



**MANWAH**

**MAN WAH HOLDINGS LIMITED**

(Incorporated in Bermuda with limited liability)

(Stock Code: 01999)



Interim Report  
2021/22

**Home essential**



**First Class Experience**

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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Wong Man Li (*Chairman*)  
Mr. Feng Guohua (*Chief Executive Officer*)  
Ms. Hui Wai Hing  
Mr. Alan Marnie  
Mr. Dai Quanfa  
Ms. Wong Ying Ying

### Independent non-executive Directors

Mr. Ong Chor Wei  
Mr. Chau Shing Yim, David  
Mr. Kan Chung Nin, Tony  
Mr. Ding Yuan

## AUDIT COMMITTEE

Mr. Chau Shing Yim, David (*Chairman*)  
Mr. Ong Chor Wei  
Mr. Kan Chung Nin, Tony  
Mr. Ding Yuan

## NOMINATION COMMITTEE

Mr. Wong Man Li (*Chairman*)  
Mr. Chau Shing Yim, David  
Mr. Kan Chung Nin, Tony  
Mr. Ding Yuan

## REMUNERATION COMMITTEE

Mr. Ding Yuan (*Chairman*)  
Mr. Wong Man Li  
Mr. Chau Shing Yim, David  
Mr. Kan Chung Nin, Tony

## COMPANY SECRETARY

Ms. Fu Ying

## Corporate Information

### AUDITOR

PricewaterhouseCoopers  
Certified Public Accountants  
Registered Public Interest Entity Auditor  
22/F Prince's Building  
Central  
Hong Kong

### BERMUDA SHARE REGISTRAR AND SHARE TRANSFER AGENT

Ocorian Service (Bermuda) Limited  
Victoria Place, 5th Floor  
31 Victoria Street  
Hamilton HM 10  
Bermuda

### HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716  
17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

### REGISTERED OFFICE

Canon's Court  
22 Victoria Street  
Hamilton HM 12  
Bermuda

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

1st Floor, Wah Lai Industrial Center  
10-14 Kwei Tei Street, Fotan  
New Territories, Hong Kong

### LEGAL ADVISERS

Reed Smith Richards Butler  
Esteria Management (Bermuda) Limited

## Corporate Information

### PRINCIPAL BANKERS

Hang Seng Bank  
Hong Kong and Shanghai Banking Corporation Limited  
Citibank, N.A.  
China Construction Bank Corporation  
Agricultural Bank of China Limited  
Industrial and Commercial Bank of China Limited  
Bank of China Limited

### STOCK CODE

1999

### WEBSITE

[www.manwahholdings.com](http://www.manwahholdings.com)

### INVESTOR RELATIONS CONSULTANT

Strategic Financial Relations Limited  
2401-2 Admiralty Centre I  
18 Harcourt Road  
Hong Kong

# Chief Executive Officer's Statement

## DEAR SHAREHOLDERS,

On behalf of the board (the "Board") of directors (the "Directors") of Man Wah Holdings Limited ("Man Wah" or the "Company"), I hereby present the unaudited interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 September 2021 ("1HFY2022" or the "Review Period").

## BUSINESS REVIEW

During the Review Period, the Group faced a continuously challenging domestic and international economic environment. Following the global outbreak of the novel coronavirus (COVID-19) pandemic last year, it continued to affect globally at various degrees until this year. Under the COVID-19 pandemic that lasted for nearly two years, the global manufacturing supply and demand sides are seriously out of balance. The price of raw materials such as leather, wood, steel, etc. required by the Company has risen significantly, which put a lot of cost pressure on our manufacturing. At the same time, the shipping prices of exports from Asian to the United States and Europe have risen significantly, which increased our export transportation costs. The pressure on the cost side has a huge impact on the global manufacturing industry. Under the COVID-19 pandemic, many unfavorable external environments such as that of the front-end manufacturing, mid-end transportation and back-end demand, have brought severe challenges to the development of the Group during the Review Period.

Since our establishment, we have experienced and witnessed 30 years of challenges and opportunities at various levels. Weather-beaten and tested, we have built our own comparative advantages to resist setbacks and keep stable development capabilities. And with that we maintained the stability of the Group's gross profit margin and achieved an increase of 53.9% in the sales revenue of the Group while facing multiple challenges during the Review Period and under the impact of rising prices on raw materials and shipping. Since the sharp edge of a sword is the work of strenuous whetting, we will unremittably devote ourselves to improving the Company's overall competitiveness.

In the Chinese market, the huge market demand for upholstered furniture catered to the increasing competitiveness of the Group's products. We objectively and prudently assessed the economic and market demand conditions, and took the opportunity to expand our offline channels, so that consumers all over the country had the opportunity to purchase and enjoy our first-class service at the price of economy class. Even in the face of the continued impact of the pandemic and external competition, in the first half of the fiscal year, we continued to expand offline store channels and successfully opened 1,247 stores ("excluding merger and acquisition of brands STYLE (格調) and PULINI (普麗尼)"). While expanding channels, we simultaneously enhanced the store management by continuously upgrading and specializing in refined management of stores, so as to output higher-level store management awareness, enhance dealer cohesion and competitiveness, and empower offline dealers to increase the profitability of each store. With the development of the times and changes in transmission modes, emerging consumption channels are constantly evolving and upgrading. The Group is committed to maintaining an open perspective and constantly embracing changes and emerging channels. The Group has a significant first-mover advantage in traditional e-commerce business, and the new retail business continues to stay in the first tier in the online platform regarding upholstered furniture. In addition to traditional e-commerce channels, the Group began to vigorously expand the live broadcast business this year, and achieved rapid growth.

In overseas markets, sales orders from the United States have increased significantly with the gradual alleviation of the pandemic in North America since the year to date, and orders from Europe has steadily increased with the control of the pandemic. However, the sharp rise in raw materials price and shipping fee has also affected the Group's overseas profits. In the second quarter of the fiscal year, a large-scale outbreak of the pandemic in Vietnam caused a short-term shutdown of the factory in Vietnam, which impacted our production and shipments for certain months. Under the severe pandemic, the management of our factory in Vietnam stayed on the front line and worked together with all employees to ensure the shipments in order. Up to now, we have accelerated the resumption of work and production of the factory in Vietnam, and gradually realized normal production and operation. During the Review Period, revenue from the North America market was HK\$2.56 billion, a year-on-year increase of 60.5%. Revenue from Europe and other overseas markets was HK\$1,121.47 million, a year-on-year increase of 64.97%.

## Chief Executive Officer's Statement

The Group continued to carry forward the spirit of craftsmanship to improve production and operation efficiency and product quality. Through ten years of deep technology cultivation, the vertical integrated production of core components has been achieved, creating product differentiation and shaping Man Wah's core technical barriers. With the further development and growth of the Group, we have begun to focus on exploration in the areas of smart new retail and informatization. The manufacturing and sales links of the long chain of durable consumer goods have set up a high manufacturing threshold for us, while leaving a lot of rooms for upgrades. We hope to continuously improve the efficiency of operation and management through the acquisition and analysis of big data, and gradually realize the informatization, visualization, and coordination of the manufacturing and sales links, so as to lay a solid foundation for the Group's continuous and rapid development in the upholstered furniture. In respect of product development and design, we are committed to continuously improving comfort, technology sense and aesthetics, strengthening the depth and breadth of the Group's products in the upholstered furniture, and creating better products and services for consumers. We are devoted to continuously improving the global influence of CHEERS brand, and deepening channel construction and store distribution, to achieve long-term sustainable growth and profitability improvement of the Group.

## PROSPECTS

After 30 years of development, Man Wah, as a leading enterprise in the upholstered furniture, has served three generations of the global consumer families. The Company has carried out comprehensive building and accumulation in manufacturing, product R&D, channel construction, brand accumulation, market development and other modules. The bottom of the barrel represents the most essential level of competitiveness. Based on comprehensive capacity building, Man Wah has constructed a solid moat for upholstered furniture manufacturing. In the future economic fluctuations and development process, we will continue to strengthen and improve various capabilities and further upgrade our competitiveness. According to the research report issued by Frost & Sullivan regarding the recliner sofas market in early 2020, the sales of recliner sofas in the Chinese market accounted for less than 6%, and Man Wah's market share of recliner sofas in China exceeded 50%, ranking first in global sales. Compared with the mature upholstered furniture market in the United States, the current penetration rate of recliner sofas is close to 50%. Facing China's larger population and upholstered furniture market, we believe that through the next golden decade of upholstered furniture development, the Group will continue to strengthen product research and development, accelerate the market share and penetration of recliner sofas in China, gradually align with mature European and American markets, and strive to continue to maintain the Company's leading position in this field. While promoting the development of the core sofas business, the Group has completed a comprehensive layout of upholstered furniture and customization. The horizontal category covers the entire field of beds, mattresses, supporting dining tables and chairs, and customized furniture. In the segmented mattress market, the Group's business has been growing rapidly. In the future, we will continue to strive for the best in the field of customized furniture to build Man Wah into a leading enterprise in one-stop home furnishing with recliner sofas and mattresses as its core competitive foothold, covering all categories of upholstered furniture and customization.

In respect of research and development, the Group will continue to increase investment in product research and development, and launch more highly competitive new series of products, with fashionable and generous appearance, comfortable functions, assured quality, high price-performance ratio, and first-class service, which will be favored by more consumers. The Group will continue to strengthen the core competitiveness in the field of recliner sofas, including but not limited to brand promotion, product innovation, channel expansion, marketing promotion, team building, service upgrades, etc., to maintain the absolute leading position in the industry, and achieve a rapid increase in the market share of recliner sofas in China.

In respect of manufacturing, the Group boasts a global manufacturing system, covering five production and manufacturing bases for domestic needs, production base in Binh Duong, Vietnam for products to United States, and local manufacturing plants in Europe. The layout supply of global balanced production capacity and solid production and manufacturing capacity brings down logistics costs, satisfies the growing market demand, and provides strong manufacturing support and large-scale cost advantages for the development of our global upholstered furniture business.

## Chief Executive Officer's Statement

In respect of brand promotion, we keep strengthening the recognition and influence of the brand “Cheers First-class Cabin” in China’s consumer market. Since 2015, we have increased investment in promoting the construction of various platforms such as e-commerce, live streaming, offline stores, etc. In combination with marketing methods such as live streaming, online celebrity endorsement, VR, video, and 5G big smart screen, we have materially enhanced the experience and exposure of household products and therefore the sales experience frequency, conversion rate and average transaction amount. In recent five years, consumers who buy our products are becoming younger, the house type is gradually universalized, and the demand for replacing recliner sofas with new ones surges. The trend of diversified, young and fashionable brands will continue in the Group, which is conducive to meeting the needs of Chinese consumer groups of all ages and consumption levels.

We also pay strong attention to the large-scale growth of the Group and the development trend of the consumer market, to achieve the goal of scaled-up and mass development. We value and invest in the construction of smart new retail and big data platforms. We introduce a great number of professional IT and operation talents to develop and upgrade software for the production, operation, store management, after-sales training and other departments of the Company. Our VR visualization system and CRM system present richer and more diversified purchasing scenarios. In the future, we will devote ourselves to building a big data platform integrating production and manufacturing, transportation service, store management, etc.. This aims to further enhance production efficiency, realize data and information management and control of intelligent terminal stores, improve operation quality, and boost better sales and performance of dealers.

The US and Europe are the key markets that the Group has nurtured for years. With pandemic prevention measures and control and economic recovery, we will renew our efforts to build the core competitiveness of overseas factories and further increase our market share.

It is the mission of the Group to provide healthy, comfortable, value-added and fashionable products for thousands of households. The Group will further enhance the popularity of the “CHEERS” brand, while continuously expanding distribution channels and promoting digital exhibition halls and experiential marketing. At the end of the Review Period, we had more than 5,300 stores. Pushing forward channel construction, we attach importance to enabling dealers and training talents to maintain store efficiency and growth level. With recliner sofas as the lance, we expand a line of high-end, mid-range, and cost-effective products, and boasts a full range of upholstered furniture including beds, mattresses and ancillary tables and chairs. During the Review Period, we acquired the high-end customized brand Naku Customization (那庫定製), and promoted the full coverage of Man Wah to the field of upholstered furniture and customized furniture. We hope that the Group’s products, catering to the needs of consumers of all ages and consumption levels, will become a truly popular consumer brand to satisfy consumers’ longing for a better life and improved living quality.

## APPRECIATION

On behalf of the Board, I would like to express my gratitude to all of our shareholders, partners, consumers and employees for their great support and trust to the Group in the past. We believe that no pain no gain, adversity makes a good company even stronger. We will continue to work hard to forge ahead, improve the Company from inside to reward shareholders with better return, and create more valuable and favorite products for consumers.

**Man Wah Holdings Limited**  
**Feng Guohua**

*Chief Executive Officer and Executive Director*  
12 November 2021



# Management Discussion and Analysis

## MARKET REVIEW

During the Review Period, the continuing COVID-19 had caused major fluctuation and impact on global manufacturing as well as supply and demand. Benefited from long-term accumulation of past experience, Man Wah had gradually improved its ability to resist risks, and could still maintain a steady and robust development in the face of major changes in the market. At the same time, we continued to consolidate our internal strength by improving product R&D capabilities, enriching the Company's product line, actively expanding the domestic market and enhancing the strength of distributors, and maintained an ongoing and substantial increase in the Company's overall revenue.

### China market

According to data released by the National Bureau of Statistics of China, the national GDP growth reached approximately 9.8% in the first three quarters of 2021. During the Review Period, China's overall economic and consumption situation was facing a variety of challenges and pressures. The continuing pandemic has caused impact on demand side at various levels during the Review Period. Meanwhile, domestic consumption and real estate policy regulation also had various degrees of impact on related segments. As Man Wah is in upholstered furniture industry of durable consumer goods and consumer upgrade back-end products, it was relatively less affected by the real estate and overall consumer environment. When everyone has accommodation of their own, the consumption potential released in the future will be more toward quality home life. Consumers' demand for comfort and quality life will gradually increase, which will bring increased demand for high-quality, high-value-added, and highly cost-effective products. With long-term accumulation of strong manufacturing and cost control capability, the Group provided consumers with high-quality and highly cost-effective upholstered furniture, and has always focused on increased product differentiation and enhanced R&D to build its own product competitiveness. As one of the leading companies in the upholstered furniture market, the Group's market share and the penetration rate of its recliner sofas remained at low level. The upholstered furniture market has a huge potential and its development is still ascending. Facing the long-term and stable demand for updating furniture products and consumption upgrades in the future, the Company hopes to seize the industry development opportunities in the future development, continuously strengthen the competitiveness of enterprises and products, and focus on long-term development to consolidate Man Wah's operation quality, thus to become a sizeable upholstered furniture leader.

### Overseas markets

During the Review Period, the pandemic in Europe and the United States were gradually under control, and production and consumption gradually returned to normal. In the post pandemic time, the demand for household products from overseas consumers has grown substantially. Coupled with economic support policies and real estate boom in the United States, the Group recorded a substantial increase in order volume during the Review Period, while the sharp rise in raw materials prices and rising shipping fee have had a greater impact on the Company's export profit margin. The United States' nominal GDP reached approximately US\$5.82 trillion in the third quarter in 2021. According to the data released by the US Census Bureau, America's homeownership rates reached 65.4% in the third quarter this year. According to the US Bureau of Economic Analysis, the growth rate of furniture and household equipment consumer goods for U.S. residents was higher than that of GDP. The Group will obtain a bigger share and increased revenue in future competition by leveraging its advantages in large-scale production capacity, quality and cost.

### BUSINESS REVIEW

During the Review Period, benefiting from the diversified market distribution and after years of development, the Group's business has gradually changed from an export-oriented business model to a brand-oriented business model. Currently, the brand sales business in China accounted for over 60%. Under the challenges of the global COVID-19 pandemic, the European and American markets were greatly affected by the pandemic. The Group seized the opportunity to vigorously develop business in the Chinese market, expand stores to occupy a favorable consumer flow entrance, and improve the store operation and product innovation and research and development capabilities. The Group achieved a revenue growth of 53.9% in the Group's business, and remained to rank first in terms of global recliner sofas sales. The Group's revenue reached a record high during the Review Period. The breakdown of revenue by region is as follows:

#### 1 China market

During the Review Period, the Group's sales revenue in the PRC market was HK\$6,669,445,000 and the revenue from business in the PRC market was HK\$6,399,612,000 (excluding revenue from other businesses such as real estate and shopping mall properties), representing an increase of 52.6% as compared with HK\$4,192,622,000 for the corresponding period last year.

In respect of the offline sales channels in the PRC market, the Group continued to carry out the "Pacing China" strategy, seized the opportunity of the pandemic to promote the optimization of the industry layout, and accelerated the opening of stores, which further increased the overall number of stores and the area of stores in the PRC. As at 30 September 2021, the Group had a total of 5,369 brand stores in China (excluding the acquisition of 662 Style and Pulini stores). During the Review Period, the net increase in the number of stores was 1,247.

In terms of the online sales channels in Chinese market, the Group continued to enhance its sales on Tmall, JD.com and other e-commerce sales platforms, and actively promoted the live broadcast sales model. Through short video promotion, live broadcast of our own stores, and in-depth collaboration with leading online streamers, we have achieved a substantial increase in business results, fans and brand influence. In addition, the Group also made active deployment in new retail business, in order to achieve the integration of online and offline business and explore new growth.

In addition to the focus on production and sales of sofas and bedding products, the Group also produced and sold chairs and other products to high-speed railways, chain cinemas and other corporate customers. The Group also produced and sold some smart furniture spare parts and other products.

Furthermore, the Group has acquired a sofas manufacturer and furniture components manufacturer in Guangdong Province during the Review Period, respectively, which had been consolidated into the account of the Group's subsidiaries since 1 April 2021.

## 2 North America market

In the North American market, due to the recovery from impact of the pandemic, revenue in the North America market increased during the Review Period compared with the last corresponding period. During the Review Period, sales revenue from principal business in the North American market amounted to HK\$2,562,340,000, representing an increase of approximately 60.5% from HK\$1,596,241,000 in the last corresponding period.

To mitigate the negative impacts on the revenue and gross profit margin due to the tariff imposed by US Government, the Group has acquired a factory in Vietnam in June 2018 and the new factory has been put into operation in Vietnam since 2020.

In addition, the Company produces a part of its higher-ended sofas in the factory in China and exports them to US. The higher margin of the higher ended sofas can help to cover part of higher costs of the products produced in Chinese factory due to the US tariff.

## 3 Europe and other overseas markets

In Europe and other overseas markets, the Group recorded an increase in revenue during the Review Period due to recovery from the global COVID-19 epidemic. During the Review Period, excluding Home Group, sales revenue from principal business in Europe and other overseas regions amounted to HK\$656,541,000, representing a year-on-year increase of 89.4% from HK\$346,612,000 for the corresponding period last year.

During the Review Period, Home Group had five sofas manufacturing plants in Poland, the Baltic States and Ukraine, which are mainly engaged in the design and production of stationary sofas and sofas beds. The products of Home Group are sold to many European furniture retailers. Its revenue from main business increased by 39.5% compared with the same period last year.

## FINANCIAL REVIEW

### Revenue and gross profit margin

	Revenue (HK\$'000)			As a percentage of revenue		Gross profit margin	
	1HFY2022	1HFY2021	Change	1HFY2022	1HFY2021	1HFY2022	1HFY2021
Sofas and ancillary products business	<b>7,058,984</b>	4,640,663	52.1%	<b>68.1%</b>	67.6%	<b>37.5%</b>	36.1%
Other products	<b>2,559,509</b>	1,494,812	71.2%	<b>24.7%</b>	21.8%	<b>33.1%</b>	30.4%
Home Group business	<b>464,930</b>	333,197	39.5%	<b>4.5%</b>	4.9%	<b>25.6%</b>	35.3%
Other businesses	<b>131,028</b>	168,220	-22.1%	<b>1.3%</b>	2.4%	<b>67.1%</b>	43.1%
Other income	<b>143,485</b>	231,095	-37.9%	<b>1.4%</b>	3.3%	–	–
<b>Total</b>	<b>10,357,936</b>	<b>6,867,987</b>	<b>50.8%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>36.2%</b>	<b>35.0%</b>

For the Review Period, total revenue (including the income from main business and other income) of the Group increased by approximately 50.8% to approximately HK\$10,357,936,000 (six months ended 30 September 2020 (“1HFY2021”): approximately HK\$6,867,987,000). The overall gross profit margin was approximately 36.2% (approximately 35.0% for the corresponding period of last year).

## Management Discussion and Analysis

During the Review Period, excluding Home Group business, the Group sold approximately 820,000 sets of sofas products (1HFY2021: approximately 662,000 sets), representing an increase of approximately 23.8% (one set equals to six seats, in calculating sofas sets, excluding chairs and other products which were sold to commercial clients), in which sets of sofas products for sales in China has increased by 24.3% and sets of sofas products for sales of export increased by 23.2%.

### 1 Sofas and ancillary products business

During the Review Period, revenue from business of sofas and ancillary products was approximately HK\$7,058,984,000, representing an increase of approximately 52.1% as compared with approximately HK\$4,640,663,000 recorded in the last corresponding period.

### 2 Sales of other products

During the Review Period, the Group's revenue from other products (comprising of bedding, smart furniture spare parts and other furniture products sold to commercial clients) reached approximately HK\$2,559,509,000, representing an increase of approximately 71.2% as compared with approximately HK\$1,494,812,000 in the last corresponding period.

### 3 Home Group Business

During the Review Period, the Group's revenue from Home Group reached approximately HK\$464,930,000, which is up by approximately 39.5% compared with approximately HK\$333,197,000 in the last corresponding period.

### 4 Other Businesses

During the Review Period, the Group's revenue from real estate, the hotel and furniture mall operations reached approximately HK\$131,028,000, which is down by approximately 22.1% compared with approximately HK\$168,220,000 in the last corresponding period.

### 5 Other income

During the Review Period, the Group's other income (as detailed under paragraph headed "Other Income" below) amounted to approximately HK\$143,485,000, representing a decrease of approximately 37.9% from approximately HK\$231,095,000 in the last corresponding period.

## Management Discussion and Analysis

### Direct costs

#### Direct costs breakdown

	1HFY2022 HK\$'000	1HFY2021 HK\$'000	Change
Cost of raw materials	5,290,830	3,474,358	52.3%
Labour costs	932,559	638,072	46.2%
Manufacturing overhead	290,837	202,200	43.8%
Total	<u>6,514,226</u>	<u>4,314,630</u>	<u>51.0%</u>

Major raw materials for production of sofas	Average unit cost year-on-year change
Leather	13.3%
Metal frame	21.2%
Wood	20.1%
Fabric	2.1%
Chemicals	51.7%
Packaging Paper	14.4%

## OTHER INCOME

During the 1HFY2022, the Group's other income decreased by approximately 37.9% from approximately HK\$231,095,000 in the corresponding period last year to approximately HK\$143,485,000. The decrease was mainly due to the change of sales of scrap materials of the furniture components from other income to principal operating income as a result of business change.

	1HFY2022 HK\$'000	1HFY2021 HK\$'000	Change
Income from sales of scrap*	15,147	59,423	-74.5%
Government subsidies**	81,914	102,477	-20.1%
Income on structured deposits and interest income***	41,566	31,793	30.7%
Others	4,858	37,402	-87.0%
Total	<u>143,485</u>	<u>231,095</u>	<u>-37.9%</u>

Notes:

\* Income from sales of scrap is revenue from the sales of leather scrap, cotton, wood and others generated in the normal production process of the Company's sofas and bedding products in 1HFY2022.

\*\* Government subsidies mainly consist of financial subsidies from local governments to subsidiaries which are responsible for the sales of products and providing services in China market.

\*\*\* Income from structured deposits originated from the use of unutilized funds by the Group to invest in wealth management products of major commercial banks in mainland China.

### OTHER LOSSES, NET

During the 1HFY2022, other losses, net of the Group amounted to approximately HK\$2,856,000, compared with approximately losses of HK\$76,552,000 in the last corresponding period. The aforesaid losses in the last corresponding period mainly came from the exchange losses and loss from fair value changes of financial assets at fair value through profit or loss.

### SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses increased by approximately 73.4% from approximately HK\$1,162,791,000 in the 1HFY2021 to approximately HK\$2,015,834,000 in the 1HFY2022. Selling and distribution expenses as a percentage of revenue increased from approximately 17.5% in the 1HFY2021 to approximately 19.7% in the 1HFY2022, including:

- (a) Offshore transportation and port charges increased by approximately 155.8% from approximately HK\$279,056,000 to approximately HK\$713,760,000. Offshore transportation and port charges as a percentage of revenue increased from approximately 4.2% to approximately 7.0%; domestic transportation expenses increased by approximately 21.3% from approximately HK\$193,983,000 to approximately HK\$235,282,000. Domestic transportation expenses as a percentage of revenue decreased from approximately 2.9% in the 1HFY2021 to approximately 2.3% in the 1HFY2022;
- (b) Advertising, promotion and brand building expenses increased by approximately 25.5% from approximately HK\$205,403,000 to approximately HK\$257,853,000. Advertising, promotion and brand building expenses as a percentage of revenue decreased from approximately 3.1% in the 1HFY2021 to approximately 2.5% in the 1HFY2022;
- (c) Salaries, welfare and commissions of sales staff increased by approximately 85.8% from approximately HK\$181,405,000 to approximately HK\$337,033,000. Salaries, welfare and commissions of sales staff as a percentage of revenue increased from approximately 2.7% in the 1HFY2021 to approximately 3.3% in the 1HFY2022;
- (d) Tariffs on goods exported to the United States increased by approximately 45.4% from approximately HK\$42,838,000 to approximately HK\$62,303,000, representing approximately 0.6% of revenue, which was the same as 1HFY2021; and
- (e) Network service expenses increased by approximately 43.9% from approximately HK\$39,640,000 in the 1HFY2021 to approximately HK\$57,023,000, representing approximately 0.6% of revenue, which was the same as 1HFY2021.

### ADMINISTRATIVE EXPENSES

Administrative expenses increased by approximately 57.0% from approximately HK\$339,969,000 in the 1HFY2021 to approximately HK\$533,771,000 in the 1HFY2022. And their percentage in revenue was increased from approximately 5.1% in the 1HFY2021 to approximately 5.2% in the 1HFY2022.

### SHARE OF RESULTS OF JOINT VENTURES

During the Review Period, share of profit of joint ventures was approximately HK\$5,207,000 (1HFY2021: approximately HK\$1,659,000). During the Review Period, the Group has two joint ventures, of which one operates a bedding business and the other operates an advertising business.

### FINANCE COSTS

The finance costs decreased by approximately 39.3% from approximately HK\$55,186,000 in the 1HFY2021 to approximately HK\$33,505,000 in the 1HFY2022. Such costs were mainly interest expenses of loans.

### INCOME TAX EXPENSE

Income tax expense increased by approximately 79.6% from approximately HK\$132,169,000 in the 1HFY2021 to approximately HK\$237,367,000 in the 1HFY2022. Income tax as a percentage of profit before tax increased from approximately 14.4% in the 1HFY2021 to approximately 18.8% in the 1HFY2022.

### PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY AND NET PROFIT MARGIN

The profit attributable to owners of the Company increased by approximately 31.9% from approximately HK\$749,303,000 in the 1HFY2021 to approximately HK\$988,136,000 in the 1HFY2022. The net profit margin of the Group was approximately 9.7% during the Review Period (approximately 11.3% in the 1HFY2021).

### WORKING CAPITAL

As at 30 September 2021, the Group's cash and cash equivalents (excluding restricted bank balances) were approximately HK\$2,585,184,000. During the Review Period, turnover of the Group's working capital was good and account receivable and inventory turnover days had been kept at a relatively low level. The Group seeks to effectively manage its cash flow and capital commitments to ensure that it has sufficient funds to meet its existing and future cash requirements. The Group has not experienced and does not expect any difficulties in fulfilling the cash requirement for its operation.

### LIQUIDITY AND CAPITAL RESOURCES

As at 30 September 2021, the Group's short-term bank borrowings amounted to approximately HK\$3,496,051,000 and long-term borrowings amounted to approximately HK\$913,000. The Group's bank borrowings are denominated in HK\$ and RMB, and carry interest at fixed and variable rates. The fixed rates range from 0.65% to 3.75% (for the year ended 31 March 2021: 0.71% to 3.92%). The variable rates are subject to either: i) the higher of Hong Kong Interbank Offered Rate plus a spread, ranging from 1.01% to 1.98% (for the year ended 31 March 2021: 1.01% to 1.99%), and best lending rate quoted by the Hong Kong and Shanghai Banking Corporation Limited plus 1%; or ii) Euro Interbank Offered Rate plus a spread, ranging from 2.10% to 2.80% (for the year ended 31 March 2021: 1.59% to 2.80%). The weighted average effective interest rates of the above variable-rate and fixed-rate bank borrowings were 1.22% and 2.41%, respectively (for the year ended 31 March 2021: 1.20% and 2.86%, respectively) per annum.

The Group's primary source of working capital is cash flow from operating activities and bank deposits. As at 30 September 2021, the Group's current ratio was approximately 1.4 (31 March 2021: approximately 1.4). As at 30 September 2021, the Group's gearing ratio was approximately 31.2% (31 March 2021: approximately 33.4%), which is the total borrowings divided by total equity attributable to owners of the Group.

### PLEDGE OF ASSETS

As at 30 September 2021, the restricted bank balances of the Group amounted to approximately HK\$12,114,000. As of 30 September 2021, some subsidiaries of Home Group had pledged certain assets for financing, including property, plant and equipment with a carrying amount of approximately HK\$3,104,000 (31 March 2021: property, plant and equipment with a carrying amount of approximately HK\$3,755,000).

### CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Save as disclosed in Note 23 to the condensed consolidated interim financial information, the Group did not have any material capital commitments.

As at 30 September 2021, the Group did not have any contingent liabilities.

### FOREIGN CURRENCY RISKS

The Group's exposure to currency risks is mainly attributable to trade and other receivables, bank balances, trade and other payables and bank borrowings, which are denominated in currencies other than the functional currency of respective entities of the Group. Except for the business of Home Group, most of the Group's sales in overseas markets are settled in USD, which efficiently avoided the exchange rate fluctuation risk of settlement in other currencies. The Group's sales in mainland China and Hong Kong markets are settled in RMB and Hong Kong Dollar ("HK\$") respectively. Except for the business of Home Group, the Group's costs are mainly settled in USD, RMB and HK\$. The revenue of Home Group's current business in Europe is settled mainly in Euro, while the cost is settled mainly in Euro, Ukrainian Hryvnia and Polish Zloty. The Group conducts its sales in overseas markets and mainland China, and also procures raw materials from both the China market and overseas markets, which helps to reduce the Group's exposure to the foreign exchange risk.

### SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed herein, the Group did not have any significant investments or material acquisitions or disposals of subsidiaries, associates or joint ventures during the 1HFY2022. The Group continues to seek opportunities to acquire furniture companies to accelerate the development of the Group.

### USE OF PROCEEDS FROM PLACING OF NEW SHARES

Reference is made to the Company's announcements dated 15 January 2021 and 22 January 2021 (the "Announcements") in respect of the placing of 150,000,000 new ordinary shares of the Company (the "Placing") at the placing price of HK\$15.85 per share. The net placing price was HK\$15.75 per share. The closing price of the Company's share on 15 January 2021, the date on which the relevant placing agreement was entered into, was HK\$16.20. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the placees and their respective ultimate beneficial owners (if any) were professional, institutional, or other investors. The Company successfully raised a total net proceeds of (after deducting related costs and expenses) from the Placing amounted to approximately HK\$2,362.70 million. Based on a nominal value of HK\$0.40 per share, the aggregate nominal value of the Placing Shares was HK\$60,000,000. As disclosed in the Announcements, the Company intended to use the net proceeds for expansion of China factory manufacturing facilities, digitizing new retail business, increasing number of stores, and general corporate purpose.

As of 30 September 2021, HK\$1,851.06 million of the proceeds from the Placing has been utilised as intended with details as follows:

1. a total of HK\$870.84 million for capacity and factory expansion in China;
2. a total of HK\$204.05 million for investment on production equipment in order to increase the production capacity in the China factory;
3. a total of HK\$217.40 million for the partial settlement of the consideration for the acquisition of 51% equity interest in Shenzhen Style Home Furnishing Co., Ltd.\* (深圳市格調家居有限公司), which owns production facilities in the PRC;



## Management Discussion and Analysis

4. a total of HK\$224.99 million for the partial settlement of the consideration for the acquisition of 60% equity interest in Lion Rock Group Holdings Limited, Pacific Shiner Investment Limited and Gold Sands Investment Company Limited, which own production facilities in the PRC; and
5. a total of HK\$333.78 million for the expenses of increasing the number of stores.

As of 30 September 2021, the remaining net proceeds from the Placing of HK\$511.64 million have not yet been utilised, which is expected to be utilised by 31 March 2022 for the intended purposes as disclosed in the Announcements.

## HUMAN RESOURCES

As at 30 September 2021, the Group had 28,803 employees (31 March 2021: 30,621 employees).

The Group firmly believes that staff is its most important resource, and provides its staff with sound working and living conditions at the main manufacturing bases to help them work with ease. Meanwhile, the Group has developed a comprehensive staff training and development system to enable staff to grow together with the Group. Besides, the Group has also developed a relatively sophisticated performance evaluation system for staff at all levels after years of efforts, as a foundation for motivating staff.

During the 1HFY2022, the total staff cost for the Group amounted to approximately HK\$1,508,835,000 (1HFY2021: approximately HK\$955,956,000), of which approximately HK\$15,969,000 (1HFY2021: approximately HK\$7,579,000) was directors' emoluments. The Group endeavours to keep the remuneration packages of its employees competitive and reward employees on a performance and merit basis with reference to the profitability of the Group and prevailing market conditions. As part of the Group's remuneration system and policy, we have adopted a share option scheme to reward employees and incentivise them to perform better.

## FUTURE PLANS

With the increase in market share and turnover of the Group's products in the Chinese market, the Group will actively increase its production lines and expand plants to increase its capacity; and further reduce costs by increasing self-developed processes and strengthening cost control to enhance the competitiveness of its products in the market.

In terms of products, the Group will further consolidate the leading position of its recliner sofas and leather sofas in the industry through product upgrades and technological breakthroughs. The Group will also enter customized and fabric sofas segments with strong power by ways of mergers and acquisitions, which will enrich the Group's product portfolio, in order to provide consumers with more choices, and continue to meet the people's desire for a better life.

In terms of talent training, the Group invests over RMB10 million each year to empower talent development. Through the comprehensive integration of high-level educational environment and educational resources, the Group provides a strong driving force for the career development of its employees. By implementing a wide range of professional education based on general education and training employees in accordance with their aptitude, the Group has formed an ecological chain of talent cultivation with distinctive characteristics of the Group, which leads the talent cultivation in smart home industry.

# Other Information

## INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK13.0 cents per share (six months ended 30 September 2020: an interim dividend of HK10.0 cents per share) payable to those shareholders of the Company (the “Shareholders”) whose names appear on the Company’s register of members on Wednesday, 1 December 2021.

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

In July and August 2021, the Company repurchased a total of 2,564,000 ordinary shares (“Shares”, each “Share”) of the Company at an aggregate purchase price of HK\$39,207,583 (before brokerage and expenses) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Details of the repurchase of such ordinary shares were as follows:

Month of repurchase	Number of ordinary shares repurchased	Price per ordinary share		Aggregate purchase price (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
July 2021	2,157,600	15.50	14.98	32,946,747
August 2021	406,400	15.50	15.30	6,260,836
Total	2,564,000			39,207,583

The 2,564,000 repurchased Shares were cancelled in August 2021. The issued share capital of the Company was accordingly reduced by the par value of the repurchased Shares so cancelled. The above repurchase was effected by the directors of the Company pursuant to the mandate approved by Shareholders, with a view to benefiting Shareholders as a whole in enhancing the return on net assets and earnings per Share of the Company.

Save as disclosed above, there was no purchase, sale or redemption by the Company, or any of its subsidiaries of its securities during the Review Period.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2021, the interests or short positions of the directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they are taken or deemed to have under such provisions of the SFO), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

### (a) Long positions in the shares, underlying shares and debentures of the Company

Name of director	Capacity	Number of issued ordinary shares held	Approximate percentage of the issued share capital of the Company <sup>1</sup>
Mr. Wong Man Li	Interest in controlled corporation	2,362,336,800 <sup>2</sup>	59.69%
	Spouse	2,517,600 <sup>2</sup>	0.06%
	Beneficial owner	3,052,000 <sup>2</sup>	0.08%
Ms. Hui Wai Hing	Beneficial owner	2,517,600 <sup>3</sup>	0.06%
	Spouse	2,365,388,800 <sup>3</sup>	59.77%
Mr. Alan Marnie	Beneficial owner	800,000 <sup>4</sup>	0.02%
Mr. Dai Quanfa	Beneficial owner	980,800 <sup>5</sup>	0.02%
Ms. Wong Ying Ying	Beneficial owner	2,181,200 <sup>6</sup>	0.06%

*Notes:*

- The percentage of the Company's issued share capital is based on the 3,957,409,600 Shares issued as at 30 September 2021.
- These 2,362,336,800 Shares are beneficially owned by Man Wah Investments Limited which, in turn, is owned by Mr. Wong Man Li and Ms. Hui Wai Hing as to 80% and 20%, respectively. Mr. Wong is therefore deemed to be interested in the entire 2,362,336,800 Shares held by Man Wah Investments Limited. Mr. Wong is a director of Man Wah Investments Limited. Mr. Wong also holds 2,789,600 Shares and 262,400 share options granted to him under the share option schemes ("Share Option Schemes") of the Company. Upon exercise of the share options, Mr. Wong will directly own an aggregate of 3,052,000 Shares. Mr. Wong is also deemed, under Part XV of the SFO, to be interested in the 2,517,600 Shares in which Ms. Hui Wai Hing, the spouse of Mr. Wong, has a long position.
- These 2,517,600 Shares represent the 2,196,400 Shares and the 321,200 share options granted to Ms. Hui under the Share Option Schemes, respectively. Upon exercise of the said share options, Ms. Hui will own an aggregate of 2,517,600 Shares. Ms. Hui is also deemed, under Part XV of the SFO, to be interested in the 2,365,388,800 Shares in which Mr. Wong Man Li, the spouse of Ms. Hui, has a long position.

## Other Information

4. This figure represents the aggregate number of the 800,000 Shares held by Mr. Alan Marnie.
5. This figure represents the aggregate number of 580,000 Shares held by Mr. Dai and 400,800 underlying shares upon the exercise of share options granted to Mr. Dai under the Share Option Schemes. Upon exercise of the said share options, Mr. Dai will own an aggregate of 980,800 Shares.
6. This figure represents the aggregate number of 1,933,600 Shares held by Ms. Wong and 247,600 share options granted to Ms. Wong under the Share Option Schemes. Upon exercise of the said share options, Ms. Wong will own an aggregate of 2,181,200 Shares.

### (b) Long positions in the shares of our associated corporation (as defined in the SFO)

Name of Director	Name of associated corporation	Capacity	Number of issued shares held	Approximate percentage in the associated corporation
Mr. Wong Man Li	Man Wah Investments Limited	Beneficial owner	800	80%
Ms. Hui Wai Hing	Man Wah Investments Limited	Beneficial owner	200	20%

Save as disclosed above, as at 30 September 2021, none of the Company's Directors, chief executives or their respective associates 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.

Other than those disclosed in this section, no right to subscribe for equity or debt securities of the Company has been granted by the Company to, nor have any such rights been exercised by, any Directors or chief executives of the Company during the six months ended 30 September 2021.

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 September 2021, the following companies and persons (other than directors or chief executives of the Company) had interests or short positions in the shares of the Company as recorded in the register kept by the Company under Section 336 of the SFO, or fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

### Long positions in the shares of the Company

Name	Capacity	Number of issued ordinary shares held	Approximate percentage of the issued share capital of the Company <sup>1</sup>
Man Wah Investments Limited <sup>2</sup>	Beneficial owner	2,362,336,800	59.69%

*Notes:*

1. The percentage of the Company's issued share capital is based on the 3,957,409,600 Shares issued as at 30 September 2021.
2. Please refer to Notes (2) and (3) under the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above.

Save as disclosed above, as at 30 September 2021, 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.

## Other Information

### SHARE OPTIONS

Details of movements in the share options under the share option scheme of the Company adopted on 5 March 2010 (“2010 Share Option Scheme”) and the share option scheme adopted on 3 July 2020 (“2020 Share Option Scheme”, collectively, the “Share Option Schemes”) during the Review Period were as follows:

Grantee	Date of grant <sup>2</sup>	Vesting period	Exercisable period	Exercise price per share	Number of Share Options <sup>1</sup>				
					Outstanding at 1.4.2021	Granted during the Review Period	Cancelled/Lapsed during the Review Period	Exercised during the Review Period	Outstanding at 30.9.2021
Mr. Wong Man Li	13.1.2017	13.1.2017-12.1.2020	13.1.2020-12.1.2022	5.17	74,000	-	-	(74,000)	-
		13.1.2017-12.1.2021	13.1.2021-12.1.2023	5.17	73,200	-	-	(73,200)	-
	12.2.2018	12.2.2018-11.2.2020	12.2.2020-11.2.2022	7.18	40,400	-	-	(40,400)	-
		12.2.2018-11.2.2021	12.2.2021-11.2.2023	7.18	40,400	-	-	(40,400)	-
	28.1.2019	12.2.2018-11.2.2022	12.2.2022-11.2.2024	7.18	40,400	-	-	-	40,400
		28.1.2019-27.1.2021	28.1.2021-27.1.2023	3.91	60,400	-	-	(60,400)	-
	17.1.2020	28.1.2019-27.1.2022	28.1.2022-27.1.2024	3.91	60,400	-	-	-	60,400
		28.1.2019-27.1.2023	28.1.2023-27.1.2025	3.91	60,400	-	-	-	60,400
	3.2.2021	17.1.2020-16.1.2022	17.1.2022-16.1.2024	6.53	23,600	-	-	-	23,600
		17.1.2020-16.1.2023	17.1.2023-16.1.2025	6.53	23,600	-	-	-	23,600
	3.2.2021	17.1.2020-16.1.2024	17.1.2024-16.1.2026	6.53	22,800	-	-	-	22,800
		3.2.2021-2.2.2023	3.2.2023-2.2.2025	19.78	10,400	-	-	-	10,400
3.2.2021	3.2.2021-2.2.2024	3.2.2024-2.2.2026	19.78	10,400	-	-	-	10,400	
	3.2.2021-2.2.2025	3.2.2025-2.2.2027	19.78	10,400	-	-	-	10,400	
Ms. Hui Wai Hing	13.1.2017	13.1.2017-12.1.2020	13.1.2020-12.1.2022	5.17	69,200	-	-	-	69,200
		13.1.2017-12.1.2021	13.1.2021-12.1.2023	5.17	68,800	-	-	-	68,800
	12.2.2018	12.2.2018-11.2.2020	12.2.2020-11.2.2022	7.18	31,200	-	-	-	31,200
		12.2.2018-11.2.2021	12.2.2021-11.2.2023	7.18	31,200	-	-	-	31,200
	17.1.2020	12.2.2018-11.2.2022	12.2.2022-11.2.2024	7.18	30,400	-	-	-	30,400
		17.1.2020-16.1.2022	17.1.2022-16.1.2024	6.53	18,400	-	-	-	18,400
	3.2.2021	17.1.2020-16.1.2023	17.1.2023-16.1.2025	6.53	18,400	-	-	-	18,400
		17.1.2020-16.1.2024	17.1.2024-16.1.2026	6.53	17,600	-	-	-	17,600
	3.2.2021	3.2.2021-2.2.2023	3.2.2023-2.2.2025	19.78	12,000	-	-	-	12,000
		3.2.2021-2.2.2024	3.2.2024-2.2.2026	19.78	12,000	-	-	-	12,000
	3.2.2021	3.2.2021-2.2.2025	3.2.2025-2.2.2027	19.78	12,000	-	-	-	12,000
Mr. Feng Guohua	3.2.2021	3.2.2021-2.2.2023	3.2.2023-2.2.2025	19.78	37,600	-	-	-	37,600
		3.2.2021-2.2.2024	3.2.2024-2.2.2026	19.78	37,600	-	-	-	37,600
		3.2.2021-2.2.2025	3.2.2025-2.2.2027	19.78	37,200	-	-	-	37,200
Mr. Dai Quanfa	12.2.2018	12.2.2018-11.2.2022	12.2.2022-11.2.2024	7.18	42,000	-	-	-	42,000
		28.1.2019-27.1.2022	28.1.2022-27.1.2024	3.91	95,200	-	-	-	95,200
	17.1.2020	28.1.2019-27.1.2023	28.1.2023-27.1.2025	3.91	95,200	-	-	-	95,200
		17.1.2020-16.1.2022	17.1.2022-16.1.2024	6.53	39,200	-	-	-	39,200
	3.2.2021	17.1.2020-16.1.2023	17.1.2023-16.1.2025	6.53	39,200	-	-	-	39,200
		17.1.2020-16.1.2024	17.1.2024-16.1.2026	6.53	39,200	-	-	-	39,200
	3.2.2021	3.2.2021-2.2.2023	3.2.2023-2.2.2025	19.78	17,200	-	-	-	17,200
		3.2.2021-2.2.2024	3.2.2024-2.2.2026	19.78	17,200	-	-	-	17,200
3.2.2021	3.2.2021-2.2.2025	3.2.2025-2.2.2027	19.78	16,400	-	-	-	16,400	
Ms. Wong Ying Ying	13.1.2017	13.1.2017-12.1.2020	13.1.2020-12.1.2022	5.17	31,200	-	-	-	31,200
		13.1.2017-12.1.2021	13.1.2021-12.1.2023	5.17	31,200	-	-	-	31,200
	12.2.2018	12.2.2018-11.2.2020	12.2.2020-11.2.2022	7.18	24,800	-	-	-	24,800
		12.2.2018-11.2.2021	12.2.2021-11.2.2023	7.18	24,800	-	-	-	24,800
	28.1.2019	12.2.2018-11.2.2022	12.2.2022-11.2.2024	7.18	24,000	-	-	-	24,000
		28.1.2019-27.1.2021	28.1.2021-27.1.2023	3.91	22,800	-	-	-	22,800
	17.1.2020	28.1.2019-27.1.2022	28.1.2022-27.1.2024	3.91	22,800	-	-	-	22,800
		28.1.2019-27.1.2023	28.1.2023-27.1.2025	3.91	22,400	-	-	-	22,400
	3.2.2021	17.1.2020-16.1.2022	17.1.2022-16.1.2024	6.53	12,800	-	-	-	12,800
		17.1.2020-16.1.2023	17.1.2023-16.1.2025	6.53	12,800	-	-	-	12,800
	3.2.2021	17.1.2020-16.1.2024	17.1.2024-16.1.2026	6.53	12,800	-	-	-	12,800
		3.2.2021-2.2.2023	3.2.2023-2.2.2025	19.78	2,000	-	-	-	2,000
3.2.2021	3.2.2021-2.2.2024	3.2.2024-2.2.2026	19.78	2,000	-	-	-	2,000	
	3.2.2021-2.2.2025	3.2.2025-2.2.2027	19.78	1,200	-	-	-	1,200	
Other employees	13.1.2017	13.1.2017-12.1.2020	13.1.2020-12.1.2022	5.17	16,400	-	-	(6,800)	9,600
		13.1.2017-12.1.2021	13.1.2021-12.1.2023	5.17	194,400	-	-	(90,400)	104,000
	12.2.2018	12.2.2018-11.2.2020	12.2.2020-11.2.2022	7.18	100,800	-	-	(42,400)	58,400
		12.2.2018-11.2.2021	12.2.2021-11.2.2023	7.18	484,400	-	-	(320,000)	164,400
	28.1.2019	12.2.2018-11.2.2022	12.2.2022-11.2.2024	7.18	996,400	-	(41,200)	-	955,200
		28.1.2019-27.1.2021	28.1.2021-27.1.2023	3.91	879,600	-	(1,600)	(430,400)	447,600
	17.1.2020	28.1.2019-27.1.2022	28.1.2022-27.1.2024	3.91	3,275,200	-	(144,000)	-	3,131,200
		28.1.2019-27.1.2023	28.1.2023-27.1.2025	3.91	3,114,800	-	(136,400)	-	2,978,400
	3.2.2021	17.1.2020-16.1.2022	17.1.2022-16.1.2024	6.53	1,924,400	-	(57,600)	-	1,866,800
		17.1.2020-16.1.2023	17.1.2023-16.1.2025	6.53	1,874,800	-	(54,000)	-	1,820,800
	3.2.2021	17.1.2020-16.1.2024	17.1.2024-16.1.2026	6.53	1,621,600	-	(42,400)	-	1,579,200
		3.2.2021-2.2.2023	3.2.2023-2.2.2025	19.78	1,513,200	-	(50,800)	-	1,462,400
3.2.2021	3.2.2021-2.2.2024	3.2.2024-2.2.2026	19.78	1,445,200	-	(44,800)	-	1,400,400	
	3.2.2021-2.2.2025	3.2.2025-2.2.2027	19.78	1,163,600	-	(30,400)	-	1,133,200	
					<u>20,237,600</u>	<u>-</u>	<u>(603,200)</u>	<u>(1,178,400)</u>	<u>18,456,000</u>

Number of share options exercisable as at 30 September 2021

1,119,200

## Other Information

### Notes:

1. Number of Shares in the Company over which options granted under the 2010 Share Option Scheme are exercisable.
2. Share Options under each grant are subject to the restrictions that up to 50% and 100% of the total options granted will be exercisable during the period of 18th and 60th months respectively from the date of acceptance of the grant of options by the relevant grantees.
3. The weighted average closing price immediately before the dates on which the options were exercised was HK\$16.83.
4. 2010 Share Option Scheme was expired on 4 March 2020. 2020 Share Option Scheme has been adopted by the Company on 3 July 2020.
5. The Company currently does not have any share award scheme.

## CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the Review Period, the Company and the Group had continuing connected transactions, certain details of which have been disclosed in the prospectus of the Company dated 18 March 2010 and Note 24 to the condensed consolidated interim financial information. Such continuing connected transaction are exempted from the reporting, announcement, shareholders' approval and annual review requirements under the Listing Rules. Save as the above continuing connected transactions, there were no transactions which need to be disclosed as connected transactions and continuing connected transactions in accordance with the requirements of the Listing Rules.

## DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

No contracts of significance, to which the Company or any of its subsidiaries was a party, and in which a Director had a material interest, whether directly and indirectly, subsisted at the end of 30 September 2021 or at any time during the Review Period.

## NON-COMPETITION UNDERTAKING

Each of Man Wah Investments Limited and Mr. Wong Man Li has entered into a deed of non-competition dated 5 March 2010 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.

### MAJOR CUSTOMERS AND SUPPLIERS

During the Review Period, sales to the Group's five largest customers and purchases from the five largest suppliers accounted for approximately 9.1% and 16.8% of the total revenue and purchases for the Review Period, respectively. The Group's largest supplier accounted for approximately 9.2% of the total purchase for the Review Period.

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

### AUDIT COMMITTEE

The Company has engaged Messrs. PricewaterhouseCoopers, the auditor of the Company ("Auditor") to assist the audit committee of the Company ("Audit Committee") to review the report of the Group for the six months ended 30 September 2021. The interim financial information of the Group for the six months ended 30 September 2021 has been reviewed by the independent auditor of the Company in accordance with International Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

### EVENTS AFTER THE REPORTING PERIOD

The Group has no material events after the reporting period to be disclosed.

### CLOSURE OF REGISTER OF MEMBERS

Shareholders whose names appear on the Company's register of members on Wednesday, 1 December 2021, will be eligible for the interim dividend. The transfer books and the register of members of the Company will be closed from Monday, 29 November 2021 to Wednesday, 1 December 2021, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 26 November 2021. The interim dividend is expected to be payable on or after Wednesday, 15 December 2021 to the Shareholders whose names appear on the register of members of the Company on Wednesday, 1 December 2021.

### CHANGE IN DIRECTORS' INFORMATION

There is no other information required to be disclosed under Rule 13.51B(1) of the Listing Rules during the Review Period.



## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 September 2021, the Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the “CG Code”) as set out in Appendix 14 of the Listing Rules.

## COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as a code of conduct of the Company for directors’ securities transactions. Having made specific enquiry of all directors, the directors have complied with the required standard set out in the Model Code and the Company’s code of conduct regarding directors’ securities transactions throughout the six months ended 30 September 2021.

By the order of the Board  
**Man Wah Holdings Limited**  
**Feng Guohua**  
*Chief Executive Officer and Executive Director*

Hong Kong, 12 November 2021

# Report on Review of Interim Financial Information



羅兵咸永道

**To the Board of Directors of Man Wah Holdings Limited**  
*(incorporated in Bermuda with limited liability)*

## INTRODUCTION

We have reviewed the interim financial information set out on pages 26 to 56, which comprises the condensed consolidated interim statement of financial position of Man Wah Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 September 2021 and the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim statement of changes in equity and the condensed consolidated interim statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 12 November 2021

# Condensed Consolidated Interim Statement of Comprehensive Income

For the six months ended 30 September 2021

		Six months ended 30 September	
	Note	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue and other income		10,357,936	6,867,987
Revenue	6	10,214,451	6,636,892
Cost of goods sold	9	(6,514,226)	(4,314,630)
<b>Gross profit</b>		<b>3,700,225</b>	<b>2,322,262</b>
Other income	7	143,485	231,095
Other losses, net	8	(2,856)	(76,552)
Selling and distribution expenses	9	(2,015,834)	(1,162,791)
Administrative and other expenses	9	(533,771)	(339,969)
<b>Operating profit</b>		<b>1,291,249</b>	<b>974,045</b>
Finance costs	10	(33,505)	(55,186)
Share of results of joint ventures		5,207	1,659
<b>Profit before income tax</b>		<b>1,262,951</b>	<b>920,518</b>
Income tax expense	11	(237,367)	(132,169)
<b>Profit for the period</b>		<b>1,025,584</b>	<b>788,349</b>
<b>Profit for the period attributable to:</b>			
Owners of the Company		988,136	749,303
Non-controlling interests		37,448	39,046
		<b>1,025,584</b>	<b>788,349</b>

## Condensed Consolidated Interim Statement of Comprehensive Income

For the six months ended 30 September 2021

	Note	Six months ended 30 September 2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
<b>Profit for the period</b>		<b>1,025,584</b>	788,349
<b>Other comprehensive income:</b> <i>Item that may be reclassified to profit or loss</i>			
Currency translation differences		258,581	262,384
<b>Other comprehensive income for the period, net of tax</b>		<b>258,581</b>	262,384
<b>Total comprehensive income for the period</b>		<b>1,284,165</b>	1,050,733
<b>Total comprehensive income for the period attributable to:</b>			
Owners of the Company		1,244,594	1,020,623
Non-controlling interests		39,571	30,110
		<b>1,284,165</b>	1,050,733
<b>Earnings per share attributable to owners of the Company</b>			
– Basic (HK cents per share)	12	24.96	19.73
– Diluted (HK cents per share)	12	24.90	19.68

The above condensed consolidated interim statement of comprehensive income should be read in conjunction with the accompanying notes.

# Condensed Consolidated Interim Statement of Financial Position

As at 30 September 2021

	Note	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	5,455,464	4,774,294
Investment properties		488,730	482,067
Right-of-use assets		2,642,945	2,324,072
Goodwill	15	898,014	560,519
Other intangible assets	15	297,741	166,517
Interests in joint ventures		62,026	55,812
Financial assets at fair value through profit or loss		1,928	1,894
Deferred tax assets		41,059	42,678
Deposit paid for a land lease		4,076	167,311
Deposits paid for acquisition of subsidiaries		–	244,585
Prepayments and deposits paid for acquisition of property, plant and equipment		233,257	126,926
		<u>10,125,240</u>	<u>8,946,675</u>
<b>Current assets</b>			
Inventories		2,407,065	2,003,605
Properties held for sale		215,746	254,779
Properties under development		172,600	164,498
Trade and bills receivable	16	1,680,107	1,680,529
Other receivables and prepayments	16	769,071	700,841
Financial assets at fair value through profit or loss		378,419	372,750
Tax recoverable		17,054	6,854
Structured deposits		48,210	–
Short-term bank deposits		162,673	892,066
Restricted bank balances		12,114	12,237
Cash and cash equivalents		2,585,184	2,404,027
		<u>8,448,243</u>	<u>8,492,186</u>
<b>Total current assets</b>		<u>8,448,243</u>	<u>8,492,186</u>
<b>Total assets</b>		<u>18,573,483</u>	<u>17,438,861</u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	20	1,582,964	1,583,518
Reserves		9,641,166	9,157,814
		<u>11,224,130</u>	<u>10,741,332</u>
<b>Non-controlling interests</b>		<u>973,731</u>	<u>663,727</u>
<b>Total equity</b>		<u>12,197,861</u>	<u>11,405,059</u>

## Condensed Consolidated Interim Statement of Financial Position

As at 30 September 2021

	Note	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		112,117	20,308
Bank borrowings – non-current portion	19	913	1,196
Deferred tax liabilities		137,857	128,854
Other non-current liabilities		1,275	1,278
		252,162	151,636
<b>Current liabilities</b>			
Trade and bills payable	17	952,520	971,142
Other payables and accruals	17	859,043	746,883
Lease liabilities		66,121	26,419
Contract liabilities	18	530,957	363,145
Bank borrowings – current portion	19	3,496,051	3,588,713
Tax payable		218,768	185,864
		6,123,460	5,882,166
<b>Total liabilities</b>		6,375,622	6,033,802
<b>Total equity and liabilities</b>		18,573,483	17,438,861

The above condensed consolidated interim statement of financial position should be read in conjunction with the accompanying notes.

# Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 30 September 2021

	Attributable to owners of the Company												
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000 (Note i)	Other reserve HK\$'000 (Note ii)	Statutory reserve HK\$'000 (Note iii)	Translation reserve HK\$'000	Revaluation surplus HK\$'000	Shares held under share award scheme HK\$'000	Share option reserve HK\$'000	Retained earnings HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
Balance at 1 April 2021	1,583,518	2,374,931	(16,132)	(11,811)	720,108	(337,269)	37,099	(448)	20,585	6,370,751	10,741,332	663,727	11,405,059
<b>Comprehensive income</b>													
Profit for the period	-	-	-	-	-	-	-	-	-	988,136	988,136	37,448	1,025,584
<b>Other comprehensive income</b>													
Currency translation differences	-	-	-	-	-	256,458	-	-	-	-	256,458	2,123	258,581
<b>Total comprehensive income</b>	-	-	-	-	-	256,458	-	-	-	988,136	1,244,594	39,571	1,284,165
<b>Transactions with owners</b>													
Repurchase of shares	(1,026)	(38,246)	-	-	-	-	-	-	-	-	(39,272)	-	(39,272)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	98,138	98,138
Capital contribution by non-controlling equity holders	-	-	-	-	-	-	-	-	-	-	-	22,072	22,072
Partial disposal of interest in subsidiary	-	-	-	(101,383)	-	-	-	-	-	-	(101,383)	191,311	89,928
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	-	6,083	-	6,083	-	6,083
Issue of shares upon exercise of share options	472	7,759	-	-	-	-	-	-	(1,867)	-	6,364	-	6,364
Transfer to PRC statutory reserve	-	-	-	-	75	-	-	-	-	(75)	-	-	-
Dividends paid to equity holders of the Company (Note 13)	-	-	-	-	-	-	-	-	-	(633,588)	(633,588)	-	(633,588)
Dividends paid to non-controlling equity holders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(41,088)	(41,088)
<b>Total transactions with owners</b>	(554)	(30,487)	-	(101,383)	75	-	-	-	4,216	(633,663)	(761,796)	270,433	(491,363)
Balance at 30 September 2021 (Unaudited)	1,582,964	2,344,444	(16,132)	(113,194)	720,183	(80,811)	37,099	(448)	24,801	6,725,224	11,224,130	973,731	12,197,861

# Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 30 September 2021

	Attributable to owners of the Company													Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000 (Note i)	Other reserve HK\$'000 (Note ii)	Statutory reserve HK\$'000 (Note iii)	Translation reserve HK\$'000	Revaluation surplus HK\$'000	Shares held under share award scheme HK\$'000	Share option reserve HK\$'000	Retained earnings HK\$'000	Sub-total HK\$'000	Non- controlling interests HK\$'000		
<b>Balance at 1 April 2020</b>	1,518,376	-	(16,132)	(11,811)	641,044	(852,485)	37,099	(448)	26,906	5,361,598	6,704,147	528,549	7,232,696	
<b>Comprehensive income</b>														
Profit for the period	-	-	-	-	-	-	-	-	-	749,303	749,303	39,046	788,349	
<b>Other comprehensive income</b>														
Currency translation differences	-	-	-	-	-	271,320	-	-	-	-	271,320	(8,936)	262,384	
<b>Total comprehensive income</b>	-	-	-	-	-	271,320	-	-	-	749,303	1,020,623	30,110	1,050,733	
<b>Transactions with owners</b>														
Capital contribution by non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	10,420	10,420	
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	-	4,865	-	4,865	-	4,865	
Issue of shares upon exercise of share options	2,609	34,180	-	-	-	-	-	-	(5,275)	-	31,514	-	31,514	
Dividends paid (Note 13)	-	-	-	-	-	-	-	-	-	(455,936)	(455,936)	-	(455,936)	
<b>Total transactions with owners</b>	2,609	34,180	-	-	-	-	-	-	(410)	(455,936)	(419,557)	10,420	(409,137)	
<b>Balance at 30 September 2020 (Unaudited)</b>	<u>1,520,985</u>	<u>34,180</u>	<u>(16,132)</u>	<u>(11,811)</u>	<u>641,044</u>	<u>(581,165)</u>	<u>37,099</u>	<u>(448)</u>	<u>26,496</u>	<u>5,654,965</u>	<u>7,305,213</u>	<u>569,079</u>	<u>7,874,292</u>	



## Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 30 September 2021

### Notes:

- (i) Special reserve arose from the acquisition of equity interest of certain subsidiaries through a corporate reorganisation. It represents the difference between the nominal value of share capital of those subsidiaries at the date of acquisition and the nominal value of the shares issued by the Company as consideration for the acquisition.
- (ii) Other reserve arose from the acquisition of the additional equity interest of subsidiaries. It represents the difference between the carrying amount of the net assets of the subsidiaries attributable to the additional interest at the dates of acquisition and the fair value of consideration paid by the Company.
- (iii) The statutory reserve represents the amount transferred from profit after taxation of the subsidiaries established in the Mainland of People's Republic of China (the "PRC") in accordance with the relevant PRC laws until the PRC statutory reserve reaches 50% of the registered capital of the respective subsidiaries. The statutory reserve can be applied either in setting off the accumulated losses or increasing capital.

The above condensed consolidated interim statement of changes in equity should be read in conjunction with the accompanying notes.

# Condensed Consolidated Interim Statement of Cash Flows

For the six months ended 30 September 2021

	Note	Six months ended 30 September	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
<b>Cash flows from operating activities</b>			
Cash generated from operations		1,474,146	1,378,226
Interest paid		(23,757)	(54,074)
Interest received		14,207	4,139
Income tax paid, net		(213,218)	(98,150)
<b>Net cash generated from operating activities</b>		<b>1,251,378</b>	<b>1,230,141</b>
<b>Cash flows from investing activities</b>			
Investment in structured deposits		(6,702,282)	(8,962,411)
Payment for acquisition of property, plant and equipment		(930,023)	(479,897)
Withdrawal of restricted bank balances		3,946	6,848
Placement of restricted bank balances		(4,544)	(5,147)
Purchase of other intangible assets		(468)	(180)
Proceeds from disposal of structured deposits		6,675,088	8,971,027
Proceeds from disposal of property, plant and equipment		28,369	3,819
Proceeds from disposal of financial assets at fair value through profit or loss		–	128,684
Payment for acquisition of financial assets at fair value through profit or loss		–	(1,817)
Payment for acquisition of subsidiaries, net of cash acquired	22	(147,082)	–
Decrease in short-term bank deposits		729,393	–
<b>Net cash used in investing activities</b>		<b>(347,603)</b>	<b>(339,074)</b>
<b>Cash flows from financing activities</b>			
Dividends paid to equity holders of the Company	13	(633,588)	(455,936)
Dividends paid to non-controlling equity holders of subsidiaries		(41,088)	–
Repurchase of shares		(39,272)	–
Repayment of borrowings		(533,117)	(731,854)
New borrowings raised		426,774	940,535
Proceeds from issue of shares upon exercise of share options		6,364	31,514
Capital contribution from non-controlling equity holders of subsidiaries		112,000	10,420
Principal elements of lease payments		(36,510)	(16,778)
<b>Net cash used in financing activities</b>		<b>(738,437)</b>	<b>(222,099)</b>
<b>Net increase in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of the period		2,404,027	2,020,245
Effect of foreign exchange rate changes		15,819	18,009
<b>Cash and cash equivalents at end of the period</b>		<b>2,585,184</b>	<b>2,707,222</b>

The above condensed consolidated interim statement of cash flows should be read in conjunction with the accompanying notes.

# Notes to the Condensed Consolidated Interim Financial Information

## 1 GENERAL INFORMATION

Man Wah Holdings Limited (the “Company”) and its subsidiaries (together the “Group”) are principally engaged in the manufacturing and trading of sofas, ancillary products and chairs and other products.

The Company is a limited liability company incorporated in Bermuda under the Companies Act 1981 of Bermuda (as amended) and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) (Stock Code: 01999). The address of its registered office is Canon’s Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

The Group is controlled by Man Wah Investments Limited which is owned by Mr. Wong Man Li and Ms. Hui Wai Hing, directors of the Group.

The condensed consolidated interim financial information of the Company is presented in thousands of units of Hong Kong dollars (“HK\$’000”), unless otherwise stated, for the convenience of the shareholders as the Company is listed in Hong Kong.

The condensed consolidated interim financial information has been approved for issue on 12 November 2021.

The condensed consolidated interim financial information has not been audited.

## 2 BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 September 2021 has been prepared in accordance with International Accounting Standard (“IAS”) 34, ‘Interim financial reporting’. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2021, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

## 3 SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2021, as described in those annual financial statements.

A number of new or amended standards became applicable for the current reporting period:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform
Amendments to IFRS 16	COVID-19-related Rent Concessions

The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting the above new or amended standards.

### 3 SIGNIFICANT ACCOUNTING POLICIES – continued

New standards and amendments to standards have been issued but are not effective for the financial year beginning 1 April 2021 and have not been early adopted by the Group.

Annual improvement project (Amendments)	Annual Improvements to IFRSs (2018–2020) <sup>1</sup>
Amendments to IFRS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>1</sup>
Amendments to IFRS 3	Reference to Conceptual Framework <sup>1</sup>
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>1</sup>
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies <sup>2</sup>
Amendments to IAS 8	Definition of Accounting Estimates <sup>2</sup>
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>2</sup>
IFRS 17	Insurance Contract <sup>2</sup>
Amendments to IAS 1	Presentation of Financial Statements on Classification of Liabilities as Current or Non-current <sup>2</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>3</sup> Effective date to be determined

The directors of the Company will adopt the new standards and amendments to standards when they become effective. The directors of the Company are in the process of assessing the financial impact of the adoption of the above new standards and amendments to standards, none of these is expected to have a significant effect on the condensed consolidated interim financial information of the Group.

### 4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 March 2021.

## 5 FINANCIAL RISK MANAGEMENT

### 5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seek to minimise potential adverse effects on the Group's financial performance.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 31 March 2021. There have been no significant changes in the risk management policies since the year end.

### 5.2 Fair value estimation

The carrying amounts of the following financial assets and financial liabilities approximate their fair values as all of them are short-term in nature: cash and cash equivalents, short-term bank deposits, trade and bills receivable, other receivables, structured deposits, restricted bank balances, trade and bills payable, other payables, bank borrowings and lease liabilities. The fair value of other financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments, unless the discounting effect is insignificant.

The Group's financial assets at FVPL as at 30 September 2021 and 31 March 2021 are measured at fair value through profit of loss. The fair values are categorised as level 2 which are quoted prices available from over the counter markets.

## 6 SEGMENT INFORMATION

The Group's operating and reportable segments, based on information reported to the Company's executive directors, being the chief operating decision makers of the Group, in respect of the Group's performance regarding different products and different markets, are as follows:

Sofas and ancillary products	–	manufacture and distribution of sofas and ancillary products through wholesale and distributors other than those by Home Group Ltd and its subsidiaries ("Home Group")
Other products	–	manufacture and distribution of chairs and other products to commercial clients, mattresses, smart furniture spare parts and metal mechanism for recliners, income from sales of scrap metal etc.
Other business	–	sales of residential properties, hotel operation, furniture mall business and lease of properties
Home Group business	–	manufacture and distribution of sofas and ancillary products by Home Group

The sofas and ancillary products segment includes a number of sales operation in various locations, each of which is considered as a separate operating segment by the executive directors. For segment reporting, these individual operating segments have been aggregated into a single reportable segment in order to present a more systematic and structured segment information on the performance of different type of products.

## 6 SEGMENT INFORMATION – continued

The Company's executive directors make decisions based on the operating results of each segment and review reports on the aging analysis of trade and bills receivable and expected usage of inventories of the Group as a whole. No information of segment assets and liabilities is reviewed by the Company's executive directors for the assessment of performance of operating segments. Therefore, only the segment revenue and segment results are presented.

The accounting policies of the operating segments are the same as the Group's. There is a change in measurement method for segment results, which represent the profit before income tax earned by each segment without allocation of other income, share of results of joint ventures, net exchange gains or losses, loss from changes in fair value of financial assets at FVPL, finance costs, and unallocated expenses for the period ended 30 September 2021 whereas other income is excluded and interest income, income on structured deposits, rental income and government subsidies are included for the period ended 30 September 2020. The comparative information has been represented accordingly.

### Segment revenues and results

The information of segment revenue and segment results are as follows:

#### For the six months ended 30 September 2021 (Unaudited)

	Sofas and ancillary products HK\$'000	Other products HK\$'000	Other business HK\$'000	Home Group business HK\$'000	Total HK\$'000
<b>Revenue</b>					
External sales	<u>7,058,984</u>	<u>2,559,509</u>	<u>131,028</u>	<u>464,930</u>	<u>10,214,451</u>
<b>Results</b>					
Segment results	<u>980,557</u>	<u>446,144</u>	<u>31,211</u>	<u>13,793</u>	1,471,705
Other income					143,485
Share of results of joint ventures					5,207
Exchange gains, net					6,154
Loss from change in fair value of financial assets at FVPL					(668)
Finance costs					(33,505)
Unallocated expenses					<u>(329,427)</u>
Profit before income tax					<u>1,262,951</u>

## 6 SEGMENT INFORMATION – continued

### Segment revenues and results – continued

For the six months ended 30 September 2020 (Unaudited)

	Sofas and ancillary products HK\$'000	Other products HK\$'000	Other business HK\$'000	Home Group business HK\$'000	Total HK\$'000
<b>Revenue</b>					
External sales	<u>4,640,663</u>	<u>1,494,812</u>	<u>168,220</u>	<u>333,197</u>	<u>6,636,892</u>
<b>Results</b>					
Segment results	<u>749,349</u>	<u>213,510</u>	<u>31,699</u>	<u>36,383</u>	1,030,941
Other income					231,095
Share of results of joint ventures					1,659
Exchange losses, net					(12,395)
Loss from change in fair value of financial assets at FVPL					(58,862)
Finance costs					(55,186)
Unallocated expenses					<u>(216,734)</u>
Profit before income tax					<u>920,518</u>

### Geographical information

Revenue from external customers by geographical location of customers are as follows:

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
PRC (including Hong Kong and Macau)	<u>6,530,640</u>	4,360,842
North America	<u>2,562,340</u>	1,596,241
Europe	<u>724,750</u>	450,463
Others	<u>396,721</u>	229,346
	<u>10,214,451</u>	<u>6,636,892</u>

Note: Others mainly included Australia, United Arab Emirates, Israel and Indonesia. Home Group's business is included in Europe. No further analysis by countries of this category is presented because the revenue from each individual country is insignificant to the total revenue.

During the period, none of the Group's customers individually contributed more than 10% of the Group's revenue (for the period ended 30 September 2020: none).

## 6 SEGMENT INFORMATION – continued

### Disaggregation of revenue from contracts with customers

Segments	For the six months ended 30 September 2021 (Unaudited)				
	Sofas and ancillary products HK\$'000	Other products HK\$'000	Other business HK\$'000	Home Group business HK\$'000	Total HK\$'000
<b>Types of goods or service</b>					
Manufacture and distribution of goods recognised at a point in time					
Sofas and ancillary products	7,058,984	–	–	464,930	7,523,914
Residential properties	–	–	74,610	–	74,610
Chairs, mattresses, smart furniture spare parts	–	1,446,107	–	–	1,446,107
Metal mechanism for recliners	–	1,094,380	–	–	1,094,380
Other products to commercial clients	–	19,022	–	–	19,022
	<u>7,058,984</u>	<u>2,559,509</u>	<u>74,610</u>	<u>464,930</u>	<u>10,158,033</u>
Service income – recognised over time	–	–	56,418	–	56,418
	<u>–</u>	<u>–</u>	<u>56,418</u>	<u>–</u>	<u>56,418</u>
<b>Total</b>	<u><u>7,058,984</u></u>	<u><u>2,559,509</u></u>	<u><u>131,028</u></u>	<u><u>464,930</u></u>	<u><u>10,214,451</u></u>
<b>Geographical markets</b>					
PRC (including Hong Kong and Macau)	4,333,382	2,066,230	131,028	–	6,530,640
North America	2,464,458	97,882	–	–	2,562,340
Europe	87,020	172,800	–	464,930	724,750
Others	174,124	222,597	–	–	396,721
	<u>4,333,382</u>	<u>2,066,230</u>	<u>131,028</u>	<u>464,930</u>	<u>6,530,640</u>
<b>Total</b>	<u><u>7,058,984</u></u>	<u><u>2,559,509</u></u>	<u><u>131,028</u></u>	<u><u>464,930</u></u>	<u><u>10,214,451</u></u>



## 6 SEGMENT INFORMATION – continued

### Disaggregation of revenue from contracts with customers – continued

Segments	For the six months ended 30 September 2020 (Unaudited)				
	Sofas and ancillary products HK\$'000	Other products HK\$'000	Other business HK\$'000	Home Group business HK\$'000	Total HK\$'000
<b>Types of goods or service</b>					
Manufacture and distribution of goods recognised at a point in time					
Sofas and ancillary products	4,640,663	–	–	333,197	4,973,860
Residential properties	–	–	131,979	–	131,979
Chairs, mattresses, smart furniture spare parts	–	845,234	–	–	845,234
Metal mechanism for recliners	–	623,727	–	–	623,727
Other products to commercial clients	–	25,851	–	–	25,851
	<u>4,640,663</u>	<u>1,494,812</u>	<u>131,979</u>	<u>333,197</u>	<u>6,600,651</u>
Service income – recognised over time	–	–	36,241	–	36,241
<b>Total</b>	<u><u>4,640,663</u></u>	<u><u>1,494,812</u></u>	<u><u>168,220</u></u>	<u><u>333,197</u></u>	<u><u>6,636,892</u></u>
<b>Geographical markets</b>					
PRC (including Hong Kong and Macau)	2,933,484	1,259,138	168,220	–	4,360,842
North America	1,513,056	83,185	–	–	1,596,241
Europe	78,120	39,146	–	333,197	450,463
Others	116,003	113,343	–	–	229,346
<b>Total</b>	<u><u>4,640,663</u></u>	<u><u>1,494,812</u></u>	<u><u>168,220</u></u>	<u><u>333,197</u></u>	<u><u>6,636,892</u></u>

## 7 OTHER INCOME

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Income from sales of scrap (Note)	15,147	59,423
Income on structure deposits	9,071	8,604
Interest income	32,495	23,189
Government subsidies	81,914	102,477
Others (Note)	4,858	37,402
	<u>143,485</u>	<u>231,095</u>

Note:

During the six months ended 30 September 2021, as a result of business change, income from sales of scrap metal and certain other income are recognised as "Revenue".

## 8 OTHER LOSSES, NET

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Exchange gains/(losses), net	6,154	(12,395)
Loss on disposal of property, plant and equipment	(1,991)	(4,974)
Impairment provision for trade and bills receivable	(6,251)	(321)
Loss from changes in fair value of financial assets at FVPL	(668)	(58,862)
Others	(100)	–
	<u>(2,856)</u>	<u>(76,552)</u>

## 9 EXPENSES BY NATURE

The following items have been charged/(credited) to the operating profit during the period:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Cost of inventories	5,419,479	4,225,304
Amortisation of intangible assets	27,172	16,385
Depreciation of property, plant and equipment	245,445	172,084
Depreciation of right-of-use assets	45,033	45,160
Employee benefit expenses (including directors' emoluments)	1,508,835	955,956
Provision for/(reversal) of impairment of inventories	2,119	(13,900)

## 10 FINANCE COSTS

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Interest on bank borrowings	28,823	53,838
Interest on lease liabilities	3,768	1,259
Others	914	89
	<b>33,505</b>	<b>55,186</b>

## 11 INCOME TAX EXPENSE

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Current income tax:		
PRC Corporate Income Tax ("PRC CIT")	164,406	122,163
PRC Withholding Income Tax	23,442	11,422
PRC Land Appreciation Tax ("PRC LAT")	3,805	16,754
U.S. Federal and State Corporate Income Taxes ("U.S. CIT")	1,734	606
Macau Complementary Tax	22,937	–
Others	12,162	3,299
Deferred tax credit	(845)	(24,182)
Under-provision in prior years	9,726	2,107
	<u>237,367</u>	<u>132,169</u>

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods, except for a PRC subsidiary of the Company, carrying out business in the western region of the PRC, which is approved to enjoy the preferential tax rate of 15%.

The EIT Law imposes withholding tax upon the distribution of the profits earned by the Company's PRC subsidiaries on or after 1 January 2008 to their non-resident shareholders.

The U.S. CIT charge comprises federal income tax calculated at 21% (six months ended 30 September 2020: 21%) and state income tax calculated from 1% to 12% (six months ended 30 September 2020: 0% to 9%) on the estimated assessable profits of the subsidiary of the Company which was incorporated in the U.S..

As stated on Decree Law No. 58/99/M, Chapter 2, Article 12, dated 18 October 1999, the Group's Macau subsidiary is exempted from Macao Complementary Tax until 31 December 2020. Since 1 January 2021, the Group's Macau subsidiary has been subject to Macau Complementary Tax at a rate of 12% on the assessable income.

## 12 EARNINGS PER SHARE

Earnings per share is computed as follows:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	<b>2020</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Basic</b>		
Profit attributable to owners of the Company for the period (HK\$'000)	<b>988,136</b>	749,303
Weighted average outstanding ordinary shares, in thousands	<b>3,958,843</b>	3,798,745
Basic earnings per share for the period, in HK cents	<b>24.96</b>	19.73
<b>Diluted</b>		
Profit attributable to owners of the Company for the period (HK\$'000)	<b>988,136</b>	749,303
Weighted average outstanding ordinary shares, in thousands	<b>3,958,843</b>	3,798,745
Effect of dilutive potential ordinary shares on exercise of share options	<b>10,158</b>	9,088
Weighted average outstanding ordinary shares after assuming dilution, in thousands	<b>3,969,001</b>	3,807,833
Diluted earnings per share for the period, in HK cents	<b>24.90</b>	19.68

## 13 DIVIDENDS

During the period, the Company recognised the following dividends as distribution:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Final dividend for the year ended 31 March 2021 of HK\$0.16 (2020: HK\$0.12) per share	<b>633,588</b>	455,936

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of HK\$0.13 per share (2020: HK\$0.10 per share) will be paid to the shareholders of the Company whose names appear in the Company's register of members on Wednesday, 1 December 2021.

## 14 PROPERTY, PLANT AND EQUIPMENT

	HK\$'000
<b>As at 31 March 2021 (Audited)</b>	
Cost	6,442,738
Accumulated depreciation	<u>(1,668,444)</u>
Net book amount	<u><u>4,774,294</u></u>
<b>For the period ended 30 September 2021</b>	
Opening net book amount	4,774,294
Exchange adjustments	100,536
Additions	844,434
Acquisition of subsidiaries	12,005
Disposals	(30,360)
Depreciation	<u>(245,445)</u>
Closing net book amount	<u><u>5,455,464</u></u>
<b>As at 30 September 2021 (Unaudited)</b>	
Cost	7,368,655
Accumulated depreciation	<u>(1,913,191)</u>
Net book amount	<u><u>5,455,464</u></u>
<b>As at 31 March 2020 (Audited)</b>	
Cost	5,221,863
Accumulated depreciation	<u>(1,271,876)</u>
Net book amount	<u><u>3,949,987</u></u>
<b>For the period ended 30 September 2020</b>	
Opening net book amount	3,949,987
Exchange adjustments	149,032
Additions	417,636
Disposals	(47,553)
Transfer	(56,551)
Depreciation	<u>(172,084)</u>
Closing net book amount	<u><u>4,240,467</u></u>
<b>As at 30 September 2020 (Unaudited)</b>	
Cost	5,705,444
Accumulated depreciation	<u>(1,464,977)</u>
Net book amount	<u><u>4,240,467</u></u>

## 15 GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill HK\$'000	Other intangible assets HK\$'000	Total HK\$'000
<b>As at 31 March 2021 (Audited)</b>			
Cost	560,519	297,611	858,130
Accumulated amortisation	–	(131,094)	(131,094)
Net book amount	<u>560,519</u>	<u>166,517</u>	<u>727,036</u>
<b>For the period ended 30 September 2021</b>			
Opening net book amount	560,519	166,517	727,036
Exchange adjustments	14,797	2,582	17,379
Acquisition of subsidiaries	322,698	155,346	478,044
Additions	–	468	468
Amortisation	–	(27,172)	(27,172)
Closing net book amount	<u>898,014</u>	<u>297,741</u>	<u>1,195,755</u>
<b>As at 30 September 2021 (Unaudited)</b>			
Cost	898,014	455,361	1,353,375
Accumulated amortisation	–	(157,620)	(157,620)
Net book amount	<u>898,014</u>	<u>297,741</u>	<u>1,195,755</u>
<b>As at 31 March 2020 (Audited)</b>			
Cost	524,048	278,968	803,016
Accumulated amortisation	–	(90,528)	(90,528)
Net book amount	<u>524,048</u>	<u>188,440</u>	<u>712,488</u>
<b>For the period ended 30 September 2020</b>			
Opening net book amount	524,048	188,440	712,488
Exchange adjustments	12,217	9,772	21,989
Additions	–	180	180
Amortisation	–	(16,385)	(16,385)
Closing net book amount	<u>536,265</u>	<u>182,007</u>	<u>718,272</u>
<b>As at 30 September 2020 (Unaudited)</b>			
Cost	536,265	294,651	830,916
Accumulated amortisation	–	(112,644)	(112,644)
Net book amount	<u>536,265</u>	<u>182,007</u>	<u>718,272</u>

## 16 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
Trade and bills receivable	1,691,424	1,687,226
Less: provision for impairment of trade and bills receivable	(11,317)	(6,697)
Trade and bills receivable, net	<u>1,680,107</u>	<u>1,680,529</u>
<b>Other receivables and prepayments</b>		
Value added taxes recoverable	171,792	206,195
Deposits	72,031	59,649
Prepayments to suppliers	349,197	289,954
Sundry receivables	176,051	145,043
	<u>769,071</u>	<u>700,841</u>

As at 30 September 2021, total bills receivable amounting to HK\$40,436,000 (31 March 2021: HK\$58,466,000). All bills receivable by the Group are with a maturity period of less than six months.

The Group generally allows a credit period of 30 to 90 days for customers. The aging analysis of the Group's trade and bills receivable (net of provision for impairment of trade and bills receivable) presented based on the invoice date at the end of the Review Period is as follows:

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
0–90 days	1,596,133	1,607,354
91–180 days	65,166	58,723
Over 180 days	18,808	14,452
	<u>1,680,107</u>	<u>1,680,529</u>

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines its credit limits based on results from investigation of historical credit records of these customers.



## 17 TRADE AND OTHER PAYABLES AND ACCRUALS

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
Trade and bills payable	952,520	971,142
<b>Other payables and accruals</b>		
Accruals	669,814	567,021
Payables for acquisition of property, plant and equipment	28,726	46,658
Other payables	160,503	133,204
	<b>859,043</b>	<b>746,883</b>

The credit period on purchases of goods generally ranges from 30 to 60 days.

The aging analysis of the Group's trade and bills payable presented based on the invoice date at the end of the Review Period is as follows:

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
0–90 days	948,816	969,227
91–180 days	3,608	1,856
Over 180 days	96	59
	<b>952,520</b>	<b>971,142</b>

## 18 CONTRACT LIABILITIES

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
Sales of sofas	517,015	347,858
Sales of properties	13,942	15,287
	<b>530,957</b>	<b>363,145</b>

## 19 BANK BORROWINGS

	<b>30 September 2021 HK\$'000 (Unaudited)</b>	31 March 2021 HK\$'000 (Audited)
Secured (Note)	1,872	2,447
Unsecured	3,495,092	3,587,462
	<b>3,496,964</b>	<b>3,589,909</b>

The scheduled principal repayment dates of the Group with reference to the loan agreements are as follows:

	<b>30 September 2021 HK\$'000 (Unaudited)</b>	31 March 2021 HK\$'000 (Audited)
The carrying amounts of the above borrowings are repayable:		
Within one year	3,496,051	3,588,713
Within a period of more than one year but not exceeding two years	588	721
Within a period of more than two years but not exceeding five years	325	475
	<b>3,496,964</b>	<b>3,589,909</b>
Non-current	913	1,196
Current	3,496,051	3,588,713
	<b>3,496,964</b>	<b>3,589,909</b>

The Group's bank borrowings are denominated in HK\$ and RMB, and carry interest at fixed and variable rates. The fixed rates range from 0.65% to 3.75% (for the year ended 31 March 2021: 0.71% to 3.92%). The variable rates are subject to either i) the higher of Hong Kong Interbank Offered Rate plus a spread, ranging from 1.01% to 1.98% (for the year ended 31 March 2021: 1.01% to 1.99%), and best lending rate quoted by the Hongkong and Shanghai Banking Corporation Limited plus 1%; or ii) Euro Interbank Offered Rate plus a spread, ranging from 2.10% to 2.80% (for the year ended 31 March 2021: 1.59% to 2.80%). The weighted average effective interest rates of the above variable-rate and fixed-rate bank borrowings were 1.22% and 2.41%, respectively (for the year ended 31 March 2021: 1.20% and 2.86%, respectively) per annum.

Note: At the end of the Review Period, the following assets are pledged against the Group's secured bank borrowings:

	<b>30 September 2021 HK\$'000 (Unaudited)</b>	31 March 2021 HK\$'000 (Audited)
Property, plant and equipment	3,104	3,755

## 20 SHARE CAPITAL

	Number of Shares In thousands	Amounts HK\$'000
<b>Authorised:</b>		
<i>Ordinary shares:</i>		
At 1 April 2020, 31 March 2021 and 30 September 2021 – HK\$0.40 each	<u>5,000,000</u>	<u>2,000,000</u>
<b>Issued and fully paid:</b>		
At 1 April 2020	3,795,940	1,518,376
Issuance of ordinary shares (Note (a))	150,000	60,000
Exercise of share options	<u>12,855</u>	<u>5,142</u>
At 31 March 2021	<u>3,958,795</u>	<u>1,583,518</u>
At 1 April 2021	3,958,795	1,583,518
Repurchase of shares (Note (b))	(2,564)	(1,026)
Exercise of share options	<u>1,179</u>	<u>472</u>
At 30 September 2021	<u>3,957,410</u>	<u>1,582,964</u>

Notes:

- (a) During the year ended 31 March 2021, 150,000,000 ordinary shares of the Company of HK\$0.40 each were issued at a price of HK\$15.85 per share. The related transaction costs of HK\$14,793,000 have been netted off against share premium.
- (b) During the period ended 30 September 2021, 2,564,000 ordinary shares of the Company of HK\$0.40 each were repurchased at a price ranging from HK\$14.98 to HK\$15.50 per share.

## 21 SHARE OPTION SCHEMES

The Company's 2010 share option scheme was adopted pursuant to a resolution passed on 5 March 2010 for the primary purpose of providing incentives to directors and eligible participants and expired on 4 March 2020. The outstanding share options granted under the 2010 share option scheme continue to be exercisable during the prescribed period in accordance with the 2010 share option scheme and other terms of the grant.

A resolution was passed on 3 July 2020 to approve the new share option scheme. The new share option scheme will remain in force for a period of 10 years commencing on 3 July 2020, being the date of adoption of the share option scheme, to 2 July 2030. Details of the share option scheme were disclosed in the consolidated financial statements for the year ended 31 March 2021.

## 21 SHARE OPTION SCHEMES – continued

The table below discloses movement of the Company's share options held by the Group's employees and directors:

	Number of share options	
	2021 '000	2020 '000
Outstanding as at 1 April	20,238	31,449
Cancelled/lapsed during the period	(603)	(2,298)
Exercised during the period	(1,179)	(6,524)
Outstanding as at 30 September	<b>18,456</b>	<b>22,627</b>

During the six months ended 30 September 2021, HK\$6,364,000 were received for the share options exercised (Six months ended 30 September 2020: HK\$31,514,000).

Details of specific categories of options are as follows:

Options	Date of grant	Number of share options outstanding as at 30 September 2021	Vesting period	Exercise period	Exercise price
January 2017	13.1.2017	110,000	13.1.2017–12.1.2020	13.1.2020–12.1.2022	5.17
		204,000	13.1.2017–12.1.2021	13.1.2021–12.1.2023	5.17
February 2018	12.2.2018	114,400	12.2.2018–11.2.2020	12.2.2020–11.2.2022	7.18
		220,400	12.2.2018–11.2.2021	12.2.2021–11.2.2023	7.18
		1,092,000	12.2.2018–11.1.2022	12.2.2022–11.1.2024	7.18
January 2019	28.1.2019	470,400	28.1.2019–27.1.2021	28.1.2021–27.1.2023	3.91
		3,309,600	28.1.2019–27.1.2022	28.1.2022–27.1.2024	3.91
		3,156,400	28.1.2019–27.1.2023	28.1.2023–27.1.2025	3.91
January 2020	17.1.2020	1,960,800	17.1.2020–16.1.2022	17.1.2022–16.1.2024	6.53
		1,914,800	17.1.2020–16.1.2023	17.1.2023–16.1.2025	6.53
		1,671,600	17.1.2020–16.1.2024	17.1.2024–16.1.2026	6.53
February 2021	3.2.2021	1,541,600	3.2.2021–2.2.2023	3.2.2023–2.2.2025	19.78
		1,479,600	3.2.2021–2.2.2024	3.2.2024–2.2.2026	19.78
		1,210,400	3.2.2021–2.2.2025	3.2.2026–2.2.2027	19.78
		<b>18,456,000</b>			

## 22 BUSINESS COMBINATION

### (i) Acquisition of Shenzhen Style Home Furnishing Co., Ltd (“Shenzhen Style”)

On 1 April 2021, Man Wah Furniture Manufacturing (Huizhou) Co., Ltd., a wholly owned subsidiary of the Company, acquired 51% equity interest in Shenzhen Style, at a consideration determined under a contingent arrangement based on the performance indicators for the years ending 31 December 2021, 2022 and 2023. Pursuant to the acquisition agreement, the minimum and maximum consideration will be RMB183,600,000 (equivalent to approximately HK\$217,407,000) and RMB367,200,000 (equivalent to approximately HK\$434,813,000) respectively. This acquisition has been completed and accounted for using the purchase method.

Shenzhen Style is engaged in the production and sales of sofas, and was acquired from an independent third party with a view to expand the Group’s manufacture and sale of sofas operations. The minimum consideration was fully settled in cash.

Fair value of assets acquired and liabilities assumed recognised at the date of acquisition were determined on a provisional basis as follows:

	HK\$'000
<b>Provisional fair value</b>	
Property, plant and equipment	4,314
Right-of-use assets	21,880
Intangible assets	86,442
Inventories	23,303
Other receivables and prepayments	6,556
Structured deposits	11,841
Tax recoverable	1,737
Cash and cash equivalents	33,545
Trade payable	(34,074)
Other payables	(5,765)
Lease liabilities	(22,005)
Contract liabilities	(5,491)
	<hr/>
Total identifiable net assets	<u>122,283</u>

## 22 BUSINESS COMBINATION – continued

### (i) Acquisition of Shenzhen Style Home Furnishing Co., Ltd (“Shenzhen Style”) – continued

Goodwill arising on acquisition:

	HK\$'000
Cash consideration	217,407
Add: non-controlling interests	59,918
Less: fair values of identifiable net assets acquired	<u>(122,283)</u>
Goodwill arising on acquisition	<u>155,042</u>

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
Cash deposit	–	130,254
Remaining cash consideration	87,153	–
Cash and cash equivalents in subsidiaries acquired	<u>(33,545)</u>	<u>–</u>
Net outflow of cash and cash equivalents included in cash flows from investing activities	<u>53,608</u>	<u>130,254</u>

The Group has engaged external valuers to perform fair value assessments in accordance with IFRS 3 Business Combination. As at 30 September 2021, verification of individual assets/liabilities of the acquired businesses is in progress and the Group has not finalised the fair value assessments. The relevant fair values of individual assets/liabilities stated above are provisional.

### (ii) Acquisition of Lion Rock Group Holdings Limited, Pacific Shiner Investment Limited and Gold Sands Investment Company Limited (the “Target Companies”)

On 1 April 2021, Remacro Machinery & Technology (Wujiang) Co., Ltd., a wholly owned subsidiary of the Company, acquired 60% equity interest in the Target Companies, at a consideration determined under a contingent arrangement based on the performance indicator for the year ending 31 December 2021. Pursuant to the acquisition agreement, the minimum consideration is HK\$224,985,000 and the consideration will be adjusted based on the net profit generated by the Target Companies for the year ending 31 December 2021, which will be paid in cash. This acquisition has been completed and accounted for using the purchase method.

The Target Companies are engaged in the production and sale of metal components for furniture business in China and overseas, and were acquired from an independent third party with a purpose to expand the Group’s capability in manufacturing and sale of furniture components. The minimum consideration was fully settled in cash.

## 22 BUSINESS COMBINATION – continued

### (ii) Acquisition of Lion Rock Group Holdings Limited, Pacific Shiner Investment Limited and Gold Sands Investment Company Limited (the “Target Companies”) – continued

Fair value of assets acquired and liabilities assumed recognised at the date of acquisition were determined on a provisional basis as follows:

	HK\$'000
<b>Provisional fair value</b>	
Property, plant and equipment	7,691
Right-of-use assets	6,775
Intangible assets	68,904
Inventories	23,125
Trade receivable	30,436
Other receivables and prepayments	24,075
Cash and cash equivalents	17,180
Trade payable	(42,863)
Other payables	(19,574)
Contract liabilities	(1,762)
Tax payable	(1,670)
Deferred tax liabilities	(9,676)
Lease liabilities	(7,092)
	<u>95,549</u>
Total identifiable net assets	<u>95,549</u>

Goodwill arising on acquisition:

	HK\$'000
Cash consideration	224,985
Add: non-controlling interests	38,220
Less: fair values of identifiable net assets acquired	<u>(95,549)</u>
Goodwill arising on acquisition	<u>167,656</u>

## 22 BUSINESS COMBINATION – continued

### (ii) Acquisition of Lion Rock Group Holdings Limited, Pacific Shiner Investment Limited and Gold Sands Investment Company Limited (the “Target Companies”) – continued

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
Cash deposit	–	114,331
Remaining cash consideration	110,654	–
Cash and cash equivalents in subsidiaries acquired	(17,180)	–
Net outflow of cash and cash equivalents included in cash flows from investing activities	<u>93,474</u>	<u>114,331</u>

The Group has engaged external valuers to perform fair value assessments in accordance with IFRS 3 Business Combination. As at 30 September 2021, verification of individual assets/liabilities of the acquired businesses is in progress and the Group has not finalised the fair value assessments. The relevant fair values of individual assets/liabilities stated above are provisional.

## 23 CAPITAL COMMITMENTS

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
Capital expenditure contracted but not provided for in respect of		
– acquisition and construction of property, plant and equipment	453,286	227,197
– construction of production plants	800,070	509,871
	<u>1,253,356</u>	<u>737,068</u>
Other commitments in respect of		
– construction of property under development	23	10,587
– investments in joint ventures	12,053	11,841
– acquisition of subsidiaries	–	197,807
	<u>12,076</u>	<u>220,235</u>
	<u>1,265,432</u>	<u>957,303</u>



## 24 RELATED PARTY DISCLOSURES

### (i) Related party transactions

During the current interim period, the Group entered into the following transactions with related parties:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Rental expense paid to related parties (Note)	<b>1,458</b>	<b>1,458</b>

Note: Mr. Wong Man Li and Ms. Hui Wai Hing, who are directors of the Company, are also directors and shareholders of these related companies.

### (ii) Compensation of key management personnel

The emoluments of executive directors who are also identified as members of key management of the Group during the period was as follows:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Short-term employee benefits	<b>15,548</b>	<b>7,210</b>
Post-employment benefits	<b>63</b>	<b>25</b>
Equity-settled share-based payment expenses	<b>358</b>	<b>344</b>
	<b>15,969</b>	<b>7,579</b>