



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

2020

INTERIM REPORT
中期報告

精致慕容 EXQUISITE MORRISOFA

軟體沙發行業的
全球領導者

Global Leader
in the upholstered sofa industry



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CORPORATE INFORMATION

公司資料

BOARD OF DIRECTORS

Executive Directors

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

Independent non-executive Directors

Mr. LIU Haifeng
Mr. CHU Guodi
Mr. QIAN Jun (*appointed on 31 July 2020*)
Mr. PANG Wing Hong (*resigned on 31 July 2020*)

AUDIT COMMITTEE

Mr. QIAN Jun
(*Chairman, appointed on 31 July 2020*)
Mr. LIU Haifeng
Mr. CHU Guodi
Mr. PANG Wing Hong
(*Chairman, resigned on 31 July 2020*)

REMUNERATION COMMITTEE

Mr. CHU Guodi (*Chairman*)
Mr. LIU Haifeng
Mr. QIAN Jun (*appointed on 31 July 2020*)
Mr. PANG Wing Hong (*resigned on 31 July 2020*)

董事會成員

執行董事

鄒格兵先生(*主席兼行政總裁*)
沈志東先生
曾金先生
吳月明先生

獨立非執行董事

劉海峰先生
褚國弟先生
錢俊先生(*於2020年7月31日獲委任*)
彭永康先生(*於2020年7月31日辭任*)

審核委員會

錢俊先生
(*主席，於2020年7月31日獲委任*)
劉海峰先生
褚國弟先生
彭永康先生
(*主席，於2020年7月31日辭任*)

薪酬委員會

褚國弟先生(*主席*)
劉海峰先生
錢俊先生(*於2020年7月31日獲委任*)
彭永康先生(*於2020年7月31日辭任*)

CORPORATE INFORMATION (CONTINUED)
公司資料 (續)

NOMINATION COMMITTEE

Mr. LIU Haifeng (*Chairman*)
Mr. CHU Guodi
Mr. QIAN Jun (*appointed on 31 July 2020*)
Mr. PANG Wing Hong (*resigned on 31 July 2020*)

提名委員會

劉海峰先生(主席)
褚國弟先生
錢俊先生(於2020年7月31日獲委任)
彭永康先生(於2020年7月31日辭任)

COMPANY SECRETARY

Mr. LAM Hoi Lun

公司秘書

林海麟先生

AUTHORISED REPRESENTATIVE

Mr. WU Yueming
Mr. LAM Hoi Lun

授權代表

吳月明先生
林海麟先生

AUDITOR

HLB Hodgson Impey Cheng Limited

核數師

國衛會計師事務所有限公司

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

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

HONG KONG BRANCH SHARE REGISTRAR

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

香港股份過戶登記分處

卓佳證券登記有限公司
香港皇后大道東183號
合和中心54樓

CORPORATE INFORMATION (CONTINUED)
公司資料 (續)

REGISTERED OFFICE

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

HEADQUARTERS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL BANKERS

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

STOCK CODE

1575

WEBSITE

www.morrisholdings.com.hk

註冊辦事處

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

中國總部

中國浙江省
海寧經濟開發區
由拳路500號

香港主要營業地點

香港銅鑼灣威非路道18號
萬國寶通中心20樓2001室

主要往來銀行

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

股份代號

1575

公司網站

www.morrisholdings.com.hk

FINANCIAL HIGHLIGHTS 財務摘要

FINANCIAL HIGHLIGHTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

- Revenue decreased by approximately 57.5% to approximately RMB212.5 million for the six months ended 30 June 2020 (2019: approximately RMB499.6 million)
- Gross profit decreased by approximately 76.7% to approximately RMB16.6 million for the six months ended 30 June 2020 (2019: profit of approximately RMB71.1 million)
- The Group recorded a loss of approximately RMB87.4 million for the six months ended 30 June 2020 (2019: approximately RMB79.1 million)
- Basic loss per share was approximately RMB8.96 cents for the six months ended 30 June 2020 (2019: approximately RMB7.91 cents)
- The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2020 (2019: Nil)

截至2020年6月30日止6個月之 財務摘要

- 截至2020年6月30日止6個月收入減少約57.5%至約人民幣212.5百萬元(2019年：約人民幣499.6百萬元)
- 截至2020年6月30日止6個月毛利減少約76.7%至約人民幣16.6百萬元(2019年：溢利約人民幣71.1百萬元)
- 截至2020年6月30日止6個月本集團錄得虧損約人民幣87.4百萬元(2019年：約人民幣79.1百萬元)
- 截至2020年6月30日止6個月每股基本虧損為約人民幣8.96分(2019年：約人民幣7.91分)
- 董事會不建議就截至2020年6月30日止6個月支付任何中期股息(2019年：無)

CHAIRMAN'S STATEMENT

主席報告書

Dear shareholders,

On behalf of the Board, I am pleased to present the interim report of Morris Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**”) for the six months ended 30 June 2020 (the “**Reporting Period**”) to the shareholders of the Company (the “**Shareholders**”).

2020 was a very challenging year for the Group against the backdrop of the trade-war between China and the US and the negative impact brought to the global economy by Coronavirus Disease 2019 (“**COVID-19**”). To mitigate the US market risks, with strenuous efforts and strong execution of the management, our Group has successfully expanded into other overseas market, and engaged in the development of the digital retail business in the PRC. The Group will put more efforts in developing other matured and stable furniture markets to better avoid market risks and benefit from long-term global consumption growth.

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

Product is key to the long-term success of our business, and “Exquisite” product is the main theme for 2019 and years to come. We have devoted more time and effort to improve our product quality and style and to enhance the product value for our consumers. We also continuously emphasized the key value proposition of our Group: “Treating our products as artworks, works professionally using the Company as the platform”, which we hope would inspire our colleagues to strive for excellence and maintain positive working attitude to build a strong enterprise in adverse environment.

各位股東，

本人謹代表董事會向本公司各位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2020年6月30日止的6個月(「**報告期間**」)的中期報告。

2020年對本集團而言乃充滿挑戰的一年，我們面臨中美貿易戰帶來的與日俱增的壓力，以及新型冠狀病毒給全球經濟造成的創傷。為降低美國市場風險，憑藉管理層的不懈努力及強大執行力，本集團已成功開發其他國際市場，並積極發展國內新零售市場。本集團將加大力度發展全球成熟及穩定的家具市場，使我們的業務能夠更好地規避風險，並受益於長期的全球消費增長。

自本集團於2017年在香港聯合交易所有限公司(「**聯交所**」)主板上市以來，我們加快步伐開發我們的零售業務及建立我們自有品牌。創造有價值及強大的零售家具品牌乃本集團的長期目標。在目前充滿不確定性的市場環境中，我們將審慎地部署資源，不斷發展我們的業務及提升我們的品牌形象。

產品乃我們業務長遠成功的關鍵，而「精緻」產品乃本集團2019年及未來數年的主題。我們已投入更多時間及精力改善產品品質及風格，提升產品價值。另外，我們亦不斷強調慕容的核心理念：「產品為作品，工作為事業，公司為平台」，希望能借此激勵每個員工精益求精以及積極向上的工作態度，在困境中打造一個強大的企業。

OUTLOOK

We expect to face more challenges and opportunities in the second half of 2020. We will keep a close watch on the development of the situation, continue to refine our management system and make timely adjustments to our operation and sales strategies.

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

展望

我們預期將於2020年下半年持續面對新型冠狀病毒以及中美貿易戰的挑戰及機遇。因此，我們將密切關注形勢發展，繼續完善管理制度，及時調整經營及銷售策略。

展望2020年下半年，本人將繼續帶領本集團全體員工邁向國際舞台，發展自有品牌，為致力於成為全球知名的家具品牌企業而努力。

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME 未經審核簡明綜合損益及其他全面收益表

For the six months ended 30 June 2020

截至2020年6月30日止6個月

		Six months ended 30 June 截至6月30日止6個月		
		2020 2020年 RMB'000 人民幣千元 (Unaudited) (未經審核)	2019 2019年 RMB'000 人民幣千元 (Unaudited) (未經審核)	
		Notes 附註		
REVENUE	收入	5	212,461	499,599
Cost of sales	銷售成本		(195,816)	(428,503)
Gross profit	毛利		16,645	71,096
Other income and gains	其他收入及收益淨額	5	39,896	21,032
Reversal of/(allowance for) expected credit losses in respect of financial assets carried at amortised cost, net	按攤銷成本列賬的金融資產的預期信貸虧損撥回／(撥備)淨額		6,192	(1,184)
Selling and distribution expenses	銷售及分銷開支		(51,889)	(94,781)
Administrative expenses	行政開支		(84,473)	(63,496)
Other expenses and losses	其他開支及虧損		(1,494)	(78)
Finance costs	融資成本		(13,345)	(12,798)
LOSS BEFORE TAX	除稅前虧損	6	(88,468)	(80,209)
Income tax credit	所得稅抵免	7	1,052	1,142
LOSS FOR THE PERIOD	期內虧損		(87,416)	(79,067)
OTHER COMPREHENSIVE LOSS	其他全面虧損			
Item may be reclassified to profit or loss	可能重新分類至損益的項目			
Exchange differences on translation of financial statements	換算財務報表的匯兌差額		(1,185)	(2,290)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	期內全面虧損總額		(88,601)	(81,357)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)
未經審核簡明綜合損益及其他全面收益表(續)

For the six months ended 30 June 2020
截至2020年6月30日止6個月

		Six months ended 30 June 截至6月30日止6個月	
		2020 2020年 RMB'000 人民幣千元 (Unaudited) (未經審核)	2019 2019年 RMB'000 人民幣千元 (Unaudited) (未經審核)
		Notes 附註	
Loss attributable to:	應佔虧損：		
Owner of the Company	本公司擁有人	(87,363)	(79,067)
Non-controlling interests	非控股股東權益	(53)	-
		(87,416)	(79,067)
Total comprehensive loss attributable to:	應佔全面虧損總額：		
Owner of the Company	本公司擁有人	(88,562)	(81,357)
Non-controlling interests	非控股股東權益	(39)	-
		(88,601)	(81,357)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	本公司普通權益持有人應佔每股虧損	8	
Basic (Unaudited)	基本 (未經審核)	RMB (8.96) cents 人民幣 (8.96)分	RMB (7.91) cents 人民幣 (7.91)分
Diluted (Unaudited)	攤薄 (未經審核)	RMB (9.50) cents 人民幣 (9.50)分	RMB (7.91) cents 人民幣 (7.91)分

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

未經審核簡明綜合財務狀況表

As at 30 June 2020
於2020年6月30日

		Notes 附註	30 June 2020 2020年 6月30日 RMB'000 人民幣千元 (Unaudited) (未經審核)	31 December 2019 2019年 12月31日 RMB'000 人民幣千元 (Audited) (經審核)
NON-CURRENT ASSETS	非流動資產			
Property, plant and equipment	物業、廠房及設備	10	49,970	71,480
Right-of-use assets	使用權資產	10	133,910	227,972
Contingent consideration receivables	應收或然代價		247,388	234,425
Deferred tax assets	遞延稅項資產		7,805	9,020
Total non-current assets	非流動資產總額		439,073	542,897
CURRENT ASSETS	流動資產			
Inventories	存貨		145,163	169,509
Trade and bills receivables	貿易應收款項及應收票據	11	93,514	217,018
Prepayments, deposits and other receivables	預付款項、按金及其他應收款項	12	195,469	212,217
Amount due from a shareholder	應收一名股東款項		353	–
Amounts due from related companies	應收關連公司款項		31,257	–
Pledged deposits	已抵押存款	13	100,818	132,277
Cash and cash equivalents	現金及現金等價物	13	65,659	71,046
Total current assets	流動資產總額		632,233	802,067
CURRENT LIABILITIES	流動負債			
Trade and bills payables	貿易應付款項及應付票據	14	371,870	389,334
Contract liabilities	合約負債	15	33,818	24,844
Other payables and accruals	其他應付款項及應計費用	15	65,385	63,240
Amount due to a shareholder	應付一名股東款項		10,606	10,107
Amounts due to related companies	應付關連公司款項		146,360	80,310
Interest-bearing bank borrowings	計息銀行借款	16	66,849	220,815
Warranty provision	保修撥備		3,723	4,689
Lease liabilities	租賃負債		37,301	46,504
Convertible loan	可換股貸款	17	51,166	99,986
Income tax payables	應付所得稅		7,406	18,969
Total current liabilities	流動負債總額		794,484	958,798
NET CURRENT LIABILITIES	流動負債淨額		(162,251)	(156,731)
TOTAL ASSETS LESS CURRENT LIABILITIES	資產總額減流動負債		276,822	386,166

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
未經審核簡明綜合財務狀況表(續)

As at 30 June 2020
於2020年6月30日

		Notes	30 June 2020 2020年 6月30日 RMB'000 人民幣千元 (Unaudited) (未經審核)	31 December 2019 2019年 12月31日 RMB'000 人民幣千元 (Audited) (經審核)
NON-CURRENT LIABILITIES	非流動負債			
Deferred tax liabilities	遞延稅項負債		556	2,888
Interest-bearing bank borrowings	計息銀行借款	16	10,000	–
Convertible loan	可換股貸款	17	49,186	9,602
Lease liabilities	租賃負債		113,348	176,709
Total non-current liabilities	非流動負債總額		173,090	189,199
Net assets	資產淨值		103,732	196,967
EQUITY	權益			
Share capital	股本	18	6,914	6,914
Reserves	儲備		97,119	190,315
Equity attributable to owners of the Company	本公司擁有人應佔權益		104,033	197,229
Non-controlling interests	非控股權益		(301)	(262)
Total equity	權益總額		103,732	196,967

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

未經審核簡明綜合權益變動表

For the Six Months Ended 30 June 2020

截至2020年6月30日止6個月

		Attributable to equity holders of the parent 母公司權益持有人應佔									
		Share capital	Share premium (Note i)	Other reserve	Treasury shares (Note ii)	Exchange fluctuation reserve (Note iii) 匯兌 波動儲備	Reserve Funds (Note iv)	Accumulated losses	Total	Non-controlling interests	Total equity
		股本	股份溢價 (附註i)	其他儲備	庫存股份 (附註ii)	波動儲備 (附註iii)	儲備資金 (附註iv)	累計虧損	總額	非控股權益	權益總額
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
At 1 January 2019 (Audited)	於2019年1月1日(經審核)	6,914	164,413	171,385	-	17,511	49,290	(47,861)	361,652	-	361,652
Loss for the period	期內虧損	-	-	-	-	-	-	(79,067)	(79,067)	-	(79,067)
Other comprehensive loss for the period:	期內其他全面虧損：										
Exchange differences on translation of financial statements	換算財務報表的匯兌差額	-	-	-	-	(2,291)	-	-	(2,291)	-	(2,291)
Total comprehensive loss for the period	期內全面虧損總額	-	-	-	-	(2,291)	-	(79,067)	(81,358)	-	(81,358)
At 30 June 2019 (Unaudited)	於2019年6月30日 (未經審核)	6,914	164,413	171,385	-	15,220	49,290	(126,928)	280,294	-	280,294
At 1 January 2020 (Audited)	於2020年1月1日(經審核)	6,914	153,071	171,385	(2,269)	11,550	49,290	(192,712)	197,229	(262)	196,967
Loss for the period	期內虧損	-	-	-	-	-	-	(87,363)	(87,363)	(53)	(87,416)
Other comprehensive loss for the period:	期內其他全面虧損：										
Exchange differences on translation of financial statements	換算財務報表的匯兌差額	-	-	-	-	(1,199)	-	-	(1,199)	14	(1,185)
Total comprehensive loss for the period	期內全面虧損總額	-	-	-	-	(1,199)	-	(87,363)	(88,562)	(39)	(88,601)
Purchase of treasury shares	購買庫存股份	-	-	-	(4,634)	-	-	-	(4,634)	-	(4,634)
At 30 June 2020 (Unaudited)	於2020年6月30日 (未經審核)	6,914	153,071	171,385	(6,903)	10,351	49,290	(280,075)	104,033	(301)	103,732

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED) 未經審核簡明綜合權益變動表(續)

For the Six Months Ended 30 June 2020

截至2020年6月30日止6個月

Notes:

- (i) Share premium
Under the Company Law (Revised) Chapter 22 of the Cayman Islands, share premium of the Company is available for paying distributions and dividends to shareholders subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the distributions or dividend payments, the Company is able to pay its debts as they fall due in the ordinary course of business.
- (ii) Treasury shares
As at 30 June 2020, 54,498,000 ordinary shares acquired under the Restricted Share Award Scheme were deemed to be held in treasury, representing 5.45% of the shares in issue as at 30 June 2020. The nominal value of shares held in treasury was approximately RMB6,903,000.
- (iii) Exchange fluctuation reserve
The exchange fluctuation reserve comprises all relevant exchange differences arising from the translation of the financial statements of the Company and subsidiaries with functional currencies other than Renminbi ("RMB").
- (iv) Reserve funds
The transfers from retained profits to the reserve funds were made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries established in the PRC.

附註：

- (i) 股份溢價
根據開曼群島公司法(經修訂)第22章，須按組織章程大綱及細則的規定將本公司之股份溢價用作向股東支付分派及股息，及前提條件是緊隨分派或股息付款後，本公司能夠支付其常規業務過程中到期的債務。
- (ii) 庫存股份
於2020年6月30日，根據受限制股份獎勵計劃購入的54,498,000股普通股股份視為庫存股份，佔於2020年6月30日已發行股份約5.45%。庫存股份的賬面值約為人民幣6,903,000元。
- (iii) 匯兌波動儲備
匯兌波動儲備包括換算本公司及附屬公司財務報表內人民幣(「人民幣」)以外的功能貨幣產生的所有相關匯兌差額。
- (iv) 儲備資金
本公司根據有關中國規則及法規以及本公司於中國成立的附屬公司的組織章程細則將保留溢利轉撥為儲備資金。

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

未經審核簡明綜合現金流量表

For the Six Months Ended 30 June 2020

截至2020年6月30日止6個月

		Six months ended 30 June 截至6月30日止6個月	
		2020 2020年 RMB'000 人民幣千元 (Unaudited) (未經審核)	2019 2019年 RMB'000 人民幣千元 (Unaudited) (未經審核)
	Note 附註		
NET CASH GENERATED FROM OPERATING ACTIVITIES	經營活動所得現金淨額	84,055	90,578
CASH FLOW FROM INVESTING ACTIVITIES:	投資活動所得現金流量：		
Payment for purchases of items of property, plant and equipment	購買物業、廠房及設備目的付款	(63,792)	(36,422)
Proceeds from disposal of items of property, plant and equipment and right-of-use assets	出售物業、廠房及設備及使用權資產項目的所得款項	95,736	–
Repayment to a related company	償還一間關連公司款項	(614)	(2,296)
Payment for repurchase of shares	購回股份的付款	(4,634)	–
Interest received	已收利息	675	587
Decrease/(increase) in pledged deposits	已抵押存款減少/(增加)	31,474	(2,823)
NET CASH GENERATED FROM/ (USED IN) INVESTING ACTIVITIES	投資活動所得/(所用)現金淨額	58,845	(40,954)
CASH FLOW FROM FINANCING ACTIVITIES:	融資活動所得現金流量：		
New bank borrowings	新銀行借款	199,160	104,333
Repayment of bank borrowings	償還銀行借款	(343,577)	(170,392)
Repayment of interest of convertible loan	償還可換股貸款利息	–	(37,381)
Repayment of lease liabilities	償還租賃負債	(28,060)	(25,963)
Advance from related companies	來自關連公司的墊款	32,693	–
Interest paid	已付利息	(6,194)	(5,266)
NET CASH USED IN FINANCING ACTIVITIES	融資活動所用現金淨額	(145,978)	(134,669)
Net decrease in cash and cash equivalents	現金及現金等價物減少淨額	(3,078)	(85,045)
Cash and cash equivalents at the beginning of period	期初現金及現金等價物	71,046	123,928
Effect of foreign exchange rate changes	外匯匯率變動的影響	(2,309)	(866)
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	65,659	38,017
	13		

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 未經審核簡明綜合財務報表附註

For the six months ended 30 June 2020
截至2020年6月30日止6個月

1. GENERAL

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

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

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

2. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements (the “**unaudited interim financial statements**”) is prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Hong Kong Companies Ordinance. These unaudited interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2019.

1. 一般資料

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

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

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

2. 編製基準

此等未經審核簡明綜合中期財務報表（「未經審核中期財務報表」）乃根據香港會計師公會（「香港會計師公會」）頒佈的香港會計準則（「香港會計準則」）第34號中期財務報告、香港聯合交易所有限公司（「聯交所」）證券上市規則（「上市規則」）附錄十六之披露規定及香港公司條例編製。此等未經審核中期財務報表不包括年度財務報表規定之所有資料及披露事項，並應與本集團截至2019年12月31日止年度之年度財務報表一併閱讀。

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
未經審核簡明綜合財務報表附註(續)

For the six months ended 30 June 2020
截至2020年6月30日止6個月

2. BASIS OF PREPARATION (CONTINUED)

The accounting policies and the basis of preparation adopted in the preparation of this unaudited interim financial statements are consistent with those adopted in the Group's annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include HKASs and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong and the disclosures requirements of the Hong Kong Companies Ordinance, except for the adoption of the amendments to HKFRSs as disclosed in note 3 below.

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

In preparing the unaudited condensed consolidated interim financial statements, the Directors have given careful consideration to the future liquidity of the Group in light of the Group's net loss and net current liabilities of approximately RMB87,416,000 and RMB162,251,000 respectively as at 30 June 2020. The Directors have taken the following factors to consider the future liquidity which include, but not limited to the followings:

(i) Operation plans and positive cash flow operations

The Group will implement operation plans to control costs and generate adequate cash flows from the Group's operations.

2. 編製基準(續)

編製此未經審核中期財務報表所採納的會計政策及編製基準，與編製本集團截至2019年12月31日止年度之年度財務報表所採納者一致，乃按照香港會計師公會頒佈的香港財務報告準則(「香港財務報告準則」)(亦包括香港會計準則及詮釋)、香港普遍採納之會計原則及香港公司條例所規定之披露事項編製，惟採納下述附註3所披露香港財務報告準則之修訂除外。

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

於編製未經審核簡明綜合中期財務報表時，鑒於本集團於2020年6月30日的虧損淨額及流動負債淨額分別約為人民幣87,416,000元及人民幣162,251,000元，董事已審慎考慮本集團的未來流動資金。董事於考慮未來流動資金時已計及以下各項因素，包括(但不限於)：

(i) 營運計劃及正現金流量營運

本集團將實施控制成本的營運計劃及從本集團營運中產生足夠現金流量。

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
未經審核簡明綜合財務報表附註(續)

For the six months ended 30 June 2020
截至2020年6月30日止6個月

2. BASIS OF PREPARATION (CONTINUED)

(ii) Necessary facilities

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

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

Morris Capital Limited has agreed to provide the financial support for not less than 12 months from the six months ended 30 June 2020.

(iv) Put option

Pursuant to the disclosable and connected transaction circular of the Company dated 3 July 2020, the Company has exercised the put option to require the seller to repurchase all the common stock of Jennifer Convertibles Inc. at the exit price of US\$35 million. The exercise of the put option was approved at the extraordinary general meeting of the Company held on 21 July 2020 and completed subsequently.

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

2. 編製基準(續)

(ii) 所需融資

本集團將與其往來銀行就重續及新增銀行融資以及重組銀行貸款組合進行磋商，目標為將短期銀行貸款轉為長期銀行貸款，以滿足本集團未來12個月的營運資金及財務需求。

(iii) 財政支持及應付直接控股公司款項

慕容資本有限公司已同意自截至2020年6月30日止6個月起提供不少於12個月的財政支持。

(iv) 認沽選擇權

根據本公司日期為2020年7月3日的須予披露及關連交易通函，本公司已行使認沽選擇權，要求賣方按平倉價35百萬美元回購Jennifer Convertibles Inc.的全部普通股。行使認沽選擇權於2020年7月21日舉行的本公司股東特別大會上獲批准，並於其後完成。

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
未經審核簡明綜合財務報表附註(續)

For the six months ended 30 June 2020
截至2020年6月30日止6個月

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the unaudited interim financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of amendments to HKFRSs effective as of 1 January 2020.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatory effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's unaudited condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

These amendments have no material impact on the Group's financial statements, nor are expected to have any future impact to the Group.

3. 會計政策及披露變動

除採納自2020年1月1日起生效的經修訂香港財務報告準則外，編製未經審核中期財務報表所採用的會計政策與編製本集團截至2019年12月31日止年度的年度綜合財務報表所遵循者一致。

應用香港財務報告準則之修訂

於本中期期間，本集團已初次應用香港會計師公會頒佈的經修訂香港財務報告準則概念框架的提述及下列經修訂香港財務報告準則(該等修訂於2020年1月1日或之後開始的年度期間強制生效)，以編製本集團的未經審核簡明綜合財務報表：

香港會計準則第1號及重大的定義 香港會計準則第8號 (修訂本)
香港財務報告準則 業務的定義 第3號(修訂本)
香港財務報告準則第9 利率基準改革 號、香港會計準則 第39號及香港財務 報告準則第7號 (修訂本)

該等修訂對本集團的財務報表並無重大影響，預期日後亦不會對本集團造成任何影響。

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
未經審核簡明綜合財務報表附註(續)

For the six months ended 30 June 2020
截至2020年6月30日止6個月

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

Accounting policy newly applied by the Group

In addition, the Group has applied the following accounting policies which became relevant to the Group in the current interim period.

Modification of financial liabilities

A modification of financial liabilities occurs if the contractual cash flows are renegotiated or otherwise modified.

When the contractual terms of financial liabilities are modified, the Group assesses whether the revised terms result in a substantial modification from original terms taking into account all relevant factors and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liabilities.

3. 會計政策及披露變動(續)

集團新應用的會計政策

此外，本集團已應用下列於本中期期間與本集團有關的會計政策。

金融負債的修訂

如果合約現金流重新商定或以其他方式修訂，則產生金融負債的修改。

當金融負債的合約條款被修訂時，本集團會考慮所有相關因素及情況(包括定性因素)，評估經修訂的條款是否導致對原有條款有重大修訂。倘定性評估並無定論，則倘根據新條款的現金流(包括任何已付費用扣除任何已收費用，並使用原實際利率貼現)的貼現值與原金融負債剩餘現金流的貼現值相差至少10%，則本集團認為該等條款有重大差異。

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
未經審核簡明綜合財務報表附註(續)

For the six months ended 30 June 2020
截至2020年6月30日止6個月

4. SEGMENT INFORMATION

Information reported to the Board, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. This is also the basis upon which the Group is organised and managed.

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

- a. Retail segment
- b. Manufacturing segment

4. 分部資料

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

具體而言，本集團根據香港財務報告準則第8號經營分部劃分的可呈報分部如下：

- a. 零售分部
- b. 生產分部

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
未經審核簡明綜合財務報表附註(續)

For the six months ended 30 June 2020
截至2020年6月30日止6個月

4. SEGMENT INFORMATION (CONTINUED)

Segment revenues and results

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

4. 分部資料(續)

分部收入及業績

下表載列本集團按可呈報及經營分部劃分的收入及業績分析：

		Retail segment		Manufacturing segment		Elimination of inter-segment sales		Total	
		零售分部		生產分部		分部間銷售對銷		合計	
		Six months ended 30 June 2020	Six months ended 30 June 2019	Six months ended 30 June 2020	Six months ended 30 June 2019	Six months ended 30 June 2020	Six months ended 30 June 2019	Six months ended 30 June 2020	Six months ended 30 June 2019
		截至2020年6月30日止6個月	截至2019年6月30日止6個月	截至2020年6月30日止6個月	截至2019年6月30日止6個月	截至2020年6月30日止6個月	截至2019年6月30日止6個月	截至2020年6月30日止6個月	截至2019年6月30日止6個月
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		(未經審核)	(未經審核)	(未經審核)	(未經審核)	(未經審核)	(未經審核)	(未經審核)	(未經審核)
Segment revenues	分部收入								
- External sales	- 外部銷售	86,879	105,575	125,582	394,024	-	-	212,461	499,599
- Internal sales	- 內部銷售	-	-	21,693	21,977	(21,693)	(21,977)	-	-
		86,879	105,575	147,275	416,001	(21,693)	(21,977)	212,461	499,599
Segment (loss)/profit	分部(虧損)/溢利	(21,103)	(34,013)	(79,139)	(39,642)	(20)	39	(100,262)	(73,616)
Interest income	利息收入							675	587
Fair value change on derivative component of convertible loan	可換股貸款衍生部分的公允值變動							-	2,356
Fair value change on contingent consideration receivables	應收或然代價的公允值變動							9,500	4,168
Gain on substantial modification of convertible loan	可換股貸款重大修訂的收益							11,716	-
Unallocated corporate expenses	未分配企業開支							(8,408)	(8,752)
Unallocated finance costs	未分配融資成本							(1,689)	(4,952)
Loss before taxation	除稅前虧損							(88,468)	(80,209)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
未經審核簡明綜合財務報表附註(續)

For the six months ended 30 June 2020
截至2020年6月30日止6個月

4. SEGMENT INFORMATION (CONTINUED)

Segment revenues and results (Continued)

Segment loss represents the loss from each segment without allocation of interests income, fair value change on derivative component of convertible loan, fair value change on contingent consideration receivables, gain on substantial modification of convertible loan, unallocated corporate expenses, and unallocated finance costs. This is the measure reported to the Board for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

Segment assets and liabilities

4. 分部資料(續)

分部收入及業績(續)

分部虧損指各分部產生的虧損，並無分配利息收入、可換股貸款衍生部分的公允值變動、應收或然代價的公允值變動、可換股貸款重大修訂的收益、未分配企業開支及未分配融資成本。此乃就資源分配及表現評估向董事會呈報的方法。

分部間銷售按現行市價扣除。

分部資產及負債

		Retail segment 零售分部		Manufacturing segment 生產分部		Consolidated 綜合	
		30 June 2020 2020年 6月30日 RMB'000 人民幣千元 (Unaudited) (未經審核)	31 December 2019 2019年 12月31日 RMB'000 人民幣千元 (Audited) (經審核)	30 June 2020 2020年 6月30日 RMB'000 人民幣千元 (Unaudited) (未經審核)	31 December 2019 2019年 12月31日 RMB'000 人民幣千元 (Audited) (經審核)	30 June 2020 2020年 6月30日 RMB'000 人民幣千元 (Unaudited) (未經審核)	31 December 2019 2019年 12月31日 RMB'000 人民幣千元 (Audited) (經審核)
Segment assets	分部資產	187,194	287,448	636,663	822,127	823,857	1,109,575
Unallocated corporate assets	未分配企業資產					247,449	235,389
Consolidated assets	綜合資產					1,071,306	1,344,964
Segment liabilities	分部負債	190,632	272,523	569,915	662,022	760,547	934,545
Unallocated corporate liabilities	未分配企業負債					207,027	213,452
Consolidated liabilities	綜合負債					967,574	1,147,997

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4. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities (Continued)

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

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

Other segment information

4. 分部資料(續)

分部資產及負債(續)

就監控分部表現及分配分部間資源而言：

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

其他分部資料

		Retail segment 零售分部		Manufacturing segment 生產分部		Unallocated 未分配		Total 合計	
		30 June 2020 2020年 6月30日 RMB'000 人民幣千元 (Unaudited) (未經審核)	30 June 2019 2019年 6月30日 RMB'000 人民幣千元 (Unaudited) (未經審核)	30 June 2020 2020年 6月30日 RMB'000 人民幣千元 (Unaudited) (未經審核)	30 June 2019 2019年 6月30日 RMB'000 人民幣千元 (Unaudited) (未經審核)	30 June 2020 2020年 6月30日 RMB'000 人民幣千元 (Unaudited) (未經審核)	30 June 2019 2019年 6月30日 RMB'000 人民幣千元 (Unaudited) (未經審核)	30 June 2020 2020年 6月30日 RMB'000 人民幣千元 (Unaudited) (未經審核)	30 June 2019 2019年 6月30日 RMB'000 人民幣千元 (Unaudited) (未經審核)
Addition of property, plant and equipment	添置物業、廠房及設備	247	743	63,545	23,879	-	-	63,792	24,622
Addition of right-of-use assets	添置使用權資產	6,096	-	-	40,309	-	-	6,096	40,309
Depreciation of property, plant and equipment	物業、廠房及設備折舊	1,589	1,713	2,670	2,891	-	-	4,259	4,604
Depreciation of right-of-use assets	使用權資產折舊	19,978	20,120	2,461	2,628	-	-	22,439	22,748
Provision against obsolete and slow-moving inventories	陳舊及積壓存貨撥備	(106)	(8)	1,869	1,184	-	-	1,763	1,176
(Reversal of)/impairment loss on trade and bills receivables	貿易應收款項及應收票據(撥回)/減值虧損	(316)	-	(5,876)	1,184	-	-	(6,192)	1,184
Finance costs	融資成本	5,125	-	6,531	2,529	1,689	10,269	13,345	12,798

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4. SEGMENT INFORMATION (CONTINUED)

Geographical information

(a) Revenue from external customers

		30 June 2020 2020年 6月30日 RMB'000 人民幣千元 (Unaudited) (未經審核)	30 June 2019 2019年 6月30日 RMB'000 人民幣千元 (Unaudited) (未經審核)
The People's Republic of China (including Hong Kong)	中華人民共和國 (包括香港)	14,955	71,395
The United Kingdom	英國	22,777	-
The U.S.	美國	174,729	428,204
		212,461	499,599

(b) Non-current assets

		30 June 2020 2020年 6月30日 RMB'000 人民幣千元 (Unaudited) (未經審核)	31 December 2019 2019年 12月31日 RMB'000 人民幣千元 (Audited) (經審核)
The People's Republic of China (including Hong Kong)	中華人民共和國 (包括香港)	32,739	79,444
Cambodia	柬埔寨	35,841	36,387
The U.S.	美國	115,044	183,460
The United Kingdom	英國	256	161
		183,880	299,452

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

以上非流動資產資料乃根據資產的位置呈列，不包括遞延稅項資產及應收或然代價。

4. 分部資料(續)

地區資料

(a) 來自外部客戶的收入

		30 June 2020 2020年 6月30日 RMB'000 人民幣千元 (Unaudited) (未經審核)	30 June 2019 2019年 6月30日 RMB'000 人民幣千元 (Unaudited) (未經審核)
The People's Republic of China (including Hong Kong)	中華人民共和國 (包括香港)	14,955	71,395
The United Kingdom	英國	22,777	-
The U.S.	美國	174,729	428,204
		212,461	499,599

(b) 非流動資產

		30 June 2020 2020年 6月30日 RMB'000 人民幣千元 (Unaudited) (未經審核)	31 December 2019 2019年 12月31日 RMB'000 人民幣千元 (Audited) (經審核)
The People's Republic of China (including Hong Kong)	中華人民共和國 (包括香港)	32,739	79,444
Cambodia	柬埔寨	35,841	36,387
The U.S.	美國	115,044	183,460
The United Kingdom	英國	256	161
		183,880	299,452

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4. SEGMENT INFORMATION (CONTINUED)

Information about major customers

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

4. 分部資料(續)

有關主要客戶的資料

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

		Six months ended 30 June 截至6月30日止6個月	
		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
Customer 1	客戶1	30,560	N/A*不適用*
Customer 2	客戶2	N/A*不適用*	66,345
Customer 3	客戶3	N/A*不適用*	66,261
Customer 4	客戶4	21,817	N/A* 不適用*

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

* 客戶產生收入少於本集團總收入的10%。

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5. REVENUE, OTHER INCOME AND GAINS

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

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

5. 收入、其他收入及收益

收入指所銷售貨品扣除退貨、折扣及增值稅後的發票淨值。

本集團的收入、其他收入及收益淨額分析如下：

		Six months ended 30 June	
		截至6月30日止6個月	
		2020	2019
		2020年	2019年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
		(Unaudited)	(Unaudited)
		(未經審核)	(未經審核)
Revenue	收入		
<i>Recognised at point of time:</i>	<i>於某一時間點確認：</i>		
Manufacture and sales of sofas, sofa cover and other furniture products	生產及銷售沙發、沙發套及其他家具產品	212,461	499,599
Other income and gains	其他收入及收益		
Interest income	利息收入	675	587
Exchange gain, net	匯兌收益，淨額	5,050	99
Gain on substantial modification of convertible loan	可換股貸款重大修訂的收益	11,716	-
Gain on lease modifications	修訂租賃之收益	4,832	-
Fair value gain on derivative component of convertible loan	可換股貸款衍生組成部分的公允值收益	-	2,356
Government subsidies	政府補貼	3,387	3,882
Repair service income	維修服務收入	1,759	4,617
Rental income	租金收入	2,596	2,821
Sales of raw materials	銷售原材料	120	570
Fair value change on contingent consideration receivables	應收或然代價的公允值變動	9,500	4,168
Others	其他	261	1,932
		39,896	21,032

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6. LOSS BEFORE TAX

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

6. 除稅前虧損

本集團的除稅前虧損乃經扣除/(計入)下列各項:

		Six months ended 30 June	
		截至6月30日止6個月	
		2020	2019
		2020年	2019年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
		(Unaudited)	(Unaudited)
		(未經審核)	(未經審核)
Cost of inventories sold	已售存貨成本	194,053	407,111
Depreciation of property, plant and equipment	物業、廠房及設備折舊	4,259	4,604
Depreciation of right-of-use assets	使用權資產折舊	22,439	22,748
Expense relating to short-term lease	有關短期租賃的開支	7,286	11,117
Gain on substantial modification of convertible loan	可換股貸款重大修訂的收益	(11,716)	-
Salaries, wages and benefits in kind	薪金、工資及實物利益	56,417	88,254
Pension scheme contributions	退休計劃供款	3,949	4,173
Provision against obsolete and slow-moving inventories	陳舊及積壓存貨撥備	1,763	1,176
Write-down of inventories to net realisable value	撇減存貨至可變現淨值	-	1,491
(Reversal of impairment)/impairment of trade and bills receivables, net	貿易應收款項及應收票據(減值撥回)/減值, 淨額	(6,192)	1,184
Reversal of product warranty	產品保修撥回	(966)	(1,484)
Interest for convertible loan	可換股貸款利息	1,689	4,880
Interest for lease liabilities	租賃負債利息	5,462	5,317

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7. INCOME TAX

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

Under the two-tiered profits tax rates regime in Hong Kong, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5% (2019: 16.5%).

PRC subsidiaries are subject to the PRC Enterprise Income Tax at 25% during the period (2019: 25%). Pursuant to the relevant laws and regulations in the PRC, Zhejiang Morris Fashion Home Co., Ltd. (“**Fashion Home**”) and Zhejiang Apollo Leather Products Co., Ltd. (“**Apollo**”), which qualified as High and New Technology Enterprises (“**HNTE**”) on 30 November 2018, were entitled to a reduced enterprise income tax rate of 15%. During the period ended 30 June 2020, Fashion Home and Apollo applied the qualification of HNTE and are entitled to the reduced tax rate of 15% until 30 November 2021.

7. 所得稅

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

根據香港兩級制利得稅率制度，合資格集團實體首2,000,000港元的溢利將按8.25%的稅率徵稅，而超過2,000,000港元的溢利則按16.5%的稅率徵稅。不符合兩級制利得稅率制度資格的集團實體的溢利將繼續按16.5%(2019年：16.5%)的固定稅率徵稅。

期內，中國附屬公司須按25%(2019年：25%)稅率繳納中國企業所得稅。根據中國相關法律及法規，於2018年11月30日符合高新技術企業(「高新技術企業」)資格的浙江慕容時尚家居有限公司(「時尚家居」)及浙江阿波羅皮革製品有限公司(「阿波羅」)有權享有減免企業所得稅稅率15%。截至2020年6月30日止期間，時尚家居及阿波羅已申請高新技術企業資格，並有權享有減免稅率15%，直至2021年11月30日為止。

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7. INCOME TAX (CONTINUED)

The U.S. corporate tax rate is 21% for the period ended 30 June 2020 in accordance to the Tax Cuts and Jobs Act. The U.S. income tax includes (a) federal income tax calculated at a fixed rate of 21% for the period ended 30 June 2020 (2019: a fixed rate of 21%) on the estimated U.S. federal taxable income and (b) state income tax calculated at various state income tax rates for both periods on the estimated state taxable income for the respective states. The income subject to tax in a specific state (i.e. state taxable income) is calculated based on the federal taxable income with state tax adjustments, which is then allocated or apportioned to the respective states (i.e. percentage of taxable income that should be apportioned or specially allocated to the respective states in which the Group operates) based on the apportionment factors provided from the state tax returns in previous year.

Pursuant to the income tax rules and regulations of United Kingdom (UK), the subsidiary comprising the Group in UK is liable to United Kingdom CIT at a tax rate of 19% for the period ended 30 June 2020.

Pursuant to the relevant laws and regulations in Cambodia, the tax rate of the Cambodian subsidiary is 20% during the period ended 30 June 2020.

7. 所得稅(續)

根據減稅與就業法案，截至2020年6月30日止期間的美國企業稅率為21%。美國所得稅包括(a)就估計美國聯邦應課稅收入按截至2020年6月30日止期間的固定稅率21% (2019年：固定稅率21%)計算的聯邦所得稅及(b)於兩個期間內就各州的估計州應課稅收入，按不同州所得稅率計算的州所得稅。特定州份的應課稅收入(即州應課稅收入)按經作出州份稅項調整(其後分配或按比例分派至各州)的聯邦應課稅收入(即按比例分派或特別分配至本集團經營所在相關州份的應課稅收入百分比)，根據先前年度的州報稅表提供的分配因素而計算得出。

根據英國所得稅規則及規例，組成本集團的英國附屬公司於截至2020年6月30日止期間須按19%的稅率繳納英國企業所得稅。

根據柬埔寨相關法律及法規，截至2020年6月30日止期間，柬埔寨附屬公司的稅率為20%。

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7. INCOME TAX (CONTINUED)

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

7. 所得稅(續)

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

		Six months ended 30 June	
		截至6月30日止6個月	
		2020	2019
		2020年	2019年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
		(Unaudited)	(Unaudited)
		(未經審核)	(未經審核)
Current – Hong Kong	即期—香港	–	1,139
Current – U.S.	即期—美國	–	65
Current – Other	即期—其他	65	–
Deferred tax	遞延稅項	(1,117)	(2,346)
Tax credit for the period		(1,052)	(1,142)
		(1,052)	(1,142)

8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share amount for the period ended 30 June 2020 was based on the loss for the period attributable to ordinary equity holders of the Company of RMB87,363,000 (2019: RMB79,067,000), and the weighted average number of ordinary shares of 975,440,956 (2019: 1,000,000,000) in issue during the period.

8. 本公司普通權益持有人應佔每股虧損

截至2020年6月30日止期間，每股基本虧損金額乃根據本公司普通權益持有人應佔期內虧損人民幣87,363,000元(2019年：人民幣79,067,000元)及期內已發行普通股的加權平均數975,440,956股(2019年：1,000,000,000股)計算。

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

Diluted loss per share amounts for the six months ended 30 June 2020 are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Convertible Loan is assumed to have been converted into ordinary shares, and the loss for the six months ended 30 June 2020 is adjusted to exclude the interest expense on the Convertible Loan and gain on substantial modification of convertible loan less tax effect, if any (2019: No adjustment has been made to the basic loss per share amounts as the Group had anti-dilutive ordinary shares in issue).

The calculation of basic and diluted loss per share is based on the following:

8. 本公司普通權益持有人應佔每股虧損(續)

截至2020年6月30日止6個月，每股攤薄虧損金額乃在假設所有具攤薄潛力普通股獲轉換的情況下，透過調整已發行在外普通股的加權平均數計算。假設可換股貸款已轉換為普通股，而截至2020年6月30日止6個月的虧損已作出調整，以撇除可換股貸款的利息開支及可換股貸款重大修訂的收益減稅務影響(倘有)(2019年：由於本集團已發行反攤薄普通股，故並無對每股基本虧損金額作出調整)。

每股基本及攤薄虧損乃根據以下各項計算：

		Six months ended 30 June 截至6月30日止6個月	
		2020 2020年 RMB'000 人民幣千元 (Unaudited) (未經審核)	2019 2019年 RMB'000 人民幣千元 (Unaudited) (未經審核)
Loss for the purpose calculating basic loss per share (loss for the period attributable to the owners of the Company)	就計算每股基本虧損的虧損(本公司擁有人應佔期內虧損)	(87,363)	(79,067)
Interest on the convertible loan	可換股貸款利息	1,689	–
Gain on substantial modification of convertible loan	可換股貸款重大修訂的收益	(11,716)	–
Loss attributable to the owners of the Company, used in the diluted loss per share calculation	用於計算每股攤薄虧損的本公司擁有人應佔虧損	(97,390)	(79,067)

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

8. 本公司普通權益持有人應佔
 每股虧損(續)

		Six months ended 30 June	
		截至6月30日止6個月	
		2020	2019
		2020年	2019年
		(Unaudited)	(Unaudited)
		(未經審核)	(未經審核)
Weighted average number of ordinary shares in issue, used in the basic earnings per share calculation	已發行普通股加權平均數· 用以計算每股基本盈利	975,440,956	1,000,000,000
Effect of dilutive – weighted average number of ordinary shares:	攤薄影響 – 普通股 加權平均數：		
Convertible loan	可換股貸款	49,985,192	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	用以計算每股攤薄盈利的 普通股加權平均數	1,025,426,148	1,000,000,000

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9. DIVIDENDS

The Board has proposed not to declare interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

10. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSET

During the Reporting Period, the Group acquired items of plant and machinery with a cost of approximately RMB63.8 million (six months ended 30 June 2019: approximately RMB24.6 million) and disposed items of construction in progress with a net carrying amount of approximately RMB69.2 million (six months ended 30 June 2019: Nil).

During the six months period ended 30 June 2020, the Group has entered into two lease agreements for the use of retail shop for two years (six months ended 30 June 2019: the Group entered into five new lease agreement for the use of office premises and manufacturing plants for two to five years). The Group is required to make fixed monthly payment during the contract period. On lease commencement, the Group recognised approximately RMB6.1 million of right-of-use assets and approximately RMB6.1 million of lease liabilities (six months ended 30 June 2019: approximately RMB12.9 million of right-of-use assets and approximately RMB12.9 million of lease liabilities). In addition, the Group disposed of a leasehold land located in the PRC during the period ended 30 June 2020, and the Group recognised a disposal of right-of-use asset of approximately RMB26.6 million (six months ended 30 June 2019: Nil).

During the six months period ended 30 June 2020, the Group modified certain lease agreements and recognised gain on lease modifications of approximately RMB4.8 million with a net carrying amount of approximately RMB53.9 million of right-of-use assets and approximately RMB58.7 million of lease liabilities (six months ended 30 June 2019: Nil).

9. 股息

董事會不建議就截至2020年6月30日止6個月宣派中期股息(截至2019年6月30日止6個月:無)。

10. 物業、廠房及設備及使用權資產

於報告期間,本集團收購廠房及機器項目,成本約人民幣63.8百萬元(截至2019年6月30日止6個月:約人民幣24.6百萬元)及出售賬面淨值約人民幣69.2百萬元(截至2019年6月30日止6個月:無)的在建工程項目。

截至2020年6月30日止6個月期間,本集團已就使用零售店訂立兩份租賃協定,為期兩年(截至2019年6月30日止6個月:本集團就使用辦公場所及生產廠房訂立五份新租賃協議,為期二至五年)。本集團須於合約期內每月支付固定款項。於租賃開始時,本集團確認約人民幣6.1百萬元的使用權資產及約人民幣6.1百萬元的租賃負債(截至2019年6月30日止6個月:使用權資產約人民幣12.9百萬元及租賃負債約人民幣12.9百萬元)。此外,本集團於截至2020年6月30日止期間出售一幅位於中國的租賃土地,及確認出售使用權資產約人民幣26.6百萬元(截至2019年6月30日止6個月:無)。

截至2020年6月30日止6個月期間,本集團修訂若干賬面淨值約為人民幣53.9百萬元的使用權資產及約人民幣58.7百萬元的租賃負債的租賃協議,並確認修訂租賃之收益約人民幣4.8百萬元(截至2019年6月30日止6個月:無)。

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11. TRADE AND BILLS RECEIVABLES

11. 貿易應收款項及應收票據

		30 June 2020 2020年 6月30日 RMB'000 人民幣千元 (Unaudited) (未經審核)	31 December 2019 2019年 12月31日 RMB'000 人民幣千元 (Audited) (經審核)
Trade receivables from third parties	來自第三方的貿易應收款項	104,519	234,847
Less: Impairment of trade receivables	減：貿易應收款項減值	(11,637)	(17,829)
Trade receivables, net	貿易應收款項，淨額	92,882	217,018
Bills receivable arising from intra-group sales	應收票據—來自集團內銷售	632	—
		93,514	217,018

The Group's trading terms with its customers are mainly on credit. The credit period is generally one to two months, extending up to three to six months for major customers. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. The Group does not hold any collateral over its trade and bills receivable balances. Trade and bills receivables are non-interest-bearing.

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

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

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

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11. TRADE AND BILLS RECEIVABLES (CONTINUED)

11. 貿易應收款項及應收票據(續)

		30 June 2020 2020年 6月30日 RMB'000 人民幣千元 (Unaudited) (未經審核)	31 December 2019 2019年 12月31日 RMB'000 人民幣千元 (Audited) (經審核)
Within 3 months	3個月內	55,310	205,807
4 to 6 months	4至6個月	29,087	2,925
7 to 12 months	7至12個月	9,117	8,286
		93,514	217,018

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

12. 預付款項、按金及其他應收款項

		30 June 2020 2020年 6月30日 RMB'000 人民幣千元 (Unaudited) (未經審核)	31 December 2019 2019年 12月31日 RMB'000 人民幣千元 (Audited) (經審核)
Advance to suppliers	預付供應商款項	148,283	139,598
Other prepayments	其他預付款項	244	7,407
Deposits and other receivables	按金及其他應收款項	46,942	65,212
		195,469	212,217

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13. CASH AND CASH EQUIVALENTS AND
PLEDGED DEPOSITS

13. 現金及現金等價物及已抵押
存款

		30 June 2020 2020年 6月30日 RMB'000 人民幣千元 (Unaudited) (未經審核)	31 December 2019 2019年 12月31日 RMB'000 人民幣千元 (Audited) (經審核)
Cash and bank balances	現金及銀行結餘	166,477	203,323
Less: Pledged deposits for bills payable	減：應付票據的已抵押存款	(99,746)	(131,221)
Less: Pledged deposits for letter of credit	減：信用證的已抵押存款	(1,072)	(1,056)
Total pledged deposits	已抵押存款總額	(100,818)	(132,277)
Cash and cash equivalents	現金及現金等價物	65,659	71,046

As at the end of the Reporting Period, the cash and bank balances denominated in RMB amounted to RMB111,325,000 (2019: RMB183,917,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

於報告期末，以人民幣計值的現金及銀行結餘為人民幣111,325,000元(2019年：人民幣183,917,000元)。人民幣不可自由兌換為其他貨幣，然而，根據中國內地外匯管制法規及結匯、售匯及付匯管理規定，本集團獲准透過獲授權開展外匯業務的銀行將人民幣兌換為其他貨幣。

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

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14. TRADE AND BILLS PAYABLES

14. 貿易應付款項及應付票據

		30 June 2020 2020年 6月30日 RMB'000 人民幣千元 (Unaudited) (未經審核)	31 December 2019 2019年 12月31日 RMB'000 人民幣千元 (Audited) (經審核)
Trade payables to third parties	應付第三方的貿易款項	153,028	158,737
Bills payable	應付票據		
– arising from intra-group purchases	– 來自集團內部公司購買的 應付票據	69,853	90,865
– arising from third party purchases	– 來自第三方購買的 應付票據	148,989	139,732
		371,870	389,334

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

於報告期間末，按發票日期呈列的貿易應付款項及應付票據的賬齡分析如下：

		30 June 2020 2020年 6月30日 RMB'000 人民幣千元 (Unaudited) (未經審核)	31 December 2019 2019年 12月31日 RMB'000 人民幣千元 (Audited) (經審核)
Within 1 month	1個月內	59,131	108,207
2 to 3 months	2至3個月	158,435	72,450
4 to 6 months	4至6個月	109,914	130,034
Over 6 months	超過6個月	44,390	78,643
		371,870	389,334

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14. TRADE AND BILLS PAYABLES (CONTINUED)

The trade and bills payables are non-interest-bearing. Trade payables are normally settled on terms of 30 to 180 days while bills payable are settled on a term of 90 to 180 days.

14. 貿易應付款項及應付票據(續)

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。

15. OTHER PAYABLES AND ACCRUALS

15. 其他應付款項及應計費用

		30 June 2020 2020年 6月30日 RMB'000 人民幣千元 (Unaudited) (未經審核)	31 December 2019 2019年 12月31日 RMB'000 人民幣千元 (Audited) (經審核)
Other payables	其他應付款項	50,515	42,936
Accruals	應計費用	14,870	20,304
		65,385	63,240
Contract liabilities	合約負債	33,818	24,844

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

其他應付款項及應計費用為免息及通常須按要求償還。

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16. INTEREST-BEARING BANK BORROWINGS

16. 計息銀行借款

		30 June 2020 2020年6月30日			31 December 2019 2019年12月31日		
		Effective interest rate 實際利率 (Unaudited) (未經審核)	Maturity 到期 (Unaudited) (未經審核)	RMB'000 人民幣千元 (Unaudited) (未經審核)	Effective interest rate 實際利率 (Audited) (經審核)	Maturity 到期 (Audited) (經審核)	RMB'000 人民幣千元 (Audited) (經審核)
Current – secured	即期—已抵押						
Bank loans	銀行貸款	4.5%–6.5%	On demand 按要求	23,849	4.2%–6.5%	On demand 按要求	54,668
Bank loans	銀行貸款	4.6%–5.7%	2020-2023 2020-2023年	53,000	5.1%–5.7%	2020 2020年	115,000
Factoring loans with recourse	附追索權的保理貸款	–	–	–	3.2%	2020 2020年	51,147
				76,849			220,815

		30 June 2020 2020年 6月30日 RMB'000 人民幣千元 (Unaudited) (未經審核)	31 December 2019 2019年 12月31日 RMB'000 人民幣千元 (Audited) (經審核)
Analysed as follow:	分析如下:		
Bank borrowings repayable within one year or on demand	於一年內或按要求償還的 銀行借款	66,849	220,815
Bank borrowings repayable after one year	於一年後償還的 銀行借款	10,000	–
		76,849	220,815

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16. INTEREST-BEARING BANK BORROWINGS
(CONTINUED)

Notes:

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

- (i) pledges of certain parcels of land and buildings which were provided by Morris PRC as at 30 June 2020 and 31 December 2019;
- (ii) personal guarantees provided by the Controlling Shareholders as at 30 June 2020 and 31 December 2019;
- (iii) corporate guarantees provided by Morris PRC as at 30 June 2020 and 31 December 2019;
- (iv) corporate guarantees provided by Morris Real Estate, a company controlled by the Controlling Shareholders as at 30 June 2020 and 31 December 2019;
- (v) corporate guarantees provided by independent third parties as at 30 June 2020 and 31 December 2019; and
- (vi) pledges of certain properties which were provided by Morris Real Estate, a company controlled by the Controlling Shareholders as at 30 June 2020 and 31 December 2019.

16. 計息銀行借款(續)

附註：

本集團的若干已抵押銀行貸款以下列各項作抵押：

- (i) 以慕容中國於2020年6月30日及2019年12月31日提供的若干土地及樓宇作抵押；
- (ii) 控股股東於2020年6月30日及2019年12月31日提供的個人擔保；
- (iii) 慕容中國於2020年6月30日及2019年12月31日提供的企業擔保；
- (iv) 控股股東控制的公司慕容地產於2020年6月30日及2019年12月31日提供的企業擔保；
- (v) 獨立第三方於2020年6月30日及2019年12月31日提供的企業擔保；及
- (vi) 以控股股東控制的公司慕容地產於2020年6月30日及2019年12月31日提供的若干物業作抵押。

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17. CONVERTIBLE LOAN

17. 可換股貸款

		As at 30 June 2020 於2020年 6月30日 RMB'000 人民幣千元 (Unaudited) (未經審核)	As at 31 December 2019 於2019年 12月31日 RMB'000 人民幣千元 (Audited) (經審核)
Liability component of the Convertible loan	可換股貸款負債部分	100,352	109,588

		As at 30 June 2020 於2020年 6月30日 RMB'000 人民幣千元 (Unaudited) (未經審核)	As at 31 December 2019 於2019年 12月31日 RMB'000 人民幣千元 (Audited) (經審核)
Analysed as reporting purpose as:	就報告目的分析為：		
Liability component of the Convertible Loan	可換股貸款的負債部分		
Current liabilities	流動負債	51,166	99,986
Non-current liabilities	非流動負債	49,186	9,602
		100,352	109,588

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17. CONVERTIBLE LOAN (CONTINUED)

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

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

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

17. 可換股貸款(續)

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

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

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

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17. CONVERTIBLE LOAN (CONTINUED)

On 29 May 2020, the Company was granted a temporary waiver by IFC to postpone the instalments from 28 January 2020 to 28 April 2020. At the same time, the repayment schedule was renewed with an extended payment period. As the modification of the convertible loan is substantial, the convertible loan was derecognised and the Company recorded gain on substantial modification of the convertible loan of approximately RMB11,716,000. A new Convertible Loan was recognised with a new effective interest rate, where fair value of derivative financial instruments were nil.

The Convertible Loan recognised in the unaudited condensed consolidated statement of financial position of the Group and the movements during the Reporting Period are as follows:

17. 可換股貸款(續)

於2020年5月29日，本公司獲國際金融公司授出臨時豁免，將分期付款時間自2020年1月28日推遲至2020年4月28日。與此同時，還款時間表亦得以更新，延長付款期限。由於可換股貸款的修訂屬重大，可換股貸款被終止確認，本公司錄得可換股貸款重大修訂的收益約為人民幣11,716,000元。在衍生金融工具的公允值為零的情況下，可轉換貸款以新實際利率確認。

於報告期間，本集團在未經審核簡明綜合財務狀況表中確認的可換股貸款及其變動如下：

		RMB'000 人民幣千元
At 1 January 2020 (Audited)	於2020年1月1日(經審核)	109,588
Gain on substantial modification of the Convertible Loan	可換股貸款重大修訂的收益	(11,716)
Imputed interest of the Convertible Loan	可換股貸款的推算利息	1,689
Exchange difference	匯兌差額	791
At 30 June 2020 (Unaudited)	於2020年6月30日(未經審核)	100,352

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18. SHARE CAPITAL

18. 股本

		30 June 2020 2020年6月30日		31 December 2019 2019年12月31日	
		US\$'000 千美元 (Unaudited) (未經審核)	RMB'000 equivalent 人民幣千元 等值 (Unaudited) (未經審核)	US\$'000 千美元 (Audited) (經審核)	RMB'000 equivalent 人民幣千元 等值 (Audited) (經審核)
Authorised:	法定：				
10,000,000,000 ordinary shares of US\$0.001 each	10,000,000,000股 每股面值0.001美元的普通股	10,000		10,000	
Issued and fully paid:	已發行及繳足：				
1,000,000,000 ordinary shares of US\$0.001 each	1,000,000,000股 每股面值0.001美元的普通股	1,000	6,914	1,000	6,914

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

本公司於本期間的已發行股本變動如下：

		Number of ordinary shares in issue 已發行 普通股數目	Issued capital 已發行資本 RMB'000 人民幣千元 (Unaudited) (未經審核)
As at 31 December 2019 and 30 June 2020	於2019年12月31日及 2020年6月30日	1,000,000,000	6,914

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19. CONTINGENT LIABILITIES

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

20. RELATED PARTY TRANSACTIONS

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

19. 或然負債

本集團於本報告期末並無任何重大或然負債。

20. 關連方交易

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

		Six months ended 30 June 截至6月30日止6個月	
		2020 2020年 RMB'000 人民幣千元 (Unaudited) (未經審核)	2019 2019年 RMB'000 人民幣千元 (Unaudited) (未經審核)
Morris PRC	慕容中國		
Short-term lease expenses (note 1)	短期租賃開支(附註1)	6,609	5,076

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

Note:

- These related party transactions also constitute non-exempt continuing connected transactions as defined in Chapter 14A of the Listing Rules.

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

附註：

- 該等關連方交易亦構成上市規則第十四A章定義的不獲豁免持續關連交易。

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20. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Compensation of key management personnel of the group

		Six months ended 30 June 截至6月30日止6個月	
		2020 2020年 RMB'000 人民幣千元 (Unaudited) (未經審核)	2019 2019年 RMB'000 人民幣千元 (Unaudited) (未經審核)
Fees	袍金	863	1,922
Salaries, allowances and benefits in kind	薪金、津貼及實物福利	1,622	983
Pension scheme contributions	退休計劃供款	151	139
Total compensation paid to key management personnel	支付予主要管理人員的薪酬總額	2,636	3,044

20. 關連方交易(續)

(b) 本集團主要管理人員的薪酬

21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

21. 金融工具的公允值及公允值層級

本集團金融工具的賬面值及公允值與公允值合理相若。

管理層認定現金及現金等價物、已抵押存款、貿易應收款項及應收票據、計入預付款項、按金及其他應收款項的金融資產、貿易應付款項及應付票據、計入其他應付款項及應計費用的金融負債、計息銀行借款的即期部分及應收／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。

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

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.

During the period, there was no transfer of fair value measurement between Level 1 and Level 2 and no transfer into or out of Level 3 for both financial assets and financial liabilities (2019: Nil).

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

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

21. 金融工具的公允值及公允值層級(續)

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。

期內金融資產及金融負債第1級及第2級公允值計量之間並無轉移，亦無轉入或轉出第3級的情況(2019年：無)。

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

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

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21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED) 21. 金融工具的公允值及公允值層級(續)

Financial asset and liability measured at fair value

按公允值計量的金融資產及負債

		As at 30 June 2020 於2020年6月30日			
		Level 1 第1級 RMB'000 人民幣千元	Level 2 第2級 RMB'000 人民幣千元	Level 3 第3級 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Asset	資產				
Contingent consideration receivables	應收或然代價	-	-	247,388	247,388
Liability	負債				
Derivative financial instruments	衍生金融工具	-	-	-	-

		As at 31 December 2019 於2019年12月31日			
		Level 1 第1級 RMB'000 人民幣千元	Level 2 第2級 RMB'000 人民幣千元	Level 3 第3級 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Asset	資產				
Contingent consideration receivables	應收或然代價	-	-	234,425	234,425
Liability	負債				
Derivative financial instruments	衍生金融工具	-	-	-	-

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

Financial asset and liability measured at fair value (Continued)

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

21. 金融工具的公允值及公允值層級(續)

按公允值計量的金融資產及負債(續)

並非按公允值計量(惟須作出公允值披露)的金融負債公允值:

		As at 30 June 2020 於2020年6月30日			
		Level 1 第1級 RMB'000 人民幣千元	Level 2 第2級 RMB'000 人民幣千元	Level 3 第3級 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Convertible loan	可換股貸款	-	-	100,824	100,824

		As at 31 December 2019 於2019年12月31日			
		Level 1 第1級 RMB'000 人民幣千元	Level 2 第2級 RMB'000 人民幣千元	Level 3 第3級 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Convertible loan	可換股貸款	-	-	96,696	96,696

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Information about Level 3 fair value measurements

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

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

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

21. 金融工具的公允值及公允值層級(續)

有關第3級公允值計量的資料

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

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

期內第3級公允值計量結餘的變動如下：

		Contingent consideration receivables 應收或然代價 RMB'000 人民幣千元
As at 1 January 2020 (Audited)	於2020年1月1日(經審核)	234,425
Fair value change	公允值變動	9,500
Exchange realignment	匯兌調整	3,463
As at 30 June 2020 (Unaudited)	於2020年6月30日(未經審核)	247,388

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

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

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

Information about Level 3 fair value measurements (Continued)

As at 30 June 2020 and 31 December 2019, the fair value of derivative financial instruments of Nil. The fair value of derivative and liability component of convertible loan was valued by an independent valuer. It was calculated by discounting the future cash-flow at market rate and including some unobservable inputs. See note 17 for the detailed information of derivative financial instruments and convertible loan.

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

21. 金融工具的公允值及公允值層級(續)

有關第3級公允值計量的資料(續)

於2020年6月30日及2019年12月31日，衍生金融工具公允值為零。可換股貸款衍生及負債部分的公允值由獨立估值師估值，乃透過按市場利率及計入部分不可觀察輸入數據貼現未來現金流量計算。有關衍生金融工具及可換股貸款的詳情，請參閱附註17。

以下概述可換股債券估值所用估值技術及主要輸入數據：

	Valuation technique	Significant unobservable inputs	As at 30 June 2020	As at 31 December 2019
	估值技術	重大不可觀察輸入數據	於2020年6月30日	於2019年12月31日
Derivative financial Instruments and Convertible loan	Discounted cash flow method	Risk-free rate	0.27%	1.77%
衍生金融工具及可換股貸款	貼現現金流量法	無風險利率		
		Volatility	96.07%	48.36%
		波幅		
		Discount rate	7.66%	13.33%
		貼現率		

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22. MAJOR NON-CASH TRANSACTION

During the period, the Group recognised non-cash reallocation of current accounts in the amount of RMB31,257,000, involving increases of same amounts in both the amounts due to related companies and the amounts due from related companies.

23. EVENT AFTER THE REPORTING PERIOD

Subsequent to the period end, in July 2020, the Group completed its disposal of the entire issued share capital of Jennifer Convertibles Inc. to Morris PRC (a connected person of the Company) through the exercise of the put option. For more details, please refer to the Company's circular dated 3 July 2020 and completion announcement dated 14 August 2020.

22. 主要非現金交易

期內，本集團確認非現金往來賬重新歸類，金額為人民幣31,257,000元，涉及應付關連公司款項及應收關連公司款項等額增加。

23. 報告期後事項

於報告期結束後，於2020年7月，本集團透過行使認沽選擇權將Jennifer Convertibles Inc.所有已發行股本出售予慕容中國(本公司一名關連人士)。有關更多詳情，請參閱本公司日期為2020年7月3日的通函及日期為2020年8月14日的完成出售公告。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

BUSINESS REVIEW

During the Reporting Period, the outbreak of Coronavirus Disease 2019 (“**COVID-19**”) has severely disrupted the global economic activities and led to widespread slowdown in economy. The unprecedented situation coupled with China US trade tensions led to disruption to global supply chains and weakened consumer sentiment, resulting in adverse effects to the performance of the Group for the first half of 2020. The revenue of the Group amounted to approximately RMB212.5 million for the six months ended 30 June 2020, representing a decrease of approximately 57.5% as compared to approximately RMB499.6 million for the six months ended 30 June 2019.

Business development in North America

As our revenue was mainly derived from the U.S., the Sino-US trade friction and the epidemic had material impacts on the Group, leading to a significant decrease in our results in North America as compared to the same period of last year. Due to the partial sharing of tariffs, the profit margin of our exported products was also affected. Amidst the difficult business environment caused by the Sino-US trade war, the management of the Group sought to tackle these challenges by consolidating relationship with selected enterprise customers.

Retail business development in China and Hong Kong

As of August 2020, the Group had a total of 1 flagship showroom, 2 self-operated retail stores, 6 franchise stores and 3 online stores across different provinces in Mainland China.

In Hong Kong, the Group had a total of 4 self-operated retail stores in Wan Chai, Sha Tin, Tsuen Wan and Causeway Bay, respectively and 4 points of consignment sales in Kowloon Bay, Yuen Long, Wan Chai and Tsuen Wan. The Group also introduced auxiliary decoration services to establish one-stop services including decoration and furniture setting, instilling its stylish home design concept into Hong Kong market.

業務回顧

於報告期間內，爆發2019年新冠肺炎（「**COVID-19**」），嚴重干擾全球經濟活動，導致大範圍的經濟衰退。前所未有的情況加上中美貿易緊張局勢導致全球供應鏈中斷，消費意欲下降，導致本集團2020年上半年的業績受到負面影響。本集團的收入由截至2019年6月30日止6個月的約人民幣499.6百萬元減少約57.5%至截至2020年6月30日止6個月的約人民幣212.5百萬元。

北美業務發展

由於我們的收入主要來自美國，中美貿易摩擦及疫情對本集團造成重大影響，導致我們於北美地區的業績較去年同期大幅下降。由於部分關稅的影響，我們出口產品的利潤率亦受到影響。於中美貿易戰造成的艱難營商環境下，本集團管理層尋求通過鞏固與選定企業客戶的關係，以應對該等挑戰。

中國及香港地區零售業務發展

截至2020年8月，本集團共有1間旗艦展廳、2間自營零售店、6間代理店及3間網店，遍布中國內地不同省份。

於香港，本集團分別於灣仔、沙田、荃灣及銅鑼灣設有4間自營零售店，並於九龍灣、元朗、灣仔及荃灣設有4個寄售點。本集團亦引入裝潢配套服務，打造一條龍裝潢、家具擺設服務，為香港市場注入慕容的時尚家居設計意念。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

Other overseas markets

During the Reporting Period, the Group established a showroom in Tokyo, Japan, as the first step to develop the Japanese market. For United Kingdom market, the Group started the supply chain warehouse program with a large chain store. The Group intends to provide more diversified and competitive products to increase the market share in these markets.

FINANCIAL REVIEW

For the six months ended 30 June 2020, the principal business activities of Group comprise the manufacturing and sales of sofas, sofa covers and other furniture products.

During the Reporting Period, the revenue of the Group amounted to RMB212.5 million (2019: RMB499.6 million), representing a decrease of approximately 57.5% as compared with last period, which was mainly attributed to the decrease in revenue generated from sale of sofas, sofa covers and other furniture products resulted from the disruption of business activities and supply chain caused by COVID-19 and the shop closures of the Group in the United States.

The Group's gross profit for the Reporting Period was RMB16.6 million (2019: RMB71.1 million), representing a decrease of approximately 76.7% as compared with the same period of last year, with gross profit margin decreased from approximately 14.2% to approximately 7.8%. The decrease in gross profit margin was primarily due to tariffs imposed by the US on furniture imported from Mainland China and the decreased orders of furniture products due to the outbreak of COVID-19.

其他海外市場

於報告期間內，本集團於日本東京設立展廳，邁出開拓日本市場的第一步。於英國市場，本集團啟動與一家大型連鎖店的供應鏈倉儲計劃。本集團擬提供更加多元化且更具競爭力的產品，以提高在該等市場的市場份額。

財務回顧

截至2020年6月30日止6個月，本集團的主要業務為生產及銷售沙發、沙發套及其他家具產品。

於報告期間，本集團收入為人民幣212.5百萬元(2019年：人民幣499.6百萬元)，較上一期間減少約57.5%，主要由於因COVID-19造成業務活動及供應鏈中斷以及本集團關閉於美國的商店導致銷售沙發、沙發套及其他家具產品產生的收入減少。

於報告期間，本集團毛利為人民幣16.6百萬元(2019年：人民幣71.1百萬元)，較去年同期減少約76.7%，而毛利率由約14.2%減少至約7.8%。毛利率減少主要由於美國對從中國內地進口的家具徵收關稅及因COVID-19爆發導致家具產品訂單減少。

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

管理層討論及分析(續)

The net loss of the Group amounted to RMB87.4 million (2019: RMB79.1 million) during the Reporting Period. The increase in net loss was mainly attributable to a decrease in sales volume caused by the Sino-US trade war and the outbreak of COVID-19.

The Company's basic loss per ordinary share was RMB8.96 cents for the six months ended 30 June 2020 (basic loss per share for the six months ended 30 June 2019: RMB7.91 cents) based on the loss for the period attributable to ordinary equity holders of the Company of approximately RMB87.4 million (profit for the six months ended 30 June 2019: approximately RMB79.1 million), and the weighted average number of ordinary shares of 1,025,426,148 for the six months ended 30 June 2020 (30 June 2019: 1,000,000,000).

Cost of sales

The cost of sales of the Group decreased by approximately 54.3% from approximately RMB428.5 million for the six months ended 30 June 2019 to approximately RMB195.8 million for the six months ended 30 June 2020, which was primarily due to the decrease in sales.

Other income and gains

The other income and gains of the Group increased from approximately RMB21.0 million for the six months ended 30 June 2019 to approximately RMB39.9 million for the six months ended 30 June 2020. Such increase was mainly due to the increase in fair value change on contingent consideration receivables, gain on substantial modification of the convertible loan, gain on leases termination and net exchange gains.

於報告期間，本集團虧損淨額為人民幣87.4百萬元(2019年：人民幣79.1百萬元)。虧損淨額增加主要由於因中美貿易戰及COVID-19爆發導致銷量有所下降。

本公司截至2020年6月30日止6個月的每股普通股基本虧損為人民幣8.96分(截至2019年6月30日止6個月的每股基本虧損：人民幣7.91分)，乃根據本公司普通股權益持有人應佔期內虧損約人民幣87.4百萬元(截至2019年6月30日止6個月的溢利：約人民幣79.1百萬元)以及截至2020年6月30日止6個月普通股的加權平均數1,025,426,148股(2019年6月30日：1,000,000,000股)計算。

銷售成本

本集團的銷售成本由截至2019年6月30日止6個月的約人民幣428.5百萬元減少約54.3%至截至2020年6月30日止6個月的約人民幣195.8百萬元，主要由於銷售減少。

其他收入及收益

本集團的其他收入及收益由截至2019年6月30日止6個月的約人民幣21.0百萬元增加至截至2020年6月30日止6個月的約人民幣39.9百萬元。有關增幅主要由於應收或然代價的公允值變動、可換股貸款重大修訂的收益、租賃終止的收益及匯兌收益淨額增加。

Selling and distribution expenses

The selling and distribution expenses of the Group decreased by approximately 45.3% from approximately RMB94.8 million for the six months ended 30 June 2019 to approximately RMB51.9 million for the six months ended 30 June 2020. Such decrease was primarily due to the decrease in marketing cost.

Administrative expenses

The administrative expenses of the Group increased by approximately 24.9% from approximately RMB63.5 million for the six months ended 30 June 2019 to approximately RMB84.5 million for the six months ended 30 June 2020. Such increase was primarily due to increase in professional and consultancy fee incurred during the period.

Finance costs

The finance costs of the Group slightly increased by approximately 3.9% from approximately RMB12.8 million for the six months ended 30 June 2019 to approximately RMB13.3 million for the six months ended 30 June 2020. The increase in finance costs was mainly due to the increase in interest for lease liabilities.

Income tax credit

The income tax credit decreased by approximately 7.9% from approximately RMB1,142,000 for the six months ended 30 June 2019 to income tax credit approximately RMB1,052,000 for the six months ended 30 June 2020 as the major subsidiaries in PRC suffered loss during the Reporting Period due to the decrease in sales volume and the impact from the Sino-US trade war. Currently, our principal subsidiaries in Mainland China are subject to an enterprise income tax rate of 15%.

銷售及分銷開支

本集團的銷售及分銷開支由截至2019年6月30日止6個月的約人民幣94.8百萬元減少約45.3%至截至2020年6月30日止6個月的約人民幣51.9百萬元。該減幅主要由於營銷成本減少。

行政開支

本集團的行政開支由截至2019年6月30日止6個月的約人民幣63.5百萬元增加約24.9%至截至2020年6月30日止6個月的約人民幣84.5百萬元。該增幅主要由於期內產生的專業服務費及諮詢費用有所增加。

融資成本

本集團的融資成本由截至2019年6月30日止6個月的約人民幣12.8百萬元輕微增加約3.9%至截至2020年6月30日止6個月的約人民幣13.3百萬元。融資成本增加主要由於租賃負債利息增加。

所得稅抵免

所得稅開支由截至2019年6月30日止6個月的約人民幣1,142,000元減少約7.9%至截至2020年6月30日止6個月的所得稅抵免約人民幣1,052,000元，乃由於報告期間中國主要附屬公司處於虧損狀態(原因是銷量減少及中美貿易戰的影響)。目前，我們在中國內地的主要附屬公司須按15%稅率繳納企業所得稅。

LIQUIDITY AND CAPITAL RESOURCES

Working capital

For the six months ended 30 June 2020, cash and cash equivalents of the Group decreased by approximately RMB5.4 million, which was comprised of the net cash flows generated from operating activities of approximately RMB84.1 million, net cash flows generated from investing activities of approximately RMB58.8 million, and net cash flows used in financing activities of approximately RMB146.0 million, while approximately RMB2.3 million was the net exchange loss of foreign exchange rate changes.

Borrowing and pledge of assets

As at 30 June 2020, the Group's interest-bearing bank borrowings amounted to approximately RMB76.8 million (31 December 2019: approximately RMB220.8 million). The bank loans' interest rates ranged from 4.4% to 6.5% (31 December 2019: 3.2% to 6.5%) per annum.

As at 30 June 2020, approximately RMB100.8 million (31 December 2019: approximately RMB132.3 million) restricted bank balances were pledged for bank borrowings and bills payables. Decrease in restricted bank balance was mainly due to the decrease in bills payables during the Reporting Period.

流動資金及資本來源

營運資金

截至2020年6月30日止6個月，本集團的現金及現金等價物減少約人民幣5.4百萬元，包括經營活動所得現金流量淨額約人民幣84.1百萬元、投資活動所得現金流量淨額約人民幣58.8百萬元及融資活動所用現金流量淨額約人民幣146.0百萬元，而約人民幣2.3百萬元為外幣匯率變動的匯兌虧損淨額。

借款及資產抵押

於2020年6月30日，本集團的計息銀行借款約為人民幣76.8百萬元(2019年12月31日：約人民幣220.8百萬元)。銀行貸款年利率介乎4.4%至6.5%之間(2019年12月31日：介乎3.2%至6.5%之間)。

於2020年6月30日，約人民幣100.8百萬元(2019年12月31日：約人民幣132.3百萬元)的受限制銀行結餘已用作銀行借款及應付票據的抵押。受限制銀行結餘減少主要由於報告期間應付票據減少。

Gearing ratio

The gearing ratio of the Group, which is total interest-bearing bank borrowings divided by total equity as at the end of the year/period, decreased from approximately 112.0% as at 31 December 2019 to approximately 74.0% as at 30 June 2020, which was primarily due to the decrease in interest-bearing bank borrowings as at 30 June 2020.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 30 June 2020.

Trade and bills receivables

The trade and bills receivables of the Group decreased to approximately RMB93.5 million as at 30 June 2020 (31 December 2019: approximately RMB217.0 million), primarily due to the decrease in sales to our customers in the second quarter in 2020 as compared to the fourth quarter in 2019.

Trade and bills payables

The trade and bills payables of the Group decreased to approximately RMB371.9 million as at 30 June 2020 (31 December 2019: approximately RMB389.3 million), primarily due to the decrease in purchase from the Group's suppliers in the second quarter in 2020 as compared to the fourth quarter in 2019.

資產負債比率

本集團的資產負債比率(按年/期末的計息銀行借款總額除以權益總額計算)從2019年12月31日的約112.0%減少至2020年6月30日的約74.0%，主要由於2020年6月30日的計息銀行借款減少所致。

或然負債

本集團於2020年6月30日並無任何重大或然負債。

貿易應收款項及應收票據

本集團於2020年6月30日的貿易應收款項及應收票據減少至約人民幣93.5百萬元(2019年12月31日:約人民幣217.0百萬元)，主要由於我們於2020年第二季度向客戶所作銷售較2019年第四季度有所減少。

貿易應付款項及應付票據

本集團於2020年6月30日的貿易應付款項及應付票據減少至約人民幣371.9百萬元(2019年12月31日:約人民幣389.3百萬元)，主要由於與2019年第四季度相比，2020年第二季度向本集團供應商採購減少。

Foreign exchange exposure

Revenue from major customers is mainly from the U.S. while the production facilities of the Group are mainly located in the PRC. Accordingly, most of the sales are denominated in U.S. dollar while the costs arising from the Group's operations are generally settled in RMB. As a result, fluctuations in the value of U.S. dollar against RMB could adversely affect the financial results of the Group. During the six months ended 30 June 2020, the Group did not experience any material difficulties or impacts on its operations or liquidity as a result of currency exchange fluctuation. The Group did not use any financial instruments for hedging purposes during the six months ended 30 June 2020 and there was no hedging instruments outstanding as at 30 June 2020. 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 consider implementing hedging arrangement to mitigate foreign exchange risk if and when necessary or appropriate.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

On 19 June 2020, the Group entered into the disposal agreement to dispose of certain land and construction in progress (the "**Disposal Assets**") to Zhejiang Haining Warp Knitting Industrial Zone Development Co., Ltd., an independent third party, for the consideration of RMB95.7 million, constituting a major transaction for the Company. The disposal was approved by the written shareholder's approval of Morris Capital Limited (75% shareholder of the Company) in lieu of the holding of a general meeting pursuant to Rule 14.44 of the Listing Rules, and was completed on signing. Further details of the disposal were set out in the Company's announcement dated 19 June 2020.

外匯風險

來自主要客戶的收入主要源自美國，而本集團的生產設施主要位於中國。因此，大部分銷售額以美元計值，而本集團營運產生的成本一般以人民幣結算。因此，倘美元兌人民幣的匯價發生波動，則可能會對本集團的財務業績產生不利影響。截至2020年6月30日止6個月，本集團業務或流動資金並無因匯率波動而出現任何重大困難或受到重大影響。本集團於截至2020年6月30日止6個月並無使用任何金融工具作對沖之用，於2020年6月30日，本集團亦無未償還對沖工具。本集團將繼續對其現有業務及未來新投資所引致的匯率風險進行密切監控。本集團將於必要或適當時考慮實施對沖安排以降低外匯風險。

重大投資以及有關附屬公司的重大收購及出售事項

於2020年6月19日，本集團訂立出售協議，向一名獨立第三方浙江海寧經編產業園區開發有限公司出售若干土地及在建工程(「**出售資產**」)，代價為人民幣95.7百萬元，構成本公司的主要交易。根據上市規則第14.44條，出售事項已獲慕容資本有限公司(本公司的75%股東)的股東書面批准，以代替舉行股東大會，並已於簽署時完成。出售事項的進一步詳情載於本公司日期為2020年6月19日的公告。

Save as disclosed above, the Group had no other significant investments, nor had it made any material acquisition or disposal of the Group's subsidiaries or associated companies during the Reporting Period. Although the JCI Disposal and the JCI Receivables Disposal were triggered by way of the Put Option during the Reporting Period, completion of the disposals took place after the period end.

SUBSEQUENT EVENTS

On 31 March 2020, the Company exercised the put option (the "**Put Option**") to require Morris Group Co., Ltd. (慕容集團有限公司) ("**Morris PRC**") to repurchase the entire shareholding of Jennifer Convertibles Inc. ("**JCI**") for the consideration of US\$35 million (the "**JCI Disposal**"), together with the disposal of trade and loan receivables (the "**JCI Receivables Disposal**"). Further details of the JCI Disposal and the JCI Receivables Disposal are set out in the Company's announcement dated 31 March 2020. The disposals regarding JCI were regarded as discloseable and connected transactions for the Company, were approved by the independent shareholders of the Company (the "**Independent Shareholders**") at the extraordinary general meeting of the Company held on 21 July 2020, and were completed subsequent to the end of the Reporting Period.

除上文所披露者外，於報告期間，本集團並無其他重大投資，亦無作出任何有關本集團附屬公司或聯營公司的重大收購或出售事項。儘管JCI出售事項及JCI應收款項出售事項於報告期間以認沽選擇權的方式觸發，惟出售事項於期末後完成。

期後事項

於2020年3月31日，本公司以代價35百萬美元行使認沽選擇權(「**認沽選擇權**」)以要求慕容集團有限公司(「**慕容中國**」)回購Jennifer Convertibles Inc.(「**JCI**」)全部股權(「**JCI出售事項**」)以及出售貿易應收款項及應收貸款(「**JCI應收款項出售事項**」)。有關JCI出售事項及JCI應收款項出售事項的進一步詳情載於本公司日期為2020年3月31日的公告。有關JCI的出售事項被視為本公司的須予披露及關連交易，由本公司的獨立股東(「**獨立股東**」)於2020年7月21日舉行的本公司股東特別大會上批准，並於報告期間末後完成。

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

管理層討論及分析(續)

On 8 July 2020, the Group entered into the 2020 Lease Renewal Agreement with Morris PRC to agree on the renewal of the leases of the 2020 Leased Properties, subject to the obtaining of approval from the Independent Shareholders. On 21 August 2020, the Group and Morris PRC entered into a supplemental agreement regarding the lease renewal. Further details on the leases are set out in the Company's announcements dated 8 July 2020 and 21 August 2020. Due to the right of unilateral early termination by the Group, the Company does not expect that the leases as renewed by the 2020 Lease Agreements would be recognized as right-of-use assets in the Group's consolidated statement of financial position.

HUMAN RESOURCES MANAGEMENT

Quality and dedicated staff are indispensable assets to the Group's success in the competitive market. By providing comprehensive training and corporate culture education periodically, the employees are able to obtain on-going training and development in the sofa manufacturing industry. Furthermore, the Group offers competitive remuneration packages commensurate with industry practice and provides various fringe benefits to all employees. The Group reviews its human resources and remuneration policies periodically to ensure that they are in line with market practice and regulatory requirements. As at 30 June 2020, the Group employed a work force of 1,431 (31 December 2019: 2,065). The total salaries and related costs including the directors' remuneration for the six months ended 30 June 2020 amounted to approximately RMB56.4 million (for the six months ended 30 June 2019: approximately RMB88.3 million).

於2020年7月8日，本集團與慕容中國訂立2020年租賃重續協議，以協定待取得獨立股東的批准後重續2020年租賃物業的租賃。於2020年8月21日，本集團與慕容中國就租賃重續訂立補充協議。有關租賃的進一步詳情載於本公司日期為2020年7月8日及2020年8月21日的公告。由於本集團有權單方面提早終止，本公司預期2020年租賃協議重續的租賃不會於本集團的綜合財務狀況表內確認為使用權資產。

人力資源管理

優秀及全情投入的員工是本集團不可或缺的資產，有助本集團於競爭激烈的市場中取得成功。本集團透過定期向員工提供全面培訓及企業文化教育，使員工亦可獲得沙發生產行業的持續培訓及事業發展機會。此外，本集團向所有員工提供符合業內慣例並具競爭力的薪酬組合及各項附加福利。本集團定期檢討人力資源及薪酬政策，確保有關政策符合市場慣例及監管要求。於2020年6月30日，本集團僱用1,431名員工(2019年12月31日：2,065名員工)。截至2020年6月30日止6個月的薪金及相關成本總額(包括董事薪酬)約為人民幣56.4百萬元(截至2019年6月30日止6個月：約人民幣88.3百萬元)。

SHARE OPTION SCHEME

The Company operates a share option scheme which allows the Company to grant options to eligible persons as rewards for their contributions to the Group. The share option scheme was adopted by the Company on 10 December 2016 and has become valid and effective for a period of ten years commencing on 12 January 2017 (the “**Listing Date**”). No share options were granted under the share option scheme since the Listing Date. No share options were granted, exercised, cancelled or lapsed during the Reporting Period and no share options were outstanding at the beginning and at the end of the Reporting Period and the date of this report.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2020 (2019: Nil).

購股權計劃

本公司設立購股權計劃，讓本公司向合資格人士授出購股權作為其對本集團作出貢獻的獎勵。購股權計劃於2016年12月10日獲本公司採納，自2017年1月12日（「上市日期」）起生效，為期十年。自上市日期，概無根據購股權計劃授出任何購股權。於報告期間，概無購股權獲授出、行使、註銷或失效，且於報告期間開始及終結及於本報告日期，概無購股權尚未行使。

中期股息

董事會已議決不就截至2020年6月30日止6個月宣派任何中期股息(2019年：無)。

OTHER INFORMATION 其他資料

CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance to protect the interests of its shareholders and to enhance corporate value and accountability. The Company has adopted the code provisions (“**Code Provisions**”) and, where applicable, the recommended best practices of the Corporate Governance Code (“**Corporate Governance Code**”) set out in Appendix 14 of the Listing Rules. Save for the disclosed below, the Company has applied and complied with the relevant provisions of the Code Provisions throughout the six months ended 30 June 2020.

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

企業管治守則

本公司致力維持高水平的企業管治標準，以保障股東權益及提升企業價值及問責性。本公司已採納載於上市規則附錄十四的《企業管治守則》(「**企業管治守則**」)的守則條文(「**守則條文**」)及建議最佳常規(如適用)。除下述披露外，截至2020年6月30日止6個月，本公司已應用及遵守守則條文的有關條文。

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

OTHER INFORMATION (CONTINUED)

其他資料 (續)

Code provision C.1.2 of the Corporate Governance Code provides that management should provide members of the board with monthly updates giving a balanced and understandable assessment of the issuer's performance, position and prospects in sufficient details to enable the board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules. Although the management of the Company did not provide a regular monthly update to the members of the Board, the management keeps providing information and updates to the members of the Board as and when appropriate.

Independent Non-executive Directors

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

The Company has at all times during the six months ended 30 June 2020 complied with Rules 3.10(1), 3.10(2) and 3.21 of the Listing Rules. Subsequent to the period end, on 31 July 2020, Mr. Pang Wing Hong ceased to be a member of the audit committee on his resignation as an independent non-executive Director. On 31 July 2020, Mr. Qian Jun, who has appropriate professional qualifications and related accounting or financial expertise, was appointed as an independent non-executive Director and a member of the audit committee.

企業管治守則守則條文C.1.2規定，管理層應每月向董事會成員提供更新資料，載列有關發行人的表現、狀況及前景的公正及易於理解的評估，內容足以讓董事會全體及每一位董事履行彼等在上市規則第3.08條及第十三章項下的職責。儘管本公司管理層並無定期向董事會成員提供每月更新資料，惟管理層於適當時候向董事會成員提供資料及更新資料。

獨立非執行董事

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

本公司於截至2020年6月30日止6個月一直符合上市規則第3.10(1)、3.10(2)及3.21條。於期末後，於2020年7月31日，彭永康先生辭任本公司獨立非執行董事並不再擔任審核委員會成員。於2020年7月31日，錢俊先生(彼具備適當專業資格及相關會計或財務專長)獲委任為本公司獨立非執行董事和審核委員會成員。

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

Save as disclosed in the paragraph headed “Restricted Share Award Scheme” below, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company’s listed securities for the six months ended 30 June 2020.

RESTRICTED SHARE AWARD SCHEME

The Restricted Share Award Scheme (the “**Award Scheme**”) was adopted by the Board on 29 August 2019 (the “**Adoption Date**”) as an incentive to retain and encourage employees for the continual operation and development of the Group. During the period under review, the trustee of the Award Scheme, pursuant to the terms of the rules and trust deed of the Award Scheme, acquired 39,698,000 shares of the Company by way of acquisition at an aggregate consideration of approximately HK\$5,143,000 (including transaction costs) representing approximately 4.0% of the issued share capital of the Company as at the Adoption Date.

證券交易的標準守則

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

購買、出售或贖回本公司的上市證券

除下文「受限制股份獎勵計劃」一段所披露者外，截至2020年6月30日止6個月，本公司或其任何附屬公司概無購買、贖回或出售本公司任何上市證券。

受限制股份獎勵計劃

董事會於2019年8月29日(「**採納日期**」)採納受限制股份獎勵計劃(「**獎勵計劃**」)，作為挽留及激勵僱員的獎勵，以有利於本集團持續運作及發展。於回顧期間內，根據獎勵計劃規則及信託契據之條款，獎勵計劃的受託人以總代價約5,143,000港元(包括交易成本)購入之方式，收購本公司39,698,000股股份，佔本公司於採納日期約4.0%的已發行股本。

CHANGE OF DIRECTORS AND COMPOSITION OF BOARD COMMITTEES

The changes in information of the Directors since 31 December 2019 are set out below:

Independent non-executive Directors

Mr. Pang Wing Hong resigned as an independent non-executive Director on 31 July 2020. Mr. Qian Jun was appointed as an independent non-executive Director on 31 July 2020. For further details, please refer to the announcement of the Company dated 31 July 2020.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANT

Save as those disclosed under the section headed "Connected Transactions and Continuing Connected Transactions" and the related party transactions as disclosed in note 20 to the unaudited condensed consolidated financial statements, no transactions, arrangements or contracts of significance in relation to the Company's business to which the Company or any of its subsidiaries was a party and in which a Director or a connected entity of a Director had a material interest, whether directly or indirectly, subsisted at 30 June 2020 or at any time during the six months ended 30 June 2020.

董事及董事委員會組成變更

自2019年12月31日以來，董事資料的變動載列如下：

獨立非執行董事

獨立非執行董事彭永康先生於2020年7月31日辭任。錢俊先生於2020年7月31日獲委任為獨立非執行董事。如欲了解更多詳情，請參閱本公司日期為2020年7月31日的公告。

董事於重大交易、安排或合同中的權益

除「關連交易及持續關連交易」一節及未經審核簡明綜合財務報表附註20所披露的關連方交易外，於2020年6月30日或截至2020年6月30日止6個月內任何時間，概無與本公司業務有關且本公司或其任何附屬公司作為訂約方及董事或董事之關連實體直接或間接擁有實質利益的重大交易、安排或合同。

OTHER INFORMATION (CONTINUED)
其他資料(續)

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2020, the interests and short positions of each Director and chief executive of the Company in the shares of the Company, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO), or which were required to be entered in the register referred to in section 352 of the SFO, or which were required to be notified under the Model Code, are set out below:

(i) The Company

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

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

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

董事於證券之權益

於2020年6月30日，本公司各董事及最高行政人員於本公司股份、本公司或任何相聯法團(定義見證券及期貨條例(「證券及期貨條例」)第XV部)之相關股份及債權證中擁有根據證券及期貨條例第XV部第7及第8分部須通知本公司及聯交所(包括根據證券及期貨條例有關規定被視作或被視為擁有的權益或淡倉)或須記錄於證券及期貨條例第352條所述登記冊或根據標準守則須予通知的權益及淡倉載列如下：

(i) 本公司

附註1：字母「L」表示該人士在該等股份中的好倉。

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

OTHER INFORMATION (CONTINUED)
其他資料(續)

(ii) Morris Capital (Note 1)

(ii) 慕容資本(附註1)

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

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

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

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

附註2：字母「L」代表該名人士於該等股份的好倉。

Save as disclosed above, none of the Directors, chief executives of the Company had any other personal, family, corporate and other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 30 June 2020.

除上文所披露者外，於2020年6月30日，本公司之董事及最高行政人員概無於本公司或其任何相聯法團（按證券及期貨條例第XV部賦予之涵義）之股份、相關股份或債權證擁有須記入根據證券及期貨條例第352條須予設存之登記冊或根據標準守則須通知本公司及聯交所之任何其他個人、家族、公司及其他權益或淡倉。

OTHER INFORMATION (CONTINUED)
其他資料 (續)

SUBSTANTIAL SHAREHOLDERS' INTEREST

主要股東之權益

Name of shareholders 股東名稱／姓名	Nature of Interest 權益性質	Number of securities (Note 1) 證券數目 (附註1)	Approximate percentage of shareholding 佔股權概約百分比
Morris Capital (Note 2) 慕容資本 (附註2)	Beneficial owner 實益擁有人	750,000,000 shares／股(L)	75% (L)
Wu Xiangfei (Note 3) 鄒向飛 (附註3)	Interest of spouse 配偶權益	750,000,000 shares／股(L)	75% (L)
Morris ESOP Development Limited (Note 4)	Trustee 信託人	50,166,000 shares／股(L)	5.02% (L)
Morris ESOP Development Limited (附註4)			

As at 30 June 2020, 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:

於2020年6月30日，本公司根據證券及期貨條例第336條存置之股東登記冊顯示，下列人士(本公司董事或最高行政人員除外)於股份或相關股份中擁有相關權益或淡倉：

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

附註1：字母「L」表示該人士在該等股份中的好倉。

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

附註2：慕容資本由鄒格兵先生擁有85%和鄒向飛女士擁有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：鄒向飛女士是鄒格兵先生的配偶。根據證券及期貨條例，鄒向飛女士將因此被視為或被當作擁有與鄒格兵先生相同的股份權益。

Note 4: These shares are held by Morris ESOP Development Limited ("Morris ESOP"), which is wholly owned by The Core Trust Company Limited (as trustee of the Award Scheme), for the benefit of certain participants eligible under and pursuant to the term of the restricted share award scheme of the Company (the "Award Scheme") as adopted by the Board on 29 August 2019. For further details, please refer to the announcement made by Company on 29 August 2019 and the paragraph headed "Restricted Share Award Scheme" above in this report.

附註4：該等股份由The Core Trust Company Limited (作為獎勵計劃的受託人)全資擁有的Morris ESOP Development Limited(「Morris ESOP」)持有，受益人為根據董事會於2019年8月29日採納的本公司受限制股份獎勵計劃(「獎勵計劃」)的條款而符合資格的若干參與者。詳情請參閱本公司於2019年8月29日的公告及本報告上文「受限制股份獎勵計劃」一段。

Save as disclosed above, the Company has not been notified of any other person (other than the Directors and chief executives of the Company) who had an interest or short position in the shares and/or underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO as at 30 June 2020.

除上文所披露者外，於2020年6月30日，本公司並無接獲任何其他人士(本公司董事及最高行政人員除外)通知，表示其於本公司股份及／或相關股份中持有須根據證券及期貨條例第XV部第2及第3分部向本公司披露之權益或淡倉。

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the Company's business were entered into or existed during the six months ended 30 June 2020.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save for the share option scheme and share award scheme of the Company as disclosed in this report, at no time during the Reporting Period was the Company, its holding company, or its subsidiaries a party to any arrangements to enable the Directors (including their spouse and children under 18 years of age) to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

There were no competing business of which a Director of the Company had a material interest, whether directly or indirectly, subsisted as at 30 June 2020 or at any time during the six months ended 30 June 2020.

DEED OF NON-COMPETITION

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

The Company has received the confirmation of the Non-Compete Covenantors' in respect of their compliance with the non-competition undertakings under the Deed of Non-competition during the six months ended 30 June 2020.

管理合約

於截至2020年6月30日止6個月，概無訂立或存在有關本公司全部或任何重大部分業務的經營管理的合約。

購買股份或債權證之安排

除本報告披露的本公司購股權計劃和股份獎勵計劃外，本公司、其控股公司或其任何附屬公司於報告期間任何時間概無訂立任何安排，使董事(包括其配偶及18歲以下的子女)可藉購入本公司或任何其他法團之股份或債權證而獲益。

董事於競爭業務的權益

於2020年6月30日或截至2020年6月30日止6個月內的任何時間，概無董事於與本公司業務直接或間接構成競爭的業務中擁有任何重大權益。

不競爭契據

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

截至2020年6月30日止6個月，本公司已收到不競爭契約方按照不競爭契據遵守不競爭承諾的合規確認函。

OTHER INFORMATION (CONTINUED) 其他資料(續)

The independent non-executive Directors also reviewed the Non-Compete Covenants' compliance with the non-competition undertakings. The independent non-executive Directors confirmed that the Non-Compete Covenants were not in breach of the non-competition undertakings during the six months ended 30 June 2020.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the Reporting Period, the rental expenses paid by the Group (as tenants) to Morris PRC (the landlord and a connected person of the Company) constituted non-exempted continuing connected transactions. The aggregated annual caps of the lease agreements for the year ended 31 December 2017 and 2018 and the years ending 31 December 2019 and 2020 are RMB15 million, RMB15 million, RMB15 million and RMB15 million, respectively. For the six months ended 30 June 2020, the rental expenses paid to Morris PRC were approximately RMB6.6 million which did not exceed the relevant annual cap for the same period. Subsequent to the period end, on 8 July 2020, the Group entered into the 2020 Lease Renewal Agreement with Morris PRC to agree on the renewal of the leases of the 2020 Leased Properties, subject to the obtaining of approval from the Independent Shareholders. On 21 August 2020, the Group and Morris PRC entered into a supplemental agreement regarding the lease renewal. Further details on the leases are set out in the Company's announcements dated 8 July 2020 and 21 August 2020, and note 20 to the unaudited condensed consolidated financial statements in this report.

獨立非執行董事亦已審查不競爭契約方對不競爭承諾的遵守情況。獨立非執行董事確認，不競爭契約方於截至2020年6月30日止6個月並無違反不競爭承諾。

關連交易及持續關連交易

於報告期間，本集團(作為租客)向慕容中國(為業主及本公司關連人士)支付租金開支構成非豁免持續關連交易。截至2017年及2018年12月31日止年度以及截至2019年及2020年12月31日止年度，租賃協議的總年度上限分別為人民幣15百萬元、人民幣15百萬元、人民幣15百萬元及人民幣15百萬元。截至2020年6月30日止6個月，支付予慕容中國的租金開支約為人民幣6.6百萬元，並無超出同期的相關年度上限。於報告期結束後，於2020年7月8日，本集團與慕容中國訂立2020年租賃重續協議，以同意重續2020年租賃物業的租約，惟須取得獨立股東的批准。於2020年8月21日，本集團與慕容中國就租賃重續訂立補充協議。有關租賃的進一步詳情載於本公司日期為2020年7月8日及2020年8月21日的公告及本報告內未經審核簡明綜合財務報表附註20。

OTHER INFORMATION (CONTINUED)
其他資料 (續)

MAJOR CUSTOMERS AND SUPPLIERS

During the six months ended 30 June 2020, sales to the Group's five largest customers and purchases from the five largest suppliers accounted for approximately 47.3% and 62.9% of the Group's total revenue and purchases for the six months ended 30 June 2020, respectively. The Group's largest customer accounted for around 14.4% of the Group's total revenue for the six months ended 30 June 2020. The Group's largest supplier accounted for around 20.5% of the Group's total purchase for the six months ended 30 June 2020.

At no time during the six months ended 30 June 2020 did a Director, a close associate of a Director or a Shareholder (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest customers or suppliers.

AUDIT COMMITTEE

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Qian Jun, Mr. Liu Haifeng and Mr. Chu Guodi. Mr. Qian Jun is the chairman of the Audit Committee. The Audit Committee has reviewed the unaudited condensed consolidated interim results and interim report of the Group for the six months ended 30 June 2020, discussed with the management and is of opinion that it complies with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made.

By Order of the Board

Morris Holdings Limited

ZOU GEBING

Chairman

Hong Kong, 28 August 2020

主要客戶及供應商

於截至2020年6月30日止6個月，本集團向五大客戶之銷售額及向五大供應商之採購額分別佔本集團截至2020年6月30日止6個月總收益及總採購額約47.3%及62.9%。本集團最大客戶佔本集團截至2020年6月30日止6個月總收益約14.4%。本集團最大供應商佔本集團截至2020年6月30日止6個月總採購額約20.5%。

於截至2020年6月30日止6個月任何時間，概無董事、董事的緊密聯繫人或股東（就董事所知擁有本公司已發行股本5%以上權益者）於本集團五大客戶或供應商中擁有權益。

審核委員會

審核委員會現時由三名獨立非執行董事錢俊先生、劉海峰先生及褚國弟先生組成。錢俊先生為審核委員會主席。審核委員會已審閱本集團截至2020年6月30日止6個月未經審核簡明綜合中期業績及中期報告，與管理層討論且認為其已符合適用會計準則、上市規則及法律規定，並已作出充分披露。

承董事會命

慕容控股有限公司

鄒格兵

主席

香港，2020年8月28日



MORRIS
HOLDINGS LIMITED

MORRIS HOLDINGS LIMITED
慕容控股有限公司

