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MORRIS
HOME HOLDINGS LIMITED

MORRIS HOME HOLDINGS LIMITED

慕容家居控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1575)

ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS

- Revenue decreased by approximately 17.1% to approximately RMB502.9 million in 2021 (2020: approximately RMB606.4 million)
- Gross profit increased by approximately 74.2% to approximately RMB102.4 million in 2021 (2020: approximately RMB58.8 million)
- Loss for the year increased by approximately 45.0% to approximately RMB120.6 million in 2021 (2020: approximately RMB90.7 million)
- Basic loss per share was approximately RMB12.85 cents in 2021 as compared with basic loss per share of approximately RMB9.56 cents in 2020
- The Board did not recommend the payment of any dividend (2020: nil) for the year ended 31 December 2021

The board (the “**Board**”) of directors (the “**Directors**”) of Morris Home Holdings Limited (the “**Company**”) announces the unaudited consolidated annual results (the “**Unaudited Annual Results**”) of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2021 (“**2021**” or the “**Reporting Period**”) together with the comparative figures for the year ended 31 December 2020 (“**2020**”). The Unaudited Annual Results have been prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”) as below. For the reasons explained in the paragraph headed “Review of Unaudited Annual Results” in this announcement, the auditing process for the annual results of the Group for the year ended 31 December 2021 has not been completed.

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	<i>Notes</i>	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Revenue	5	502,932	606,363
Cost of sales		<u>(400,506)</u>	<u>(547,597)</u>
Gross profit		102,426	58,766
Other income and gains	6	23,894	120,508
(Allowance for)/reversal of expected credit losses in respect of financial assets carried at amortised cost, net		(5,044)	10,231
Impairment loss on property, plant and equipment		(4,846)	(12,954)
Impairment loss on right-of-use assets		(3,821)	(18,084)
Selling and distribution expenses		(67,801)	(97,235)
Administrative expenses		(112,686)	(99,759)
Other expenses and losses		(27,170)	(31,723)
Finance costs	7	<u>(22,468)</u>	<u>(17,590)</u>
Loss before tax	8	(117,516)	(87,840)
Income tax expenses	9	<u>(3,116)</u>	<u>(2,890)</u>
Loss for the year		<u>(120,632)</u>	<u>(90,730)</u>
Other comprehensive loss:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements		(2,534)	(10,886)
<i>Item that was reclassified to profit or loss:</i>			
Reclassification of cumulative exchange fluctuation reserve upon disposal of subsidiaries		<u>(1,978)</u>	<u>(11,885)</u>
Other comprehensive loss for the year, net of income tax		<u>(4,512)</u>	<u>(22,771)</u>
Total comprehensive loss for the year		<u>(125,144)</u>	<u>(113,501)</u>

	<i>Notes</i>	2021 RMB'000 (Unaudited)	2020 <i>RMB'000</i> <i>(Audited)</i>
(Loss)/profit attributable to:			
Owners of the Company		(118,738)	(91,192)
Non-controlling interests		(1,894)	462
		<u>(120,632)</u>	<u>(90,730)</u>
Total comprehensive (loss)/profit attributable to:			
Owners of the Company		(123,338)	(113,939)
Non-controlling interests		(1,806)	438
		<u>(125,144)</u>	<u>(113,501)</u>
Loss per share attributable to ordinary equity holders of the Company			
Basic (<i>RMB cents</i>)	10	<u>(12.85)</u>	<u>(9.56)</u>
Diluted (<i>RMB cents</i>)	10	<u>(12.85)</u>	<u>(10.01)</u>

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	<i>Notes</i>	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		1,068	32,316
Right-of-use assets		7,641	23,449
Deferred tax assets		–	4,142
		<hr/>	<hr/>
Total non-current assets		8,709	59,907
		<hr/>	<hr/>
CURRENT ASSETS			
Inventories		85,947	171,229
Trade receivables	12	39,873	140,380
Prepayments, deposits and other receivables		35,109	106,284
Amount due from a shareholder		322	324
Amounts due from related companies		179,502	92,521
Pledged deposits		14,705	70,238
Cash and cash equivalents		13,485	35,969
		<hr/>	<hr/>
Total current assets		368,943	616,945
		<hr/>	<hr/>
CURRENT LIABILITIES			
Trade and bills payables	13	179,145	265,237
Contract liabilities		9,858	13,239
Other payables and accruals		43,320	49,766
Amounts due to related companies		27,734	46,575
Interest-bearing bank and other borrowings		64,616	94,734
Warranty provision		2,907	3,124
Lease liabilities		13,032	17,259
Derivative financial instruments		78	313
Convertible loan		69,977	84,356
Income tax payables		3,382	3,749
		<hr/>	<hr/>
Total current liabilities		414,049	578,352
		<hr/>	<hr/>
NET CURRENT (LIABILITIES)/ASSETS		(45,106)	38,593
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		(36,397)	98,500
		<hr/>	<hr/>

<i>Notes</i>	2021 RMB'000 (Unaudited)	2020 <i>RMB'000</i> <i>(Audited)</i>
NON-CURRENT LIABILITIES		
Deferred tax liabilities	34	123
Lease liabilities	11,970	21,634
	<hr/>	<hr/>
Total non-current liabilities	12,004	21,757
	<hr/>	<hr/>
Net (liabilities)/assets	(48,401)	76,743
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Share capital	6,914	6,914
Reserves	(53,685)	69,653
	<hr/>	<hr/>
Equity attributable to owners of the Company	(46,771)	76,567
Non-controlling interests	(1,630)	176
	<hr/>	<hr/>
Total equity	(48,401)	76,743
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL

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

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

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

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

This announcement has been approved for issue by the Board on 31 March 2022.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements included applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing rule**”) and the Hong Kong Companies Ordinance.

Going concern

The Group incurred a net loss of approximately RMB131,467,000 during the year ended 31 December 2021 and, as of that date, the Group’s current liabilities exceeded its current assets and total liabilities exceeded its total assets by approximately RMB45,106,000 and RMB48,401,000 respectively. As at the same date, the Group’s aggregate interest-bearing bank and other borrowings, lease liabilities and convertible loan amounted to approximately RMB64,616,000, RMB25,002,000 and RMB69,977,000, respectively, whilst its cash and cash equivalents amounted to approximately RMB13,485,000. The Group’s convertible bonds with outstanding principal amounts of approximately RMB69,977,000 as at 31 December 2021, matured and fell due for repayment during the year ended 31 December 2021. These outstanding principals amounts and related overdue interests, amounting to approximately RMB72,875,000 in aggregate, were not repaid as at 31 December 2021.

In view of the above circumstances, the Directors have given careful consideration to the future liquidity and financial position of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain plans and measures have been taken to mitigate the liquidity position and to improve the Group's financial position which include, but are not limited to the followings:

- (i) The Group is taking measures to tighten cost control with an aim to attain positive cash flow from operations;
- (ii) Two of the indirect wholly-owned subsidiaries of the Group filed pre-restructuring applications with the People's Court of Haining City to request the Court to allow those two subsidiaries to formulate pre-restructuring plans to resolve the debt positions;
- (iii) The Group is in the process of negotiating with its convertible loan holder and bank to restructure and/or refinance its borrowings, and secure necessary facilities to meet the Group's working capital and financial requirements in the near future;
- (iv) The Directors are considering various alternatives to strengthen the capital base of the Company including but not limited to, seeking new investment and business opportunities, entered into the placing agreement with the placing agent on 25 February 2022. A total of 200,000,000 placing shares have been successfully placed by the placing agent to not less than six places at placing price of HK\$0.12 per placing share. The net proceed from placing amounted to approximately HK\$23.71 million have been completed on 23 March 2021;
- (v) The shareholder of the Company, Morris Capital Limited has stated that, is willing to provide financial support to the Group to enable the Group to continue as a going concern and to settle its liabilities as and when they fall due; and
- (vi) The Group is currently re-negotiating the repayment schedules with certain of its debtors and endeavouring to request them to repay the trade receivables in accordance with the repayment schedules agreed with them.

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
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In addition, the Group has early applied the Amendment to HKFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021.

In addition, the Group applied the agenda decision of the IFRS decision of the IFRS Interpretation Committee (the “Committee”) of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

The application of the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

HKFRS 17	Insurance Contracts and the related Amendments ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1, and HKFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 ¹

¹ Effective for annual periods beginning on or after 1 January 2022.

² Effective for annual periods beginning on or after 1 January 2023.

³ Effective for annual periods beginning on or after a date to be determined.

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

4. SEGMENT INFORMATION

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

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

- a. Retail segment
- b. Manufacturing segment

Segment revenue and results

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

	Retail segment		Manufacturing segment		Elimination of intersegment sales		Total	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Segment revenue								
External sales	216,304	183,671	286,628	422,692	-	-	502,932	606,363
Internal sales	-	-	106,739	103,046	(106,739)	(103,046)	-	-
	<u>216,304</u>	<u>183,671</u>	<u>393,367</u>	<u>525,738</u>	<u>(106,739)</u>	<u>(103,046)</u>	<u>502,932</u>	<u>606,363</u>
Segment loss	<u>(27,583)</u>	<u>(31,576)</u>	<u>(79,985)</u>	<u>(121,688)</u>	<u>-</u>	<u>(1,078)</u>	<u>(107,568)</u>	<u>(154,342)</u>
Interest income							529	1,107
Fair value change on contingent consideration receivables							-	9,411
Loss on derivative financial instruments							(78)	-
Gain on modification of convertible loan							-	11,503
Gain on disposal of subsidiaries							8,250	57,761
Unallocated corporate expenses							(15,522)	(11,002)
Unallocated finance costs							<u>(3,127)</u>	<u>(2,278)</u>
Loss before tax							<u>(117,516)</u>	<u>(87,840)</u>

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

Inter-segment sales are charged at prevailing market rates.

Segment assets and liabilities

	Retail segment		Manufacturing segment		Consolidated	
	2021	2020	2021	2020	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Segment assets	48,067	114,632	297,682	554,890	345,749	669,522
Unallocated corporate assets					31,903	7,330
Consolidated assets					377,652	676,852
Segment liabilities	37,241	54,386	304,202	459,944	341,443	514,330
Unallocated corporate liabilities					84,610	85,779
Consolidated liabilities					426,053	600,109

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 certain of amounts due from related parties, amount due from a shareholder and other unallocated corporate assets); and
- all liabilities are allocated to operating segments other than unallocated corporate liabilities (mainly comprising amounts due to related companies, derivative financial instruments, convertible loan and other unallocated corporate liabilities).

Other segment information

	Retail segment		Manufacturing segment		Unallocated		Total	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Addition of right-of-use assets	-	30,596	4,637	-	-	-	4,637	30,596
Addition of property, plant and equipment	1,444	2,539	1,070	65,502	-	-	2,514	68,041
Depreciation of property, plant and equipment	1,765	3,002	965	5,218	-	-	2,730	8,220
Depreciation of right-of-use assets	8,138	26,941	844	4,721	-	-	8,982	31,662
(Reversal)/provision against obsolete and slow-moving inventories	57	291	(41,224)	39,557	-	-	(41,167)	39,848
Allowance for/(reversal of) allowance for) expected credit losses in respect of trade receivables, net	(345)	223	4,931	(11,031)	-	-	4,586	(10,808)
(Reversal of)/allowance for expected credit losses in respect of on prepayments, deposits and other receivables, net	29	(41)	(119)	140	(4)	4	(94)	103
Allowance for expected credit losses in respect of amounts due from related parties, net	-	-	552	474	-	-	552	474
Impairment loss on property, plant and equipment	80	1,489	4,766	11,465	-	-	4,846	12,954
Impairment loss on right-of-use assets	-	8,350	3,821	9,734	-	-	3,821	18,084
Gain on disposal of subsidiaries	-	-	-	-	(8,250)	(57,761)	(8,250)	(57,761)
Loss on disposal of property, plant and equipment	1,079	-	86	15,677	-	-	1,165	15,677
Loss on disposal of right-of-use assets	-	-	-	5,086	-	-	-	5,086
Finance costs	977	5,767	18,364	9,545	3,127	2,278	22,468	17,590

Geographical information

The following table sets out information about the geographical locations of the Group's revenue from external customers during the year and the Group's non-current assets.

(a) Revenue from external customers

The geographical locations of the customers are determined based on the locations of customer.

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
People's Republic of China (including Hong Kong)	71,869	16,890
The United States of America ("US" or "U.S.")	246,050	466,088
Europe (<i>Note (a)</i>)	166,937	110,693
Others	18,076	12,692
	<u>502,932</u>	<u>606,363</u>

Note:

(a) Europe mainly include France, Norway, Spain, Ireland and United Kingdom.

(b) Non-current assets

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
The People's Republic of China (including Hong Kong)	5,068	17,260
Cambodia	–	32,233
The U.S.	71	–
The United Kingdom ("U.K.")	3,570	6,272
	<u>8,709</u>	<u>55,765</u>

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

Information about major customers

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

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Customer 1	140,930	89,985
Customer 2	61,793	76,798
Customer 3	52,419	88,192
Customer 4	65,410	70,558
	<u>320,562</u>	<u>325,533</u>

5. REVENUE

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

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

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
<i>Recognised at a point of time:</i>		
Manufacture and sales of sofas, sofa cover and other furniture products	502,225	605,901
Commission income	707	462
	<u>502,932</u>	<u>606,363</u>

6. OTHER INCOME AND GAINS

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Interest income	529	1,107
Exchange gains	–	2,585
Government subsidies	3,057	6,279
Gain on modification of convertible loan	–	11,503
Gain on remeasurement of leases	–	4,832
Gain on disposal of subsidiaries	8,250	57,761
Rental income	844	5,549
Covid-19-related rent concessions	–	501
Sales of raw materials	–	407
Repair service income	–	1,759
Compensation on factory relocation	–	18,683
Fair value change on contingent consideration receivables	–	9,411
Compensation income	3,259	–
Waiver of other payables	7,759	–
Others	196	131
	<u>23,894</u>	<u>120,508</u>

7. FINANCE COSTS

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Interest on bank borrowing	15,791	7,577
Interest on discount trade bills	2,009	1,332
Interest on convertible loan	3,127	2,278
Interest on lease liabilities	1,541	6,403
	<u>22,468</u>	<u>17,590</u>

8. LOSS BEFORE TAX

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

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Cost of inventories sold	441,673	507,749
Depreciation of property, plant and equipment	2,730	8,220
Depreciation of right-of-use assets	8,982	31,662
Expense relating to short-term lease	19,956	12,478
Impairment loss on property, plant and equipment	4,846	12,954
Impairment loss on right-of-use assets	3,821	18,084
Loss on disposal of property, plant and equipment	1,165	15,677
Loss on disposal of right-of-use assets	–	5,086
Auditors' remuneration:		
Audit and audit related services	1,304	1,415
Non-audit services	204	248
	<u>1,508</u>	<u>1,663</u>
Employee benefit expenses (excluding directors' and Chief executives remuneration):		
Salaries, wages and benefits in kind	63,443	51,950
Pension scheme contributions*	16,388	8,626
	<u>79,831</u>	<u>60,576</u>
(Reversal)/provision against obsolete and slow-moving inventories**	(41,167)	39,848
Allowance for/(reversal of) expected credit losses in respect of trade receivables, net	4,586	(10,808)
(Reversal of)/allowance for expected credit losses in respect of prepayments, deposits and other receivables, net	(94)	103
Allowance for expected credit losses in respect of amounts due from related companies, net	552	474
Product warranty additional provision	2,908	3,268
Gain on modification of convertible loan	–	(11,503)
Loss on derivative financial instruments	78	311
Exchange losses	456	8,254
	<u><u>456</u></u>	<u><u>8,254</u></u>

* At 31 December 2021, the Group had no forfeited contributions available to reduce its contributions to pension schemes in future years (2020: Nil).

** The above items are included in "Cost of sales" on the face of the consolidated statement of profit or loss and other comprehensive income.

9. INCOME TAX EXPENSES

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 of Hong Kong Profits Tax, 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%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

PRC subsidiaries are subject to the PRC Enterprise Income Tax at 25% during the year (2020: 25%). Pursuant to the relevant laws and regulations in the PRC, Zhejiang Morris Fashion Home Co., Ltd. (“**Fashion home**”) and Zhejiang Apollo Leather Products Co., Ltd. (“**Apollo**”), which qualified as High and New Technology Enterprises (“**HNTE**”) in November 2018, were entitled to a reduced enterprise income tax rate of 15%. During the years ended 31 December 2021 and 2020, Fashion Home an Apollo applied the qualification of HNTE and are entitled to the reduced tax rate of 15% until the year ended 16 December 2024.

The U.S. corporate tax rate is 21% for the year ended 31 December 2021 in accordance to the Tax Cuts and Jobs Act. The U.S. income tax includes (a) federal income tax calculated at a fixed rate of 21% for the year ended 31 December 2021 (2020: a fixed rate of 21%) on the estimated U.S. federal taxable income and (b) state income tax to 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.

A change to the main U.K. corporation tax rate, announced in the Budget on 11 March 2020, was substantively enacted on 17 March 2020. The rate applicable from 1 April 2020 now remains at 19%, rather than the previously enacted reduction to 17%. Deferred taxes are calculated based on the rates enacted in respect of future periods as at the reporting date. Pursuant to the income tax rules and regulations of U.K., the subsidiary comprising the Group in U.K. is liable to U.K. at a tax rate of 19% for the year ended 31 December 2021 and 2020.

Pursuant to the relevant laws and regulations in Cambodia, the tax of the Cambodia subsidiary is 20% during the years ended 31 December 2021 and 2020.

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Current – PRC		
– Charge for the year	–	2,954
– (Over)/under-provision in prior year	(1,194)	155
Current – Hong Kong		
– Charge for the year	255	86
– Over-provision in prior year	–	(2,807)
Current – Other		
– Charge for the year	–	331
– Under-provision in prior year	–	60
Deferred tax	<u>4,055</u>	<u>2,111</u>
Tax expenses for the year	<u><u>3,116</u></u>	<u><u>2,890</u></u>

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

The calculation of basic loss per share amount for the year ended 31 December 2021 was based on the loss for the year attributable to ordinary equity holders of the Company of approximately RMB118,738,000 (2020: approximately RMB91,192,000), and the weighted average number of ordinary shares of 924,188,000 after excluding treasury shares (2020: 953,526,940) in issue during the year.

For the year ended 31 December 2021, no adjustment has been made to the basic loss per share amounts as the Group had no potentially dilutive ordinary shares in issue.

Diluted loss per share amounts for the year ended 31 December 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 year ended 31 December 2020 is adjusted to exclude the interest expense on the convertible loan and gain on modification of convertible loan less tax effect, if any.

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

	2020 <i>RMB'000</i> (Audited)
Loss for the purpose calculating basic loss per share (loss for the year attributable to the owners of the Company)	(91,192)
Interest on the convertible loan	2,278
Gain on modification of convertible loan	<u>(11,503)</u>
Loss attributable to the owners of the Company, used in the diluted loss per share calculation	<u><u>(100,417)</u></u>
	2020 (Audited)
Weighted average number of ordinary shares in issue, used in the basic earnings per share calculation	953,526,940
Effect of dilutive – weighted average number of ordinary shares: Convertible loan	<u>49,985,193</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u><u>1,003,512,133</u></u>

11. DIVIDENDS

The board of directors did not recommend the payment of dividend of the year ended 31 December 2021 (2020: Nil).

12. TRADE RECEIVABLES

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Trade receivables from third parties	51,480	147,401
Less: allowance for expected credit losses	<u>(11,607)</u>	<u>(7,021)</u>
	<u><u>39,873</u></u>	<u><u>140,380</u></u>

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

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

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Within 3 months	32,955	134,551
4 to 6 months	6,290	5,628
7 to 12 months	628	201
	39,873	140,380

13. TRADE AND BILLS PAYABLES

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Trade payables to third parties	91,982	113,039
Bills payable		
– arising from intra-group purchases	67,348	54,098
– arising from third party purchases	19,815	98,100
	179,145	265,237

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:

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Within 1 month	15,187	100,252
1 to 3 months	7,772	44,978
4 to 6 months	60,700	48,014
Over 6 months	95,486	71,993
	179,145	265,237

The trade and bills payables are non-interest-bearing. Trade payables are normally settled on terms of 30 to 180 days while bills payables are settled on a term of 90 to 270 days.

14. SUBSEQUENT EVENTS

- (a) On 19 January 2022, Zhejiang Apollo Leather Products Co., Ltd. and Zhejiang Morris Fashion Home Co., Ltd. (collectively, the “**Relevant Subsidiaries**”), both being indirect wholly-owned subsidiaries of the Group, filed pre-restructuring applications with the People’s Court of Haining City (the “**Court**”) to request the Court to allow the Relevant Subsidiaries to formulate pre-restructuring plans to resolve their debt positions. Further details were set out in the announcements of the Company dated 19 January 2022.

- (b) On 25 February 2022, the Company and the placing agent entered into the placing agreement pursuant to which the Company appointed the placing agent to place, subject to the fulfillment of the conditions precedent to the placing, a maximum of 200,000,000 placing shares to not less than six independent placees at a price of HK\$0.12 per placing share. The placing shares have been completed on 23 March 2022. Further details were set out in the announcement of the Company dated 25 February 2022, 28 February 2022 and 23 March 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year of 2021, the Group continued to maintain its markets and distribution channels, amidst the challenges caused by the global impact of COVID-19.

Due to the decrease in sales volume of sofa, sofa covers and other furniture products as a result of the prolonged effect of COVID-19 epidemic and Sino-US trade tension, the Group's revenue decreased from approximately RMB606.4 million in 2020 to approximately RMB502.9 million in 2021, representing a decrease of approximately 17.1%. Loss for the year was increased from approximately RMB90.7 million in 2020 to approximately RMB120.6 million in 2021, principally due to the decrease in other income and gains and the increase in administrative expenses.

Business development in North America

As our revenue was mainly derived from the U.S., the Sino-US tension and the COVID-19 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 with our US customers, the profit margin of our exported products was also affected.

Retail business development in China and Hong Kong

As of December 2021, the Group had a total of 1 flagship showroom, 1 self-operated retail stores and 35 franchise stores across different provinces in Mainland China.

In Hong Kong, the Group had a total of 4 self-operated retail stores in Central, Sha Tin, Tsuen Wan and Tai Kok Tsui, respectively and 6 points of consignment sales in Kowloon Bay, Kwun Tong, Yuen Long, Wan Chai, Tsuen Wan and Lai Chi Kok. 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.

Business development in other countries

The COVID-19 has an ongoing effect on the consumption sentiment on a worldwide basis. To cope with these challenges, we have continued to make efforts to maintain the relationship with customers and will continue to leverage on our resources in growing the business with these customers.

FINANCIAL REVIEW

For the year of 2021, the principal business activities of Group comprise the manufacturing and sales of sofas, sofa covers and other furniture products.

During the year, the revenue of the Group amounted to approximately RMB502.9 million (2020: approximately RMB606.4 million), representing a decrease of approximately 17.1% as compared with last year, which was mainly due to the impact of COVID-19 epidemic globally. Affected by the prolonged effect of COVID-19 on worldwide basis, we experienced reduced sales volume of products and decreased revenue from sales of sofa, sofa covers and other furniture products.

The net loss of the Group amounted to approximately RMB120.6 million during the year, as compared with the net loss of RMB90.7 million in last year. The increase in net loss were mainly attributable to the decrease in other income and gains and the increase in administrative expenses.

The Company's basic loss per ordinary share was RMB12.85 cents for the year of 2021 (2020: RMB9.56 cents) based on the loss for the year attributable to ordinary equity holders of the Company of approximately RMB118.7 million (2020: RMB91.2 million), and the weighted average number of ordinary shares of 924,188,000 for the year of 2021 (2020: 953,526,940).

Cost of sales

The cost of sales of the Group decreased by approximately 26.9% from approximately RMB547.6 million in 2020 to approximately RMB400.5 million in 2021, which was primarily due to the decrease in sales volume.

Gross profit

The Group's gross profit for the year was approximately RMB102.4 million (2020: approximately RMB58.8 million), representing an increase of approximately 74.2% as compared with last year. The gross profit margin increased from 9.7% in 2020 to 20.4% in 2021 primarily due to the increase in sales of higher gross margin product in Hong Kong and other markets and the reverse of inventory provision due to clearance sales.

Other income and gains

The other income and gains of the Group decreased from approximately RMB120.5 million in 2020 to approximately RMB23.9 million in 2021. Such decrease was primarily due to the one-off gain on modification of convertible loan, gain on disposal of subsidiaries and compensation on factory relocation in 2020 which did not recur in 2021.

Selling and distribution expenses

The selling and distribution expenses of the Group decreased by approximately 30.2% from approximately RMB97.2 million in 2020 to approximately RMB67.8 million in 2021. Such decrease was primarily due to the decrease in marketing cost and freight out cost.

Administrative expenses

The administrative expenses of the Group increased by approximately 12.9% from approximately RMB99.8 million in 2020 to approximately RMB112.7 million in 2021, which was primarily due to increase in rental expenses, director remuneration and employee benefit expenses in China.

Finance costs

The finance costs of the Group increased by approximately 27.8% from approximately RMB17.6 million in 2020 to approximately RMB22.5 million in 2021, which was primarily due to the increase in interest on bank loans.

Income tax expense

The income tax expense of the Group increased by approximately 6.9% from approximately RMB2.9 million in 2020 to approximately RMB3.1 million in 2021. The movement was mainly attributable to the over-provision in prior year in China and net off the increase of deferred tax expenses.

LIQUIDITY AND CAPITAL RESOURCES

Borrowing and pledge of assets

As at 31 December 2021, the Group's interest-bearing bank and other borrowings amounted to approximately RMB64.6 million, all of which were repayable within twelve months from 31 December 2021. The interest rates of bank and other borrowings ranged from 4.5% to 9% per annum.

Gearing ratio

The gearing ratio of the Group, which is total debts (comprised of amounts due to related companies, lease liabilities, convertible loan and interest-bearing bank and other borrowings) divided by equity attributable to owners of the Company as at the end of the year and multiplied by 100%, increased from approximately 345.5% as at 31 December 2020 to approximately 400.5% as at 31 December 2021, which was primarily due to significant decrease of equity attributable to owners of the Company.

Capital commitments

The Group did not have any capital commitment as at 31 December 2021 and 2020.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 31 December 2021.

Trade receivables

The trade receivables of the Group decreased to approximately RMB39.9 million (2020: approximately RMB140.4 million) as at 31 December 2021, primarily due to the decrease in sales to the Group's customers in the fourth quarter in 2021 as compared to the corresponding period in 2020.

Trade and bills payables

The trade and bills payables of the Group decreased to approximately RMB179.1 million (2020: approximately RMB265.2 million) as at 31 December 2021, primarily due to the decrease in purchases from the Group's suppliers in the fourth quarter in 2021 as compared to the corresponding period in 2020.

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 2021, the Group did not experience any material difficulties or impacts on its operations or liquidity as a result of currency exchange fluctuation. The Group used forward exchange contract for hedging purposes during 2021 and no hedging instruments outstanding as at 31 December 2021 (2020: approximately RMB313,000). The Group will continue to monitor closely the exchange rate risk arising from its existing operations and new investments in the future. The Group will further implement the necessary hedging arrangement to mitigate any significant foreign exchange risk if and when appropriate.

GOING CONCERN

The Group incurred a net loss of approximately RMB120,632,000 during the year ended 31 December 2021 and, as of that date, the Group's current liabilities exceeded its current assets and total liabilities exceeded its total assets by approximately RMB45,106,000 and RMB48,401,000 respectively. As at the same date, the Group's aggregate interest-bearing bank and other borrowings, lease liabilities and convertible loan amounted to approximately RMB64,616,000, RMB25,002,000 and RMB69,977,000, respectively, whilst its cash and cash equivalents amounted to approximately RMB13,485,000. The Group's convertible bonds with outstanding principal amounts of approximately RMB69,977,000 as at 31 December 2021, matured and fell due for repayment during the year ended 31 December 2021. These outstanding principals amounts and related overdue interests, amounting to approximately RMB72,875,000 in aggregate, were not repaid as at 31 December 2021.

In view of the above circumstances, the Directors have given careful consideration to the future liquidity and financial position of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain plans and measures have been taken to mitigate the liquidity position and to improve the Group's financial position which include, but are not limited to the followings:

- (i) The Group is taking measures to tighten cost control with an aim to attain positive cash flow from operations;
- (ii) Two of the indirect wholly-owned subsidiaries of the Group filed pre-restructuring applications with the People's Court of Haining City to request the Court to allow those two subsidiaries to formulate pre-restructuring plans to resolve the debt positions;
- (iii) The Group is in the process of negotiating with its convertible loan holder and bank to restructure and/or refinance its borrowings, and secure necessary facilities to meet the Group's working capital and financial requirements in the near future;
- (iv) The Directors are considering various alternatives to strengthen the capital base of the Company including but not limited to, seeking new investment and business opportunities, entered into the placing agreement with the placing agent on 25 February 2022. A total of 200,000,000 placing shares have been successfully placed by the placing agent to not less than six places at placing price of HK\$0.12 per placing share. The net proceed from placing amounted to approximately HK\$23.71 million have been completed on 23 March 2021;
- (v) The shareholder of the Company, Morris Capital Limited has stated that, is willing to provide financial support to the Group to enable the Group to continue as a going concern and to settle its liabilities as and when they fall due; and
- (vi) The Group is currently re-negotiating the repayment schedules with certain of its debtors and endeavouring to request them to repay the trade receivables in accordance with the repayment schedules agreed with them.

The Directors are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as they fall due within twelve months from the date of approval of the consolidated financial statements. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, since the execution of the above plans and measures are in progress, significant uncertainties exist as to whether management of the Group will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to achieve these plans and measures, including ability to repay, renew or to restructure and/or refinance its borrowings with convertible bonds holders and bank, generate adequate financing and operating cash flows.

Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised other than at the amounts at which they are currently carried in the consolidated statement of financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and liabilities as current assets and liabilities. The effects of these adjustments have not been reflected in the consolidated financial statements.

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF THE ENTIRE SHARE CAPITAL OF A SUBSIDIARY

On 8 January 2021, Morris International Group Limited (the “**Vendor**”), a direct wholly-owned subsidiary of the Company, and Morris Capital Limited (the “**Purchaser**”), a connected person of the Company, entered into the share purchase agreement, pursuant to which the Vendor agreed to sell, and the Purchaser agreed to acquire the entire issued share capital of Masia Investment Limited (the “**Disposal Company**”), for the aggregate consideration of US\$5.513 million (approximately RMB36 million). Further, it is agreed between the Vendor and the Purchaser that the Purchaser shall take the Disposal Company with the current liabilities of the Disposal Group. The transaction was completed on 9 March 2021. Further details of the disposal of the Disposal Company were set out in the announcements of the Company dated 8 January 2021 and 9 March 2021 and the circular of the Company dated 18 February 2021.

CHANGE OF COMPANY NAME

On 13 April 2021, the Company changed its English name from “Morris Holdings Limited” to “Morris Home Holdings Limited” and adopted the Chinese name “慕容家居控股有限公司” as its dual foreign name to replace its former Chinese name “慕容控股有限公司” (the “**Change of Company Name**”). Further details of the Change of Company Name were set out in the announcements of the Company dated 24 February 2021, 1 April 2021 and 26 May 2021 and the circular of the Company dated 10 March 2021. The Change of Company Name was registered with Hong Kong Companies Registry on 13 May 2021. Following the Change of Company Name becoming effective, the stock short name of the Company has changed from “MORRIS HOLD” in English and “慕容控股” in Chinese to “MORRIS HOME” in English and “慕容家居” in Chinese with effect from 9:00 a.m. on 1 June 2021. The Company also adopted a new company logo with effect from 1 June 2021.

HUMAN RESOURCES MANAGEMENT

The management of the Group believes that talent is the basis for long-term development of enterprises. The Group targets to enhance its corporate image through building up and solidifying the Company’s brand name. With the ‘Five Hearts of Morris’: ambition, confidence, determination, perseverance and loyalty, as core values, the Group targets to establish a distinctive corporate culture. Through regular trainings and promotion of its corporate culture, the Group provides its staff with opportunities for personal growth and enhances the employees’ sense of belonging to the Group. In addition, the Group provides its

employees with competitive remuneration packages and various benefits in line with industry practice. At the same time, the Group strives to create a good working environment, and cultivates teamwork spirit among employees. The Group carries out performance evaluation quarterly, and conducts “Morris Artisans” evaluations, aiming at elevating the morale of the Group’s technicians. The Group regularly reviews human resources policies to ensure that the policies align with market practice and comply with regulatory requirements. As of 31 December 2021, the Group employed 1,070 employees (31 December 2020: 1,494 employees). The total annual salary and related costs (excluding directors’ remuneration) for 2021 were approximately RMB79.8 million (2020: RMB60.6 million).

The Company operates a share option scheme which allows the Company to grant options to eligible persons as rewards for their contributions to the Group. The share option scheme has been adopted by the Company on 10 December 2016. No share options were granted, exercised or cancelled by the Company under the share option scheme during the period from 12 January 2017, the date on which the Shares were listed on the Stock Exchange (the “**Listing Date**”), up to 31 December 2021 and there were no outstanding share options under the share option scheme as at 31 December 2021 and the date of this announcement.

EVENTS AFTER THE REPORTING PERIOD

- (a) On 19 January 2022, Zhejiang Apollo Leather Products Co., Ltd. and Zhejiang Morris Fashion Home Co., Ltd. (collectively, the “**Relevant Subsidiaries**”), both being indirect wholly-owned subsidiaries of the Group, filed pre-restructuring applications with the People’s Court of Haining City (the “**Court**”) to request the Court to allow the Relevant Subsidiaries to formulate pre-restructuring plans to resolve their debt positions. Further details were set out in the announcements of the Company dated 19 January 2022.
- (b) On 25 February 2022, the Company and the placing agent entered into the placing agreement pursuant to which the Company appointed the placing agent to place, subject to the fulfillment of the conditions precedent to the placing, a maximum of 200,000,000 placing shares to not less than six independent places at a price of HK\$0.12 per placing share. The placing shares have been completed on 23 March 2022. Further details were set out in the announcement of the Company dated 25 February 2022, 28 February 2022 and 23 March 2022.

OUTLOOK

The Group expect to be faced with more challenges in 2022. The board will keep a close watch on the development of the situation, continue to refine our management and make timely adjustments to our operation and sales strategies.

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

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

RESTRICTED SHARE AWARD SCHEME

The Restricted Share Award Scheme (the “**Award Scheme**”) was adopted by the Board on 29 August 2019 (the “**Adoption Date**”) as an incentive to retain and encourage employees for the continual operation and development of the Group. The trustee of the Award Scheme did not acquire any Shares during 2021. As at 31 December 2021, 75,812,000 Shares acquired under the Award Scheme were deemed to be held in treasury, representing 7.58% of the Shares in issue as at 31 December 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as a code of conduct of the Company for Directors’ securities transactions. All Directors have confirmed that they complied with the required standard set out in the Model Code during the year ended 31 December 2021.

CORPORATE GOVERNANCE CODE

The Company is committed to maintain high standards of corporate governance to protect the interests of its shareholders and to enhance corporate value and accountability. The Company has adopted the code provisions (“**Code Provisions**”) of the Corporate Governance Code (“**CG Code**”) set out in Appendix 14 of the Listing Rules. Save for the disclosed below, the Company has applied and complied with the relevant provisions of the Code Provisions during the year ended 31 December 2021.

According to Code Provision A.2.1 (subsequently rearranged and renumbered as C.2.1) of the CG 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.

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

EXCHANGE RATE

For the purpose of this announcement, unless otherwise indicated, translations of U.S. dollars to RMB have been made at the rate of US\$1 to RMB6.53, translations of Hong Kong dollars to RMB have been made at the rate of HK\$1 to RMB0.8 and translations of GBP to RMB have been made at the rate of GBP1 to RMB8.91. These translations are for the purposes of illustration only and no representation is made by the Company that any amounts in U.S. dollars and RMB or Hong Kong dollars and RMB can be or could have been converted at the above rate or any other rates or at all.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) currently comprises three independent non-executive directors, namely Mr. Liu Haifeng, Mr. Chu Guodi and Mr. Qian Jun. The Audit Committee has discussed with the management of the Company and the Company’s external auditors and reviewed the unaudited consolidated financial statements of the Group for 2021, including accounting principles and practices adopted by the Group, and discussed the risk management, internal controls and financial reporting matters related to the preparation of the annual results of the Group for 2021.

The Group’s unaudited annual financial results for the year ended 31 December 2021 as contained in this announcement have not been agreed by the Company’s auditors, but have been reviewed by the Audit Committee of the Company. The audit committee is of the opinion that such statements comply with applicable accounting standards, the Listing Rules and other legal requirements, and that adequate disclosures have been made.

DIVIDEND

The Board does not recommend any payment of final dividend (2020: Nil).

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process for the annual results of the Group for the year ended 31 December 2021 has not been completed as at the date of this announcement. Due to lockdowns and restrictions in force in parts of China to combat the COVID-19 outbreak, the auditor of the Company is unable to obtain certain necessary documents and information (including but not limited to audit confirmation letters) to complete the audit verification procedures. The unaudited results contained herein have not been agreed by the Company’s auditors as required under Rule 13.49(2) of the Listing Rules.

An announcement relating to the audited results and the material differences (if any) as compared with the unaudited consolidated financial results for the year ended 31 December 2021 contained herein will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants.

The Company expects the audit will be completed on or before 30 May 2022. The Company will issue further announcement(s) as and when necessary if there are other material developments in the completion of the auditing process.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This unaudited annual results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.morrishome.com.hk). The annual report of the Company for the year ended 31 December 2021 is expected to be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company on or before 30 May 2022. The Company will dispatch notice of the proposed date of the forthcoming annual general meeting of the Company (the “**2022 AGM**”) and the book closure period for the purpose of ascertaining shareholders’ eligibility to attend and vote at the 2022 AGM.

APPRECIATION

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

WARNING STATEMENT

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

By order of the Board
Morris Home Holdings Limited
Zou Gebing

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 31 March 2022

As at the date of this announcement, the executive Directors are Mr. Zou Gebing, Mr. Shen Zhidong and Mr. Wu Yueming; and the independent non-executive Directors are Mr. Liu Haifeng, Mr. Chu Guodi and Mr. Qian Jun.