7,808
Current portion included in prepayments, deposits and other receivables	已計入預付款項、按金及其它應收款項的流動部份		(158)	(167)
Non-current portion	非流動部份		7,054	7,641

As at 31 December 2017, the title certificate with respect to the land with a carrying amount of RMB7,212,000 (2016: RMB7,808,000) 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.

於2017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的柬埔寨土地（賬面值為人民幣7,212,000元，2016年為人民幣7,808,000元）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。

15. INVENTORIES

15. 存貨

		2017 2017年 RMB'000 人民幣千元	2016 2016年 RMB'000 人民幣千元
Raw materials	原材料	285,058	220,873
Work in progress	在製品	22,727	74,075
Finished goods	製成品	35,504	19,595
		343,289	314,543

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16. TRADE AND BILLS RECEIVABLES

		2017 2017年 RMB'000 人民幣千元	2016 2016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	364,339	200,466
Trade receivables from a related company	來自關連公司的貿易應收款項	19,877	–
Impairment of trade receivables	貿易應收款項減值	(92)	(159)
Trade receivables, net	貿易應收款項，淨額	384,124	200,307
Bills receivable arising from intra-group sales	來自集團內銷售的應收票據	4,878	19,673
		389,002	219,980

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

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

16. 貿易應收款項及應收票據

		2017 2017年 RMB'000 人民幣千元	2016 2016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	364,339	200,466
Trade receivables from a related company	來自關連公司的貿易應收款項	19,877	–
Impairment of trade receivables	貿易應收款項減值	(92)	(159)
Trade receivables, net	貿易應收款項，淨額	384,124	200,307
Bills receivable arising from intra-group sales	來自集團內銷售的應收票據	4,878	19,673
		389,002	219,980

本集團與其客戶的貿易賬期以信貸為主。信貸期一般為一至兩個月，主要客戶的信貸期延長至最多兩至三個月。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。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或採取其他信貸加強措施。貿易應收款項及應收票據為不計息。

於本報告期末，根據發票日期及扣除撥備的貿易應收款項及應收票據的賬齡分析如下：

		2017 2017年 RMB'000 人民幣千元	2016 2016年 RMB'000 人民幣千元
Within 3 months	3個月內	366,769	201,870
4 to 6 months	4至6個月	14,187	12,110
7 to 12 months	7至12個月	8,046	6,000
		389,002	219,980

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16. TRADE AND BILLS RECEIVABLES (Continued)

The ageing analysis of trade and bills receivables that are not individually nor collectively considered to be impaired is as follows:

		2017 2017年 RMB'000 人民幣千元	2016 2016年 RMB'000 人民幣千元
Neither past due nor impaired	既未逾期亦無減值	359,065	204,833
Less than 3 months past due	逾期3個月以下	29,759	15,147
3 to 6 months past due	逾期3至6個月	178	-
		389,002	219,980

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

16. 貿易應收款項及應收票據 (續)

概無個別或共同被視為減值的貿易應收款項及應收票據的賬齡分析如下：

		2017 2017年 RMB'000 人民幣千元	2016 2016年 RMB'000 人民幣千元
Neither past due nor impaired	既未逾期亦無減值	359,065	204,833
Less than 3 months past due	逾期3個月以下	29,759	15,147
3 to 6 months past due	逾期3至6個月	178	-
		389,002	219,980

既未逾期亦無減值的應收款項涉及大量近期並無拖欠記錄的分散的客戶。

逾期但無減值的應收款項涉及於本集團擁有良好往績記錄的多個獨立客戶。基於過往經驗，本公司的董事認為，無須就有關結餘作出減值撥備，原因是信貸質素並無重大變動及結餘仍被視為可完全收回。

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16. TRADE AND BILLS RECEIVABLES (Continued)

The movements in provision for impairment of trade receivables are as follows:

		2017 2017年 RMB'000 人民幣千元	2016 2016年 RMB'000 人民幣千元
At beginning of year	年初	159	–
Impairment losses recognised (note 7)	已確認減值虧損(附註7)	95	154
Amount written off as uncollectable	由於不可收回而撇減的金額	(159)	–
Exchange realignment	匯兌調整	(3)	5
At end of year	年末	92	159

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB92,000 (2016: RMB159,000) with the same amounts as carrying amounts as at 31 December 2017.

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in principal payments and the receivables are not expected to be recovered.

Trade receivables from a related company

		2017 2017年 RMB'000 人民幣千元	2016 2016年 RMB'000 人民幣千元
Jennifer Convertibles, Inc.	Jennifer Convertibles, Inc.	19,877	–

The above related company is controlled by the controlling shareholders of the ultimate holding company of the Company (the "Controlling Shareholders"). The trade receivables from the related company is unsecured, non-interest-bearing and have a repayment term of 120 days.

16. 貿易應收款項及應收票據(續)

貿易應收款項減值撥備的變動如下：

		2017 2017年 RMB'000 人民幣千元	2016 2016年 RMB'000 人民幣千元
At beginning of year	年初	159	–
Impairment losses recognised (note 7)	已確認減值虧損(附註7)	95	154
Amount written off as uncollectable	由於不可收回而撇減的金額	(159)	–
Exchange realignment	匯兌調整	(3)	5
At end of year	年末	92	159

上述貿易應收款項減值撥備包括於2017年12月31日金額等於賬面金額的個別減值的人民幣92,000元(2016年：人民幣159,000元)貿易應收款項撥備。

個別減值的貿易應收款項涉及處於財務困境或拖欠本金且其應收款項預計不可收回的客戶。

來自關連公司的貿易應收款項

		2017 2017年 RMB'000 人民幣千元	2016 2016年 RMB'000 人民幣千元
Jennifer Convertibles, Inc.	Jennifer Convertibles, Inc.	19,877	–

上述關連公司由本公司的最終控股公司的控股股東(「控股股東」)所控制。來自關連公司的貿易應收款項為無抵押、免息及附有120天的還款期。

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17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

17. 預付款項、按金及其他應收款項

		2017 2017年 RMB'000 人民幣千元	2016 2016年 RMB'000 人民幣千元
Advances to suppliers	預付供應商款項	9,218	147,033
Other prepayments	其他預付款項	22,190	3,579
Deposits and other receivables	按金及其他應收款項	57,278	67,515
Current portion of prepaid land lease payments	預付土地租賃款項的流動部份	158	167
		88,844	218,294

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.

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。

18. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

18. 現金及現金等價物及已抵押存款

		2017 2017年 RMB'000 人民幣千元	2016 2016年 RMB'000 人民幣千元
Cash and bank balances	現金及銀行結餘	208,102	294,469
Less: Pledged deposits for bills payable (note 19)	減：應付票據的已抵押存款 (附註19)	(181,861)	(197,942)
Less: Pledged deposits for bank loans (note 21)	減：銀行貸款的已抵押存款 (附註21)	-	(22,880)
Total pledged deposits	抵押存款總額	(181,861)	(220,822)
Cash and cash equivalents	現金及現金等價物	26,241	73,647
Cash and bank balances denominated in:	現金及銀行結餘按以下貨幣計值：		
RMB	人民幣	186,422	203,007
Hong Kong dollars ("HK\$")	港元(「港元」)	1,722	241
US\$	美元	19,958	91,221
		208,102	294,469

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18. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS (Continued)

As at the end of the reporting period, the cash and bank balances denominated in RMB amounted to RMB186,422,000 (2016: RMB203,007,000). 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.

19. TRADE AND BILLS PAYABLES

Trade payables to third parties	應付第三方的貿易款項
Bills payables	應付票據
– arising from intra-group purchases	– 來自集團內購買
– arising from third party purchases	– 來自第三方的購買

18. 現金及現金等價物及已抵押存款 (續)

於報告期末，以人民幣計值的現金及銀行結餘為人民幣186,422,000元（2016年：人民幣203,007,000元）。人民幣不可自由兌換為其他貨幣，然而，根據中國內地外匯管制法規及結匯、售匯及付匯管理規定，本集團獲准透過獲授權開展外匯業務的銀行將人民幣兌換為其他貨幣。

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

19. 貿易應付款項及應付票據

		2017 2017年 RMB'000 人民幣千元	2016 2016年 RMB'000 人民幣千元
Trade payables to third parties	應付第三方的貿易款項	178,126	297,466
Bills payables	應付票據		
– arising from intra-group purchases	– 來自集團內購買	119,674	121,133
– arising from third party purchases	– 來自第三方的購買	140,406	124,116
		438,206	542,715

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19. TRADE AND BILLS PAYABLES (Continued)

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:

		2017 2017年 RMB'000 人民幣千元	2016 2016年 RMB'000 人民幣千元
Within 1 month	1個月內	188,508	177,558
1 to 3 months	1至3個月	101,190	163,753
3 to 6 months	3至6個月	141,327	180,468
Over 6 months	超過6個月	7,181	20,936
		438,206	542,715

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.

Certain bills payable were secured by pledged deposits with aggregate carrying amounts as listed below:

	2017 2017年 RMB'000 人民幣千元	2016 2016年 RMB'000 人民幣千元
Pledged deposits of the Group (note 18) 本集團的已抵押存款 (附註18)	181,861	197,942

As at 31 December 2017, certain bills payables were secured by corporate guarantees provided by independent third parties.

19. 貿易應付款項及應付票據 (續)

於本報告期末，根據發票日期的貿易應付款項及應付票據的賬齡分析如下：

		2017 2017年 RMB'000 人民幣千元	2016 2016年 RMB'000 人民幣千元
Within 1 month	1個月內	188,508	177,558
1 to 3 months	1至3個月	101,190	163,753
3 to 6 months	3至6個月	141,327	180,468
Over 6 months	超過6個月	7,181	20,936
		438,206	542,715

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。

若干應付票據由已抵押存款作抵押，已抵押存款的總賬面值載列如下：

	2017 2017年 RMB'000 人民幣千元	2016 2016年 RMB'000 人民幣千元
Pledged deposits of the Group (note 18) 本集團的已抵押存款 (附註18)	181,861	197,942

於2017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。

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19. TRADE AND BILLS PAYABLES (Continued)

As at 31 December 2016, certain bills payables were secured by personal guarantees, properties provided by the Controlling Shareholders, corporate guarantees provided by Morris Group Co., Ltd. ("Morris PRC") and Zhejiang Morris Property Co., Ltd.* ("Morris Real Estate") (浙江慕容世家地產有限公司), which are related companies controlled by the Controlling Shareholders, and corporate guarantees provided by independent third parties.

* The English name of this entity represents management's best effort at translating its Chinese name as this entity did not register any official English name.

20. OTHER PAYABLES AND ACCRUALS

Other payables	其他應付款項
Accruals	應計費用
Receipt in advance	預收款項

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

19. 貿易應付款項及應付票據 (續)

於2016年12月31日，若干應付票據由控股股東提供的個人擔保及物業、慕容集團有限公司（「慕容中國」）及浙江慕容世家地產有限公司（「慕容地產」）（均為由控股股東控制的關連公司）提供的公司擔保及獨立第三方提供的公司擔保作抵押。

20. 其他應付款項及應計費用

		2017 2017年 RMB'000 人民幣千元	2016 2016年 RMB'000 人民幣千元
Other payables	其他應付款項	40,685	50,403
Accruals	應計費用	9,872	22,164
Receipt in advance	預收款項	940	296
		51,497	72,863

其他應付款項及應計費用為免息及通常須按要求償還。

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21. INTEREST-BEARING BANK BORROWINGS

21. 計息銀行借款

		2017 2017年			2016 2016年		
		Effective interest rate 實際利率	Maturity 到期	RMB'000 人民幣千元	Effective interest rate 實際利率	Maturity 到期	RMB'000 人民幣千元
Current – secured	即期 – 已抵押						
Bank loans	銀行貸款	2.1%-6.5%	On demand 按要求	80,695	1.4%-7.4%	On demand 按要求	187,072
Bank loans	銀行貸款	4.6%-4.7%	2018 2018年	35,000	4.4%-4.6%	2017 2017年	35,000
Factoring loans with recourse	附追索權的 保理貸款	3.3%-3.7%	2018 2018年	33,964	3.7%	2017 2017年	55,111
				149,659			277,183

		2017 2017年 RMB'000 人民幣千元		2016 2016年 RMB'000 人民幣千元	
Analysed into:	分析為以下各項：				
Bank borrowings repayable within one year or on demand	於一年內或按要求償還的 銀行借款			149,659	277,183

Notes:

- (a) Certain of the Group's secured bank loans are secured by:
- pledged deposits of RMB22,880,000 as at 31 December 2016;
 - pledges of certain parcels of land and buildings which were provided by Morris PRC as at 31 December 2017 and 2016;
 - pledges of certain properties as at 31 December 2016 which were provided by the Controlling Shareholders;
 - personal guarantees provided by the Controlling Shareholders as at 31 December 2017 and 2016;
 - corporate guarantees provided by Morris PRC as at 31 December 2016;

附註：

- (a) 本集團的若干已抵押銀行貸款以下列各項作抵押：
- 於2016年12月31日以人民幣22,880,000元的存款作抵押；
 - 於2017年及2016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；
 - 於2016年12月31日以控股股東提供的若干物業作抵押；
 - 控股股東於2017年及2016年12月31日提供的個人擔保；
 - 慕容中國於2016年12月31日提供的公司擔保；

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21. INTEREST-BEARING BANK BORROWINGS

(Continued)

Notes: (Continued)

(a) (Continued)

- (vi) corporate guarantees provided by Morris Real Estate, a company controlled by the Controlling Shareholders as at 31 December 2016;
- (vii) corporate guarantees provided by independent third parties as at 31 December 2017 and 2016; and
- (viii) pledges of certain properties which were provided by Morris Real Estate, a company controlled by the Controlling Shareholders as at 31 December 2017 and 2016.

(b) The Group's bank borrowings were denominated in the following currencies:

21. 計息銀行借款 (續)

附註：(續)

(a) (續)

- (vi) 控股股東控制的公司慕容地產於2016年12月31日提供的公司擔保；
- (vii) 獨立第三方於2017年及2016年12月31日提供的公司擔保；及
- (viii) 以控股股東控制的公司慕容地產於2017年及2016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：

		2017 2017年 RMB'000 人民幣千元	2016 2016年 RMB'000 人民幣千元
RMB	人民幣	75,000	180,450
US\$	美元	62,061	96,733
HK\$	港元	12,598	-
		149,659	277,183

22. WARRANTY PROVISION

22. 保修撥備

		2017 2017年 RMB'000 人民幣千元	2016 2016年 RMB'000 人民幣千元
At beginning of year	年初	2,790	3,915
Additional provision (note 7)	額外撥備 (附註7)	3,405	4,104
Reversal of unutilised amounts in prior year	過往年度之未動用款項撥回	-	(2,092)
Amount utilised during the year	年內已動用款項	(2,632)	(3,684)
Exchange realignment	匯兌調整	(271)	547
At end of year	年末	3,292	2,790

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22. WARRANTY PROVISION (Continued)

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.

23. DEFERRED TAX

Deferred tax assets

		Unrealised profit arising from intra-group transactions 集團內部交易產生的未變現溢利	
		2017 2017年 RMB'000 人民幣千元	2016 2016年 RMB'000 人民幣千元
At beginning of year	年初	2,986	3,665
Charged to profit or loss during the year	年內自損益扣除	(1,045)	(679)
At end of year	年末	1,941	2,986

The Group has tax losses arising in Mainland China of RMB3,347,000 (2016: RMB2,045,000) 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.

22. 保修撥備 (續)

本集團向若干客戶提供一年的產品保修服務，根據保修條款，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情況進行估計。本集團將持續檢討估算基準，並視情況作出修訂。

23. 遞延稅項

遞延稅項資產

本集團源自中國內地的稅項虧損為人民幣3,347,000元（2016年：人民幣2,045,000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稅項虧損，故概無就該等虧損確認遞延稅項資產。

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23. DEFERRED TAX (Continued)

Deferred tax liabilities

		Withholding taxes 預扣稅	
		2017 2017年 RMB'000 人民幣千元	2016 2016年 RMB'000 人民幣千元
At beginning of year	年初	3,880	107
Charged to profit or loss during the year	年內自損益扣除	5,062	3,773
At end of year	年末	8,942	3,880

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 requirement 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, the applicable rate is 10%. 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.

23. 遞延稅項 (續)

遞延稅項負債

		Withholding taxes 預扣稅	
		2017 2017年 RMB'000 人民幣千元	2016 2016年 RMB'000 人民幣千元
At beginning of year	年初	3,880	107
Charged to profit or loss during the year	年內自損益扣除	5,062	3,773
At end of year	年末	8,942	3,880

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，適用稅率為10%。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。

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24. SHARE CAPITAL

24. 股本

		2017 2017年		2016 2016年	
		US\$'000	RMB'000 equivalent	US\$'000	RMB'000 equivalent
		千美元	人民幣千元 等值	千美元	人民幣千元 等值
Authorised:	法定：				
10,000,000,000 ordinary shares of US\$0.001 each (2016: 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 (2016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 (2016: 100,000 ordinary shares of US\$0.001 each)	1,000,000,000股每股 面值0.001美元的普通股 (2016年：100,000股每股 面值0.001美元的普通股)	1,000	6,914	-	1

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24. SHARE CAPITAL (Continued)

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

24. 股本 (續)

本公司於本年度內的已發行股本變動如下：

		Notes 附註	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
At 1 January 2016	於2016年1月1日		100	1
Sub-division of shares (the "Share Split")	股份分拆 (「股份分拆」)	(i)	99,900	–
At 31 December 2016 and 1 January 2017	於2016年12月31日及 2017年1月1日		100,000	1
Global Offering	全球發售	(ii)	250,000,000	1,728
Capitalisation Issue	資本化發行	(iii)	749,900,000	5,185
At 31 December 2017	於2017年12月31日		1,000,000,000	6,194

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24. SHARE CAPITAL (Continued)

Notes:

- (i) Pursuant to the written resolutions of the then sole shareholder passed on 10 December 2016, each share of the Company of US\$1 in the issued and unissued share capital of the Company was sub-divided into 1,000 shares of US\$0.001 each, such that the authorised share capital of the Company became US\$50,000 divided into 50,000,000 shares of US\$0.001 each and the issued share capital of the Company became US\$100 divided into 100,000 shares of US\$0.001 each.

Pursuant to the written resolutions of the then sole shareholder passed on 10 December 2016, the authorised share capital of the Company was increased from US\$50,000 to US\$10,000,000 by the creation of a further 9,950,000,000 shares of US\$0.001 each.

- (ii) In connection with the Listing of the shares of the Company on the Stock Exchange, 250,000,000 new ordinary shares of US\$0.001 each of the Company were issued at a price of HK\$1.05 per ordinary share for a total cash consideration, before expenses, of HK\$262,500,000 (equivalent to approximately RMB234,042,000) (the "Global Offering"). Dealings in the shares of the Company on the Stock Exchange commenced on 12 January 2017.
- (iii) Upon the creation of the Company's share premium account as a result of the Global Offering, an amount of US\$749,900 (equivalent to approximately RMB5,185,000) standing to the credit of the share premium account of the Company has been capitalised on 12 January 2017 by applying such sum towards paying up in full at par a total of 749,900,000 ordinary shares for allotment and issue to the then existing shareholders (the "Capitalisation Issue"). Immediately following the completion of the Global Offering and the Capitalisation Issue, the total outstanding ordinary shares of the Company was 1,000,000,000 ordinary shares including the 250,000,000 ordinary shares issued upon the Global Offering.

24. 股本 (續)

附註：

- (i) 根據本公司單一股東於2016年12月10日通過的書面決議案，本公司已發行及未發行股本中每股1美元的股份獲分拆為1,000股每股面值0.001美元的股份，令致本公司的法定股本變為50,000美元，分拆為50,000,000股每股面值0.001美元的股份，而本公司的已發行股本變為100美元，分拆為100,000股每股面值0.001美元的股份。

根據單一股東於2016年12月10日通過的書面決議案，本公司的法定股本透過進一步增設9,950,000,000股每股面值0.001美元的股份而自50,000美元增至10,000,000美元。

- (ii) 就本公司股份於聯交所上市而言，本公司以每股普通股1.05港元發行250,000,000股（每股面值0.001美元）新普通股，現金代價總額（扣除開支前）為262,500,000港元（相當於約人民幣234,042,000元）（「全球發售」）。本公司股份自2017年1月12日於聯交所開始買賣。
- (iii) 在本公司因全球發售而設立股份溢價賬後，錄得金額為749,900美元（相當於約人民幣5,185,000元）的股份溢價賬進賬，相關金額已於2017年1月12日透過用於按面值悉數繳足配發及發行予本公司當時現有股東的749,900,000股股份而資本化（「資本化發行」）。緊隨全球發售及資本化發售完成之後，本公司已發行普通股共計1,000,000,000股，其中包括全球發售時發行的250,000,000股普通股。

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25. 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 they fall due in the ordinary course of business.

(ii) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all relevant exchange differences arising from the translation of the financial statements of the Company and subsidiaries with functional currencies other than RMB.

(iii) Reserve funds

The transfers from retained profits to the reserve funds were made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries established in the PRC.

25. 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) 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。

(iii) 儲備資金

本公司根據有關中國規則及法規以及本公司於中國成立的附屬公司的組織章程細則將保留溢利轉撥為儲備資金。

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26. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Change in liabilities arising from financing activities:

26. 綜合現金流量表附註

財務活動所引起的負債變化

		Interest-bearing bank borrowings	
		計息銀行借款	
		2017	2016
		2017年	2016年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
At beginning of the year	年初	277,183	198,116
New bank borrowings made during the year	年內作出的新銀行借款	579,609	645,836
Repayment during the year	年內還款	(704,116)	(572,041)
Exchange realignment	匯兌調整	(3,017)	5,272
At end of the year	年末	149,659	277,183

27. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at the end of the reporting period.

27. 或然負債

本集團於本報告期末並無任何重大或然負債。

28. OPERATING LEASE ARRANGEMENTS – AS LESSEE

The Group leases an office property, showrooms and factory premises under operating lease arrangements. The leases for these properties are negotiated for terms ranging from 2 to 10 years. (2016: 1.5 to 10 years)

28. 經營租賃安排 – 作為承租人

本集團根據經營租賃安排租賃辦公物業、展廳及廠房。該等物業的租賃按兩年至十年租期磋商。(2016年：一年半至十年)

Notes to the Consolidated Financial Statements

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28. OPERATING LEASE ARRANGEMENTS – AS LESSEE (Continued)

At 31 December 2017, the Group had total future minimum lease payments during under non-cancellable operating leases falling due as follows:

		2017 2017年 RMB'000 人民幣千元	2016 2016年 RMB'000 人民幣千元
Within one year	一年內	7,457	5,330
In the second to fifth years, inclusive	第二年至第五年，包括首尾兩年	1,780	3,094
		9,237	8,424

29. COMMITMENTS

In addition to the operating lease commitments detailed in note 28 above, the Group had the following capital commitments at the end of the reporting period:

		2017 2017年 RMB'000 人民幣千元	2016 2016年 RMB'000 人民幣千元
Contracted, but not provided for:	已訂約但未撥備：		
Buildings	建築物	712	570

28. 經營租賃安排 – 作為承租人 (續)

截至2017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：

29. 承擔

除上述附註28詳述的經營租賃承擔外，本集團於本報告期末擁有以下資本承擔：

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30. 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:

		2017 2017年 RMB'000 人民幣千元	2016 2016年 RMB'000 人民幣千元
Jennifer Convertibles, Inc.	Jennifer Convertibles, Inc.		
Sales of finished goods <i>(note)</i>	銷售成品 <i>(附註)</i>	27,009	30,495
Morris PRC	慕容中國		
Purchases of inventories	購買存貨	—	55,379
Purchases of electricity	購買電力	794	1,717
Rental expenses <i>(note)</i>	租金開支 <i>(附註)</i>	11,733	6,521
Agency fee	代理費	—	5,531

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.

30. 關連方交易

- (a) 除財務報表其他部份詳述的交易外，本集團於年內與關連方進行以下重大交易：

上述關連方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。

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30. RELATED PARTY TRANSACTIONS (Continued)

(b) Compensation of key management personnel of the Group

		2017 2017年 RMB'000 人民幣千元	2016 2016年 RMB'000 人民幣千元
Fees	袍金	2,861	2,120
Salaries, allowances and benefits in kind	薪金、津貼及實物利益	3,143	3,907
Discretionary bonuses	酌情花紅	1,256	6,387
Pension scheme contributions	退休計劃供款	145	123
Total compensation paid to key management personnel	支付予主要管理人員的薪酬總額	7,405	12,537

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。

31. 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:

2017 Financial assets

		2017 2017年 RMB'000 人民幣千元	2016 2016年 RMB'000 人民幣千元
Trade and bills receivables	貿易應收款項及應收票據	389,002	219,980
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	57,278	67,548
Pledged deposits	已抵押存款	181,861	220,822
Cash and cash equivalents	現金及現金等價物	26,241	73,647
		654,382	581,997

30. 關連方交易 (續)

(b) 本集團主要管理人員的薪酬

31. 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：

2017年 金融資產

Loans and receivables 貸款及應收款項

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綜合財務報表附註

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31. FINANCIAL INSTRUMENTS BY CATEGORY

(Continued)

Financial liabilities

		Financial liabilities at amortised cost 按攤銷成本計量的金融負債	
		2017 2017年 RMB'000 人民幣千元	2016 2016年 RMB'000 人民幣千元
Trade and bills payables	貿易應付款項及應付票據	438,206	542,715
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	30,715	39,519
Interest-bearing bank borrowings	計息銀行借款	149,659	277,183
		618,580	859,417

31. 按類別劃分的金融工具 (續)

金融負債

32. TRANSFERS OF FINANCIAL ASSETS

Transferred financial assets that are not derecognised in their entirety

- (a) At 31 December 2017, 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 2017, the aggregate carrying amounts of the Endorsed Bills were RMB4,842,000 (2016: RMB19,673,000).

32. 轉讓金融資產

未完全終止確認的已轉讓金融資產

- (a) 於2017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份風險及回報，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2017年12月31日，背書票據的賬面值總額為人民幣4,842,000元。（2016年：人民幣19,673,000元）。

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綜合財務報表附註

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32. TRANSFERS OF FINANCIAL ASSETS (Continued)

Transferred financial assets that are not derecognised in their entirety (Continued)

- (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 2017 were RMB33,964,000 (2016: RMB55,111,000).

At 31 December 2017, 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 RMB117,327,000 (2016: RMB119,105,000). The Derecognised Bills had a maturity of one to six months (2016: one to six months) at 31 December 2017. 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.

32. 轉讓金融資產 (續)

已完全終止確認的已轉讓金融資產 (續)

- (b) 作為其正常業務的一部份，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2017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33,964,000元。（2016年：人民幣55,111,000元）。

於2017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117,327,000元（2016年：人民幣119,105,000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2017年12月31日起計一至六個月（2016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。

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32. TRANSFERS OF FINANCIAL ASSETS (Continued)

Transferred financial assets that are not derecognised in their entirety (Continued)

During the year ended 31 December 2017, 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.

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

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

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.

32. 轉讓金融資產 (續)

已完全終止確認的已轉讓金融資產 (續)

截至2017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。於年內已作出折現及背書。

33. 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、計息銀行借款的即期部份及應收／應付關連方款項的公允值與其賬面值相若，主要由於該等工具的到期日較短。

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

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。

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

The Group did not have any financial assets and financial liabilities measured at fair value and any financial liabilities measured at fair value as at 31 December 2017 and 2016.

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 (2016: Nil).

34. 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 summarised 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 2017, 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 2017 would have been RMB55,000 (2016: RMB43,000) and RMB25,000 (2016: Nil) 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 2017 would have been RMB55,000 (2016: RMB43,000) and RMB25,000 (2016: Nil) lower arising as a result of an increase in the fair value of fixed and floating rate bank loans respectively.

33. 金融工具的公允值及公允值層級 (續)

於2017年12月31日，本集團並無任何按公允值計量的金融資產及金融負債，及於2016年12月31日並無任何按公允值計量的金融負債。

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(2016年：零)。

34. 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

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風險。於2017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2017年12月31日止年度的溢利為人民幣55,000元(2016年：人民幣43,000元)及人民幣25,000元(2016年：零)，因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2017年12月31日止年度的溢利為人民幣55,000元(2016年：人民幣43,000元)及人民幣25,000元(2016年：零)，因固定及浮動利率銀行貸款的公允值增加而分別有所下降。

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34. 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.

34. 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。

本集團面臨交易貨幣風險。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份並無受到重大影響。

		Increase/ (decrease) in exchange rates 匯率上升/ (下跌) %	Increase/ (decrease) in profit before tax 除稅前溢利 增加/(減少) RMB'000 人民幣千元
2017	2017年		
If RMB weakens against US\$	倘人民幣兌美元貶值	5	10,163
If RMB strengthens against US\$	倘人民幣兌美元升值	(5)	(10,163)
2016	2016年		
If RMB weakens against US\$	倘人民幣兌美元貶值	5	6,099
If RMB strengthens against US\$	倘人民幣兌美元升值	(5)	(6,099)

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34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which mainly comprise cash and cash equivalents, pledged deposits, amounts due from related parties, and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

The Group had certain concentrations of credit risks as the following percentage of trade and bills receivables were due from the Group's largest external customer and the Group's five largest external customers out of the Group's total trade and bills receivables excluding the bills receivable arising from intra-group sales transactions:

		2017 2017年 %	2016 2016年 %
Due from the Group's largest external customer	應收本集團最大外部客戶款項	58	28
Due from the Group's five largest external customers	應收本集團五大外部客戶款項	82	79

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables are disclosed in note 16 to the financial statements.

34. 財務風險管理目標及政策 (續)

信貸風險

本集團僅與獲公認兼信譽可靠的第三方進行交易。按照本集團的政策，所有擬按信貸期進行交易的客戶，必須先通過信貸核實程序。此外，本集團持續監察應收結餘的情況，而本集團的壞賬風險並不重大。

本集團其他金融資產（主要包括現金及現金等價物、已抵押存款、應收關連方款項及其他應收款項）的信貸風險因對方違約所產生，上限等於該等工具的賬面值。

由於以下比例的貿易應收款項及應收票據乃本集團貿易應收款項及應收票據總額中應收本集團最大外部客戶及本集團五大外部客戶款項（不包括集團間銷售交易產生的應收票據），故本集團擁有若干集中信貸風險：

有關本集團因貿易應收款項及應收票據產生的信貸風險的進一步量化數據於財務報表附註16披露。

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34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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:

34. 財務風險管理目標及政策 (續)

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（包括根據於報告期末的合約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：

		Within 1 year or on demand 於1年內或按要求	
		2017 2017年 RMB'000 人民幣千元	2016 2016年 RMB'000 人民幣千元
Trade and bills payables	貿易應付款項及應付票據	438,206	542,715
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	30,715	39,519
Interest-bearing bank borrowings	計息銀行借款	149,659	278,575
		618,580	860,809

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34. 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 2017 and 2016.

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 parent. The gearing ratios as at the end of the reporting periods were as follows:

		2017 2017年 RMB'000 人民幣千元	2016 2016年 RMB'000 人民幣千元
Interest-bearing bank borrowings (note 21)	計息銀行借款 (附註21)	149,659	277,183
Equity attributable to owners of the parent	母公司擁有人應佔權益	382,754	158,764
Gearing ratio	資產負債比率	39.1%	174.6%

34. 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2016年及2017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。權益總額指母公司擁有人應佔權益。於各報告期末的資產負債比率如下：

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35. EVENTS AFTER THE REPORTING PERIOD

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). On the assumption that the Convertible Loan would be converted into conversion shares in full at the conversion price of HK\$2.22 per conversion share, the aggregate principal amount of the Convertible Loan of HK\$200,000,000 is convertible into approximately 90,090,090 conversion shares, which represent approximately 9.01% of the issued share capital of the Company as at 31 December 2017 and approximately 8.26% of the issued share capital of the Company as enlarged by the allotment and issue of the conversion shares.

35. 報告期間後事項

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io公司股份（可根據可換股貸款協議所載作出調整）。假設可換股貸款按每股換股股份2.22港元的換股價被全額轉換成換股股份，則本金總額200,000,000港元的換股貸款可被轉換成約90,090,090股換股股份，約佔本公司於2017年12月31日已發行股本的9.01%，約佔本公司已發行股本的8.26%（由於經換股股份的配發及發行的擴充）。

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36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

36. 本公司財務狀況表

於報告期末，與本公司財務狀況表相關的資料如下：

		2017 2017年 RMB'000 人民幣千元	2016 2016年 RMB'000 人民幣千元
NON-CURRENT ASSET	非流動資產		
Investment in a subsidiary	於一家附屬公司的投資	1	1
CURRENT ASSETS	流動資產		
Prepayments and other receivables	預付款項及其他應收款項	3,847	48
Due from subsidiaries	應收附屬公司款項	322,702	105,000
Cash and cash equivalents	現金及現金等價物	146	-
Total current assets	流動資產總額	326,695	105,048
CURRENT LIABILITIES	流動負債		
Other payables and accruals	其他應付款項及應計費用	205	3,994
Due to subsidiaries	應付附屬公司款項	-	3,318
Total current liabilities	流動負債總額	205	7,312
NET CURRENT ASSETS	流動資產淨值	326,490	97,736
TOTAL ASSETS LESS CURRENT LIABILITIES	資產總額減流動負債	326,491	97,737
Net assets	資產淨值	326,491	97,737
EQUITY	權益		
Share capital	股本	6,914	1
Reserves (note)	儲備 (附註)	319,577	97,736
Total equity	權益總額	326,491	97,737

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36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's reserves is as follows:

		Share premium	Exchange fluctuation reserve	Retained earnings/ (accumulated losses)	Total
		股份溢價	匯兌波動儲備	留存盈利/ (累計虧損)	總計
		RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元
At 1 January 2016	於2016年1月1日	-	(4)	(84)	(88)
Profit for the year	年內溢利	-	-	98,134	98,134
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	-	(310)	-	(310)
Total comprehensive income for the year	年內全面收益總額	-	(310)	98,134	97,824
At 31 December 2016 and 1 January 2017	於2016年12月31日及 2017年1月1日	-	(314)	98,050	97,736
Profit for the year	年內溢利	-	-	166,687	166,687
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	-	(13,424)	-	(13,424)
Total comprehensive income for the year	年內全面收益總額	-	(13,424)	166,687	153,263
Issue of shares pursuant to the listing of the Company	根據本公司上市發行股份	232,314	-	-	232,314
Capitalised issue of shares	股份資本化發行	(5,185)	-	-	(5,185)
Expenses incurred in connection with issue of new shares	與發行新股份有關產生的 開支	(15,229)	-	-	(15,229)
Dividends paid	已付股息	-	-	(143,322)	(143,322)
At 31 December 2017	於2017年12月31日	211,900	(13,738)	121,415	319,577

36. 本公司財務狀況表 (續)

附註：

本公司儲備概要如下：

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 14 March 2018.

37. 財務報表核准

財務報表已於2018年3月14日獲董事會核准並授權刊發。

Five Year Financial Summary

五年財務概要

The consolidated results of Morris Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the years ended 31 December 2016 and 2017 and the consolidated assets and liabilities of the Group as at 31 December 2016 and 2017 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 2013, 2014 and 2015 and of the consolidated assets and liabilities of the Group as at 31 December 2013, 2014 and 2015 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2016年及2017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2016年及2017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2013年、2014年及2015年12月31日止各年度的綜合業績概要以及本集團於2013年、2014年及2015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				
		2017 2017年 RMB'000 人民幣千元	2016 2016年 RMB'000 人民幣千元	2015 2015年 RMB'000 人民幣千元	2014 2014年 RMB'000 人民幣千元	2013 2013年 RMB'000 人民幣千元
RESULTS	業績					
Revenue	收入	1,199,714	941,617	926,471	824,675	984,026
Cost of sales	銷售成本	(826,008)	(671,050)	(706,557)	(652,051)	(787,450)
Gross profit	毛利	373,706	270,567	219,914	172,624	196,576
Profit before tax	除稅前溢利	198,056	112,045	103,166	37,804	44,074
Income tax expense	所得稅開支	(38,201)	(31,369)	(20,098)	(13,440)	(10,531)
Profit for the year	年內溢利	159,855	80,676	83,068	24,364	33,543

		As at 31 December 於12月31日				
		2017 2017年 RMB'000 人民幣千元	2016 2016年 RMB'000 人民幣千元	2015 2015年 RMB'000 人民幣千元	2014 2014年 RMB'000 人民幣千元	2013 2013年 RMB'000 人民幣千元
ASSETS AND LIABILITIES	資產及負債					
Total assets	總資產	1,095,870	1,102,005	937,359	1,728,622	2,023,865
Total liabilities	總負債	(713,116)	(943,241)	(862,302)	(1,423,246)	(1,742,980)
		382,754	158,764	75,057	305,376	280,885



MORRIS
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