MANWAH

MAN WAH HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 01999)

2022 Annual Report

Home essential

First Class Experience

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Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Wong Man Li *(Chairman and appointed as the Chief Executive Officer on 21 March 2022)*
Ms. Hui Wai Hing
Mr. Feng Guohua *(resigned as an executive Director and the Chief Executive Officer on 21 March 2022)*
Mr. Alan Marnie
Mr. Dai Quanfa
Ms. Wong Ying Ying

Independent non-executive Directors
Mr. Ong Chor Wei *(resigned on 1 April 2022)*
Mr. Chau Shing Yim, David
Mr. Kan Chung Nin, Tony
Mr. Ding Yuan
Mr. Yang Siu Shun *(appointed on 1 April 2022)*

AUDIT COMMITTEE

Mr. Chau Shing Yim, David *(Chairman)*
Mr. Ong Chor Wei *(resigned on 1 April 2022)*
Mr. Ding Yuan
Mr. Kan Chung Nin, Tony
Mr. Yang Siu Shun *(appointed on 1 April 2022)*

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. Liu Xiaoting

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 LLP
Estera Management (Bermuda) Limited

PRINCIPAL BANKERS

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

STOCK CODE

1999

WEBSITE

www.manwahholdings.com

INVESTOR RELATIONS CONSULTANT

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

EXECUTIVE DIRECTORS

Mr. Wong Man Li, aged 57, Member of the National Committee of Chinese People's Political Consultation Conference ("CPPCC"), BBS, JP, is our executive Director, Chairman, Chief Executive Officer (the "CEO") and Managing Director, is also the Chairman of the Company's nomination committee and a member of the Company's remuneration committee. He is responsible for the day-to-day overall management of our Company and mapping our growth strategy. Mr. Wong founded our Group in 1992 and is a director of a number of subsidiaries of the Company. He has over 20 years of experience in the furniture industry. Since 2005, Mr. Wong has been the Vice-President of the China Furniture & Decoration Chamber of Commerce (全國工商聯傢俱裝飾業商會), the Executive Member of the China National Furniture Association (中國傢俱協會) and the Sofa Professional Committee Executive Chairman of the China National Furniture Association (中國傢俱協會沙發專業委員會). In December 2007, Mr. Wong was recognized as one of the "Top Ten Outstanding Youth Industrialists of Hong Kong" (香港十大傑出青年工業家) and has been a Standing Committee Member of the Huizhou, Chinese People's Political Consultative Conference (惠州市政協委員會) since February 2009. In December 2012, Mr. Wong was elected as a Founding Chairman of the China Furnishing Brand Federation (中國傢俱品牌聯盟). Mr. Wong was elected as an Honorary Director of the Development Committee of the Hong Kong Baptist University Jao Tsung-I Academy of Sinology (香港浸會大學饒宗頤國學院發展委員會) in 2013 and as an Honorary Vice-Chairman of Hong Kong Baptist University Foundation (香港浸會大學基金) in February 2014. Since 2013, Mr. Wong has been elected as a Co-Chairman of the "Community for the Chest". In May 2015, Mr. Wong was elected as an Executive Chairman of the Hong Kong Industrial & Commercial Association (香港工商總會) and as a Founding Chairman of the Happy Hong Kong Charity Foundation (築福香港慈善基金會). Mr. Wong received the 2010 Fellowship Award from Asian College of Knowledge Management and an Honorary Doctorate in Management from Lincoln University (2010年度亞洲知識管理學院院士暨林肯大學榮譽管理博士學位). Mr. Wong is the husband of Ms. Hui Wai Hing, an executive Director, and the father of Ms. Wong Ying Ying, also an executive Director. Mr. Wong is a director of Man Wah Investments Limited, the controlling shareholder of the Company.

Ms. Hui Wai Hing, aged 59, is our executive Director and Vice President (General Administration and Retail Sales) of our Group. She is also a director of a number of subsidiaries of the Company, and is responsible for our general administration and retail business functions in Hong Kong. She is the wife of Mr. Wong Man Li, our Chairman, Chief Executive Officer, Managing Director and executive Director, and the mother of Ms. Wong Ying Ying, our executive Director. She joined our Group in 1992 and was appointed as our Director on 17 November 2004. She has over 20 years of experience in the furniture industry.

Mr. Alan Marnie, aged 51, is our executive Director since 6 October 2011 after joining the Group in September 2010. He is responsible for exploring the furniture markets in the United Kingdom, Europe, Africa, Asia and Oceania. Mr. Marnie has over 32 years of experience in manufacturing, retail and marketing in the furniture industry. Prior to joining the Group, he was employed by Homestyle Operations Limited ("Homestyle") as the managing director for Steinhoff Retail Furniture Division in the United Kingdom for 2 years from 2008 to 2010. Homestyle belongs to Steinhoff International Holding Ltd ("Steinhoff"), a company listed on the Frankfurt Stock Exchange, and is one of the largest furniture retailers in Europe. In addition, Mr. Marnie had also worked for 19 years in Reid Furniture Limited, a company which was subsequently owned by Steinhoff, the largest furniture retailer of Scotland and Ireland at that time, and had served as its managing director and chief executive officer for 3 years and 2 years, respectively.

Mr. Dai Quanfa, aged 48, is our executive Director since 19 July 2012 after joining the Group in 1995, and is currently a director of a number of subsidiaries of the Company, including Man Wah Furniture Manufacturing (Huizhou) Co., Ltd. (敏華傢俱製造（惠州）有限公司), Man Wah Furniture Manufacturing (Shenzhen) Co., Ltd. (敏華傢俱製造（深圳）有限公司), Remaco Machinery Technology (Wujiang) Co., Ltd. (鋭邁機械科技（吳江）有限公司), Chongqing Man Wah Furniture Manufacturing Co., Ltd. (重慶敏華傢俱製造有限公司) and Man Wah Furniture (China) Co., Ltd. (敏華傢俱（中國）有限公司). Mr. Dai is also a general manager of the manufacturing center of the Group. He is responsible for the Group's manufacture of furniture. Mr. Dai has over 20 years of experience in the furniture industry.

Ms. Wong Ying Ying, aged 35, is our executive Director since 4 February 2015 after joining the Group in 2009. She is the daughter of Mr. Wong Man Li, our Chairman, Chief Executive Officer, Managing Director and executive Director, and Ms. Hui Wai Hing, our executive Director. She has been appointed as the General Manager of the Group's International Marketing Center, which is responsible for the Group's export business, since December 2018. She is the chief brand officer and deputy general manager of the Great China Division of the Group. Ms. Wong is also a director of some of the subsidiaries of the Company. She is responsible for retail sales, marketing plans and e-commerce in China and has been assisting in the general administration and retail business of the Group in Hong Kong. She is a member of Tianjin's Political Consultative Conference, a committee member of the All-China Youth Federation, the vice-chairman of Dynamic Youth of Huizhou Ltd, vice-chairman of Kwai Tsing Volunteer Develop Team, honorary chairman of Shatin District Junior Police Call, member of the Y. Elites Association, honorary chairman of Shatin Sports Association, youth member of HK Industrial & Commercial Association Ltd, Youth Link and youth member of HK Young Industrialists Council and youth member of Jiangsu Youth Federation. She graduated from the University of Wisconsin Madison, Wisconsin, United States of America in 2009 with bachelor's degrees in both Marketing and Sociology. Ms. Wong Ying Ying is also a director of Man Wah Investments Limited, the controlling shareholder of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chau Shing Yim, David, aged 58, has been our independent non-executive director since 5 March 2010 and is the Chairman of the Company's audit committee and a member of each of the Company's nomination committee and remuneration committee. Mr. Chau has over 25 years of experience in corporate finance and was formerly a partner of one of the big four accounting firms, Mr. Chau was a key member who founded their corporate finance division and held the position as their Head of Merger and Acquisition and Corporate Advisory. Mr. Chau is a member of the Institute of Chartered Accountants in England and Wales ("ICAEW"), and was granted the Corporate Finance Qualification of ICAEW. He is also a member of the Hong Kong Institute of Certified Public Accountants ("HKICPA") and was an ex-committee member of the Disciplinary Panel of HKICPA. Mr. Chau is a Senior Fellow and a director of the Hong Kong Securities and Investment Institute; he is the chairman of China Strategy Committee and the Ex-Chairman of Corporate Outreach Committee. Mr. Chau is a member of Hospital Governing Committee of Pamela Youde Nethersole Eastern Hospital ("PYNEH") and a trustee of the PYNEH Charitable Trust.

Mr. Chau is currently an independent non-executive director and audit committee chairman of BC Technology Group Limited (Stock Code: 863), China Evergrande Group (Stock Code: 3333), China Evergrande New Energy Vehicle Group Limited (Stock Code: 708), China Ruyi Holdings Limited (Stock Code: 136), IDG Energy Investment Group Limited (Stock Code: 650), and Lee & Man Paper Manufacturing Limited (Stock Code: 2314). All the aforesaid companies are listed on the Stock Exchange of Hong Kong.

Mr. Kan Chung Nin, Tony, aged 71, LL.B., P.C.LL., BBS, SBS, JP, is our independent non-executive Director since 20 May 2013. Mr. Kan is also a member of the Company's audit committee, nomination committee and remuneration committee. He is the Founder and Senior Consultant of Tony Kan & Co., Solicitors & Notaries, practising as a Solicitor of the Supreme Court of Hong Kong since 1982. He is also a Solicitor of the Supreme Court of England and Wales, a Barrister and Solicitor of the Supreme Court of the Australian Capital Territory, as well as Advocate and Solicitor of the Supreme Court of the Republic of Singapore. He is also a China Appointed Attesting Officer and a Notary Public. Mr. Kan is currently a Committee Member of the National Committee of the Chinese People's Political Consultative Conference and was a Committee Member of the Guangdong Committee of the Chinese People's Political Consultative Conference for three consecutive terms. Mr. Kan had been an Elected Member of the Sha Tin District Council from 1985 to the end of 2011. He had also been an Elected Member of the Regional Council and he was elected as Vice Chairman of the Council in July 1997 until its dissolution at the end of 1999. Since 1988, Mr. Kan has served as a Councillor of Heung Yee Kuk in the New Territories and is currently its Ex officio Member and Executive Committee Member. Mr. Kan has served on various advisory committees for the government, including Town Planning Board Member and Member of the Building Committee of Hong Kong Housing Authority. He is currently a Member of the Election Committee of the Chief Executive of Hong Kong Special Administrative Region. Mr. Kan is an independent non-executive director of Nameson Holdings Limited (Stock Code: 1982), Shenzhen Investment Holdings Bay Area Development Company Limited (Stock Code: 737) and Kimou Environmental Holding Limited (Stock Code: 6805). He has been the chairman as well as non-executive director of Midland IC&I Limited (Stock Code: 459) from October 2016 to October 2019. The above mentioned companies are listed on the main board of the Stock Exchange. He has been appointed as a vice chairman of the board of directors of DBG Technology Co. Ltd, a company listed on the Shenzhen Stock Exchange (Stock Code: 300735).

Mr. Ding Yuan, aged 52, is our independent non-executive Director since 31 December 2016. Mr. Ding is the Chairman of the Company's remuneration committee and a member of each of the Company's nomination committee and audit committee. Mr. Ding graduated with a doctor of philosophy degree in management science from the College of Business Administration, Bordeaux IV University in France in December 2000. Mr. Ding served as a tenured professor in accounting and management control at the HEC School of Management in France from September 1999 to September 2006. He joined China Europe International Business School since September 2006, and currently serves there as the Cathay Capital Chair Professor in Accounting, vice president and dean. He is currently a director of Jaccar Holdings, a private investment company. Mr. Ding is currently a non-executive director of Saurer Intelligent Technology Co. Ltd. (卓郎智能技術股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 600545) from May 2018 and an independent non-executive director of Bluestar Adisseo Company (藍星安迪蘇股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 600299) from October 2018 and independent non-executive director of Shanghai Kunchi Group Co. Ltd. (上海路捷鯤馳集團股份有限公司). Mr. Ding was an independent non-executive director of Landsea Green Properties Co., Ltd. (朗詩綠色地產有限公司) (Stock Code: 106) from 2013 to May 2019, which is listed on the main board of the Stock Exchange. Mr. Ding has more than twenty years of experience in teaching and researching financial accounting, financial statement analysis, corporate governance and mergers and acquisitions.

Mr. Yang Siu Shun, aged 66, has been our independent non-executive director since 1 April 2022 and is a member of the Company's audit committee. Mr. Yang is currently serving as a Member of the 13th National Committee of the Chinese People's Political Consultative Conference, a Justice of the Peace in Hong Kong, a Steward of the Hong Kong Jockey Club, an independent non-executive director of Industrial and Commercial Bank of China Limited (Stock Code: 1398) which is publicly listed on the Stock Exchange of Hong Kong and the Shanghai Stock Exchange and an independent non-executive director of Tencent Holdings Limited (Stock Code: 700) which is publicly listed on the Stock Exchange of Hong Kong. Mr. Yang retired from PricewaterhouseCoopers ("PwC") on 30 June 2015. Before his retirement, he served as the Chairman and Senior Partner of PwC Hong Kong, the Executive Chairman and Senior Partner of PwC China and Hong Kong, one of the five members of the Global Network Leadership Team of PwC and the PwC Asia Pacific Chairman. Mr. Yang served as a Member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority, up to 31 August 2021. Mr. Yang also served as a Board Member and the Audit Committee Chairman of The Hang Seng University of Hong Kong (formerly known as Hang Seng Management College), up to 30 September 2018 and the Deputy Chairman of the Council of Hong Kong Metropolitan University ("HKMU") (formerly known as The Open University of Hong Kong), up to 19 June 2019. Mr. Yang graduated from the London School of Economics and Political Science in 1978 and was awarded the degree of Honorary Doctor of Social Sciences by HKMU in 2019. Mr. Yang is a Fellow Member of the Institute of Chartered Accountants in England and Wales, the Hong Kong Institute of Certified Public Accountants and the Chartered Institute of Management Accountants.

SENIOR MANAGEMENT

All the executive directors of the Company are respectively responsible for the various aspects of the business and operations of the Group. These executive directors are regarded as the members of the senior management team of the Group.

Financial Highlights

	FY2022 HK$'000	FY2021 HK$'000	FY2020 HK$'000	FY2019 HK$'000	FY2018 HK$'000
Revenue and other income	**21,787,920**	16,945,965	12,558,093	11,679,216	10,391,203
Gross profit margin	**36.7%**	36.1%	36.4%	34.1%	37.3%
Selling and administrative expense/ revenue	**24.4%**	23.7%	21.6%	20.9%	21.3%
Operating profit margin	**12.3%**	12.4%	14.8%	13.2%	16.0%
Profit attributable to the equity owners of the Company	**2,247,491**	1,924,513	1,638,069	1,363,801	1,535,908
Net profit margin	**10.5%**	11.7%	13.5%	12.1%	15.3%
Basic earnings per share (HK cents)	**56.90**	50.26	42.89	35.62	40.22
Diluted earnings per share (HK cents)	**56.77**	50.10	42.87	35.60	40.04
Interim dividend (HK cents)	**13.0**	10.0	7.0	6.0	13.0
Proposed final dividend (HK cents)	**17.0**	16.0	12.0	6.0	12.0
Dividend payout ratio	**52.6%**	52.7%	44.3%	33.7%	62.1%
Inventory turnover days	**63.1**	61.4	69.6	61.0	52.8
Account receivables' turnover days	**33.3**	32.1	37.9	36.7	29.0
Account payables' turnover days	**28.5**	33.7	38.5	34.9	34.3
Total assets	**20,521,244**	17,438,861	13,213,802	13,145,787	9,470,739
Total liabilities	**7,773,071**	6,033,802	5,981,106	6,429,724	3,026,255
Total equity	**12,748,173**	11,405,059	7,232,696	6,716,063	6,444,484
Cash and cash equivalents	**2,825,704**	2,404,027	2,020,245	1,438,339	1,409,959
Short-term bank deposits	**5,855**	892,066	–	–	–
Return on equity[1]	**19.2%**	17.9%	24.4%	21.9%	25.8%
Return on assets[2]	**11.0%**	11.0%	12.4%	10.4%	16.2%

Notes:

1. Return on equity = Profit attributable to equity owners of the Company/equity attributable to equity owners of the Company at the end of the year.

2. Return on assets = Profit attributable to equity owners of the Company/total assets at the end of the year.

Chairman's Statement

DEAR SHAREHOLDERS,

On behalf of the Board of Directors of Man Wah Holdings Limited ("Man Wah" or the "Company"), I am pleased to present the audited annual results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2022 ("FY2022", the "Review Period" or the "Current FY").

DEAR INVESTORS AND SHAREHOLDERS,

BUSINESS REVIEW

It has been three years since the COVID-19 pandemic outbreak ravaged the world, yet its negative impact can still be felt. The global pandemic has brought the economic development of many countries to a standstill or even recession. The complex international situation led to a sharp rise in the prices of international energy and bulk materials, exerting enormous operating pressure on companies around the world.

Faced with an ever-changing economic situation under an unprecedented pandemic, those at Man Wah around the world remained undaunted by the difficulties and pressures, and "rolled up their sleeves to work harder". In 2022, the Company achieved a growth rate of 30.8% in revenue, creating value for shareholders and partners with its excellent performance.

Over the past year, the Company vigorously developed the smart new retail business by building a big middle platform for Man Wah's operations to manage the digitalization and visualization of its products, strengthened support for dealers, upgraded digital retailing and actively expanded stores to achieve synergies between its online and offline operations. Faced with the severe challenges of the pandemic and floods, Man Wah has been working with dealers across China to achieve prudent and steady progress. During the past year, the number of Man Wah domestic stores grew from more than 4,000 to more than 6,000. Our sales channels continuously extended downward to lower-tier markets, and our market share continued to increase. In the PRC market, the revenue from sofas increased by 25.9% year-on-year, and the revenue from bedding and ancillary products increased by 51.2% year-on-year.

In overseas markets, we improved the product line distribution by diversifying product lines, reduced the impact of the pandemic on the factory in Vietnam to ensure the supply of production capacity, and launched the sales campaign for "MW HOME", an independent high-end brand in North America, to gradually establish presence in the C-end market. In the past year, we overcame the dual impact of the pandemic and high ocean freight rates, managing to achieve a 23.8% increase in revenue. In Europe and other overseas markets (excluding Home Group), we also achieved an increase of 56.8%.

PROSPECTS

In December 2021, the Economic Work Conference of the Chinese Government suggested that in 2022, the Chinese economy will face triple economic pressures, namely "shrinking demand, supply shocks, and weakening expectations", emphasizing that it must "prioritize steadiness and seek progress while maintaining stability." We believe that China's recliner sofas market is still in a period of high growth and dividends. In the future, with the continuous development of China's economy and the continuous increase of per capita income, the demand for the volume and quality of sofas will continue to increase in the PRC. The improvement in quality will in turn drive the rise of sofa prices. As the policy of "housing is for residence and not for speculation" remains in place, the residential market continues to exhibit stability, and "wild ups and downs" are unlikely. Furniture-related consumption is expected to remain stable. Rising urbanization rate and the demands for housing change driven by new-borns remain important pillars of housing demand and furniture consumption. New houses and existing houses are only a structural adjustment of residential demand, and furniture demand is ultimately rooted in consumption.

Digitization can have a more realistic and effective impact on a company's efficiency, profitability and data. In the post-pandemic era, we will substantially improve our capabilities and continue the customer-centric digital transformation and process renovation to optimize resource allocation efficiency and establish new competitive advantages for the Company. Through digital and intelligent operations and scientific, accurate and efficient decision-making, we will push Man Wah, the furniture aircraft carrier, to new heights.

We will continue to increase investment in production. Following the commencement of construction of the factory in Xingping, Shaanxi, we are preparing to build industrial parks in Hubei and other regions. After the completion of the Shaanxi Industrial Park, Man Wah's total domestic production capacity will reach 1.56 million sets, effectively satisfying the supply in the northwest market. The completion of the factory in Mexico will combat the restrictions on the market caused by logistics and greatly improve our responsiveness in the North American market.

APPRECIATION

On behalf of the Board, I would like to express my gratitude to all of our shareholders, partners, consumers and employees for their support to the Group in the past year. The achievements in the past are not an ending, and the huge space in the future is our goal. As always, we will endeavour to contribute more to our shareholders and society. Have faith that our future is bright.

Wong Man Li
Chairman
Man Wah Holdings Limited

Management Discussion and Analysis

MARKET REVIEW

In 2021, the spread of COVID-19 around the world, the significant appreciation of RMB, and the rapid increase in the price of raw materials posed a challenging environment for us. Faced with a complex and changing trade environment and the impact of the pandemic, the Group, while continuing its efforts in the prevention and control of the pandemic, has facilitated the resumption of work and production in an orderly way, continuously improved its product research and development capabilities, provided a comprehensive price band ranging from high, medium to cost-effective, as well as a complete product matrix of sofas, mattresses and accessories, and actively promoted domestic business development, thus effectively overcoming the adverse external impact. According to the latest market research report published by Euromonitor in April 2022, the Group has been the world's top seller of recliner sofas for four consecutive years.

China Market

During the Review Period, despite the challenges posed by the pandemic on China's overall economy, there were opportunities for consumption recovery and growth in demand for household products. According to the data released by National Bureau of Statistics, the GDP growth of China was approximately 8.1% in 2021. The per capita consumption expenditure of urban residents in China increased by 12.2% to approximately RMB30,307 in 2021 as compared with 2020. With the increase of per capita disposable income, consumer preferences are shifting from satisfaction of basic needs to a desire for a higher quality of life and consumption. Meanwhile, the pandemic has led to changes in the daily lifestyle of Chinese families, and higher demands have been put forward for the comfort and humanization of household products. In view of the growing demand of consumers, the Group, while focusing on stationary sofas, has added more experience functions and improved the comfort of its recliner sofa products, which provides an enhanced experience for consumers. With our self-supply of core components, we are able to offer recliner sofas with a more cost-effective price chain to a wider range of families, while meeting the market demand. By offering appealing products at a high quality and attractive price, we are dedicated to helping more Chinese consumers enjoy first-class service at an economy class price point.

With the rising consumption trend, the Company has transcended the limitations of core components to provide products that are good value for money. The penetration of its recliner sofas in the Chinese market has been accelerated. In addition, our brand effect as a leading enterprise has become more prominent, our scale advantage has been gradually reflected, and concentration has continued to improve. During the Review Period, through effective store expansion, marketing and store operation, vigorous development of e-commerce sales, and active promotion of business model innovation, the Group gained more market share in the Chinese furniture market and achieved strong revenue growth.

U.S. Market

In 2021, despite the impact of the COVID-19 pandemic on the U.S. economy and Sino-U.S. trade tensions, the U.S. recorded a nominal GDP of approximately USD21.92 trillion and the annual GDP grew by 5.4%. According to the recliner sofa market research report published by Euromonitor in April 2022, from 2017 to 2021, the sales volume of recliner sofa products in the U.S. market increased from 9,405,000 pieces to nearly 10,921,000 pieces, achieving a compound annual growth rate of approximately 3.8%. In the same period, sales grew from USD10.69 billion to nearly USD14.05 billion, representing a CAGR of 7.1%. The recliner sofa category has been growing faster than the traditional stationary sofa, and this trend is expected to continue in the future. In 2021, the Group ranked among the top three in the U.S. recliner sofa market. The U.S. market is growing slower than the Chinese market. The Group will try its best to expand its market share and achieve revenue growth in the future through leveraging its scale, efficiency, capacity, quality and cost control.

Europe and other Overseas Markets

The European market has begun to show signs of recovery despite the impact of Brexit and the COVID-19 pandemic. According to the Eurostat, the GDP of 19 countries in the Eurozone rose by 5.3% in 2021 from that in 2020. The Group will continue to provide more diversified and competitive products to increase our market share in the European market as well as other overseas markets.

Research and Development of Smart Furniture Products

During the Review Period, the Group strengthened product innovation and R&D based on the changes in the market, focusing on the continuous improvement of product quality. By offering more upgraded recliner sofas featuring small size, beautiful appearance, lightness, and lying flat function, we have constantly improved our competitiveness and provided consumers with nicer and more comfortable experience. We offered a full spectrum of smart iron frames (including American, Italian and German styles), with an aim to increase the market share of the Group's smart furniture and enriched our product line.

BUSINESS REVIEW

During the Review Period, benefiting from the diversified market distribution and years of preparation and development, the Group's business has gradually changed from OEM business to brand sales business. At present, the brand sales business in China has accounted for more than 60%. Under the global COVID-19 challenge, in view of the fact that the European and American markets were greatly impacted by COVID-19, the Group seized the opportunity to vigorously develop the business in the Chinese market, expanding stores to occupy sites with favorable consumption flow, and improving the store management level, quality and product innovation and research and development capabilities. The Group achieved a revenue growth of 29.3% in the Chinese market and 30.8% in its main business, maintaining its No.1 position in the global sales of recliner sofa. The revenue of the Group reached a new high in the Review Period. The revenue analysis by different regions is as follows:

1 China Market

During the Review Period, the Group's sales revenue from the Chinese market was HK$13,854,943,000 and the revenue from its main business in the Chinese market was HK$13,192,807,000 (excluding real estate, mall property and other business revenue), representing an increase of 32.3% over the same period last year, which was HK$9,975,577,000.

In terms of the offline sales channels in Chinese market, the Group will continue to implement the strategy of dominating the Chinese market, seize opportunities in industry optimization driven by the pandemic, accelerate the opening of stores, and further increase the overall number and area of stores in China. As at 31 March 2022, the Group had a total of 5,968 brand stores in China (excluding 715 style and Pulini stores). During the Review Period, we achieved a net increase of 1,846 in the number of our brand stores.

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.

While focusing on the production and sale of sofa and bed products, the Group also produces and sells chair and other products to high-speed railway, cinema chains and other commercial customers. In addition, the Group also produces and sells some intelligent furniture components and other products.

In addition, the Group has completed the acquisition of a sofa manufacturer and an iron frame manufacturer in Guangdong Province on 1 April 2021, which had been consolidated into the accounts of the Group from April 2021. During the Review Period, the Group also acquired a sofa product manufacturing and sales group, which had been consolidated into the accounts of the Group from January 2022.

2 North America Market

In the North America market, due to the recovery of the economy after the height 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 the principal business in the North American market amounted to HK$5,667,477,000, representing an increase of approximately 23.8% from HK$4,579,469,000 in the last corresponding period.

In order to mitigate the adverse impact on revenue and gross margin due to tariffs imposed by the U.S. government, the Group acquired a plant in Vietnam in June 2018, which has been put into operation in 2020.

The Group also had some high-end sofas produced in China and exported to the United States. The high gross margin of the high-end sofas helped offset part of the higher cost of the products produced by Chinese factories due to U.S. tariffs.

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 the recovery of the economy after the height of the pandemic. During the Review Period, excluding Home Group, the revenue of our main business from Europe and other overseas markets increased by 56.8% to HK$1,374,493,000 compared to HK$876,635,000 in the same period last year.

During the Review Period, Home Group had five sofa manufacturing plants in Poland, the Baltic States and Ukraine, which are mainly engaged in the design and production of stationary sofas and sofa beds. The products of Home Group are sold to many European furniture retailers. Its revenue from main business increased by 16.6% compared with the same period last year. The Group's production facilities in Ukraine have not been materially disrupted during the Review Period but management continues to monitor the situation in Ukraine following the war between Russia and Ukraine.

FINANCIAL REVIEW

Revenue and Gross Profit Margin

	Revenue (HK$'000)			As a percentage of revenue (%)		Gross profit margin (%)	
	FY2022	FY2021	Change (%)	**FY2022**	FY2021	**FY2022**	FY2021
Business of sofas and ancillary products	**14,616,557**	11,723,615	24.7%	**67.1%**	69.2%	**37.3%**	37.4%
Other products	**5,618,220**	3,708,066	51.5%	**25.8%**	21.9%	**34.1%**	31.5%
Home Group business	**890,878**	764,072	16.6%	**4.1%**	4.5%	**25.3%**	34.7%
Other business	**371,128**	238,318	55.7%	**1.7%**	1.4%	**79.9%**	49.4%
Other income	**291,137**	511,894	(43.1)%	**1.3%**	3.0%	**–**	–
Total	**21,787,920**	16,945,965	28.6%	**100.0%**	100.0%	**36.7%**	36.1%

During FY2022, total revenue (including the income from main businesses and other income) rose by approximately 28.6% to approximately HK$21,787,920,000 (Last Corresponding Period: approximately HK$16,945,965,000). The overall gross profit margin (exclude the other income) for the current financial year was approximately 36.7% (Last Corresponding Period: approximately 36.1%).

During the Review Period, excluding Home Group business, the Group sold approximately 1,896,000 sets of sofa products (FY2021: approximately 1,648,000 sets), representing an increase of approximately 15.1% (one set of sofa products equals to six seats, excluding chairs and other products which were sold to commercial clients).

1 Sofas and Ancillary Products Business

During the Review Period, revenue from business of sofas and ancillary products was approximately HK$14,616,557,000, representing an increase of approximately 24.7% as compared to approximately HK$11,723,615,000 in the Last Corresponding Period.

1.1 China market

During the Review Period, revenue from the China market reached approximately HK$8,627,693,000, up by approximately 25.9% from approximately HK$6,851,747,000 in the Last Corresponding Period.

During the Review Period, the Group's sales of sofas and ancillary products in the Chinese market enjoyed rapid growth. While vigorously expanding to achieve rapid store opening, we continued to improve the competitiveness of our products, and enabled dealers to improve their operation and management, in order to ensure good store performance in spite of the increase of number of stores. In addition, we have achieved coordinated development online and offline, by constantly embracing changes and making good use of new media such as TikTok and new channels such as live streaming. We have realized the continuous improvement of the brand influence of "CHEERS", and gradually strengthened the awareness of consumers on recliner sofa, thus pushing the domestic recliner sofa into the fast track of development.

1.2 North America market

During the Review Period, the revenue from the North America market was approximately HK$5,410,362,000, up approximately 23.7% from approximately HK$4,374,287,000 in the same period last year. Among the revenue from North America during the Review Period, the revenue from the United States and Canada was approximately HK$5,165,765,000 and HK$220,420,000 respectively.

1.3 Europe and other overseas markets

During the Review Period, the sales revenue of sofa and supporting products from the Europe and other overseas markets was approximately HK$578,502,000, representing an increase of approximately 16.3% from approximately HK$497,581,000 in the same period last year.

2 Sales of Other Products

During the Review Period, the Group's revenue from sales of other products was approximately HK$5,618,220,000, up approximately 51.5% from approximately HK$3,708,066,000 in the same period last year.

2.1 The sales revenue of beds from the Chinese market was approximately HK$3,398,490,000, up approximately 51.2% from approximately HK$2,247,911,000 in the same period last year.

2.2 The sales revenue of smart furniture components and products amounted to approximately HK$2,219,730,000 (including approximately HK$1,166,624,000 from the Chinese market, approximately HK$257,115,000 from the North America market, and approximately HK$795,991,000 from the Europe and other overseas markets), up approximately 52.0% from approximately HK$1,460,155,000 in the same period last year.

3 Business of Home Group

During the Review Period, revenue from Home Group reached approximately HK$890,878,000, up approximately 16.6% compared with approximately HK$764,072,000 in the Last Corresponding Period.

4 Other Business

During the Review Period, revenue from the real estate, hotel, and furniture mall business and service of the Group reached approximately HK$371,128,000, representing an increase of approximately 55.7% compared with approximately HK$238,318,000 in the Last Corresponding Period.

5 Other Income

During the Review Period, other income of the Group was approximately HK$291,137,000, representing a decrease of approximately 43.1% as compared with approximately HK$511,894,000 in the Last Corresponding Period.

Cost of Goods Sold

Breakdown of cost of goods sold

	FY2022 HK$'000	FY2021 HK$'000	Change (%)
Cost of raw materials	**10,990,545**	8,388,341	31.0%
Labour costs	**1,976,527**	1,659,858	19.1%
Manufacturing overhead	**639,116**	456,765	39.9%
Total	**13,606,188**	10,504,964	29.5%

Major raw materials	**Average unit cost year-on-year change (%)**
Leather	24.8%
Steel products	23.2%
Wood	61.2%
Fabric	-4.5%
Chemicals	14.3%
Packaging paper	14.4%

Other Gains and Losses

During FY2022, other gains and losses of the Group amounted to losses of approximately HK$49,350,000 (the Last Corresponding Period: losses of approximately HK$93,713,000). The aforesaid losses in the Review Period were mainly attributable to the impairment provision for trade receivables and bills receivable.

Selling and Distribution Expenses

Selling and distribution expenses increased by approximately 34.4% from approximately HK$3,118,564,000 in FY2021 to approximately HK$4,189,944,000 in FY2022. Selling and distribution expenses as a percentage of revenue increased from approximately 19.0% in FY2021 to approximately 19.5% in FY2022. The increase was mainly attributable to the following:

(a) Advertising, promotion, and brand building expenses increased by approximately 16.4% from approximately HK$470,676,000 to approximately HK$547,936,000, and their percentage in revenue decreased from approximately 2.9% to approximately 2.5%. Among the expenses, promotion expenses increased by approximately 20.3% from approximately HK$297,050,000 to approximately HK$357,383,000, and their percentage in revenue decreased from approximately 1.8% in FY2021 to approximately 1.7% in FY2022;

(b) Salaries, welfare, and commissions of sales staff increased by approximately 61.4% from approximately HK$497,044,000 to approximately HK$802,052,000, and their percentage in revenue increased from approximately 3.0% in FY2021 to approximately 3.7% in FY2022;

(c) Overseas transportation and port expenses increased by approximately 31.7% from approximately HK$997,601,000 to approximately HK$1,313,829,000, representing 6.1% of the revenue, which was similar with FY2021. Domestic transportation expenses increased by approximately 17.3% from approximately HK$445,004,000 to approximately HK$521,921,000. As a percentage of revenue it decreased from approximately 2.7% last year to approximately 2.4% in FY2022;

(d) Customs duties imposed on goods exported to the United States rose by approximately 43.3% from approximately HK$120,790,000 to approximately HK$173,133,000. The duties accounted for as a percentage of revenue increased from approximately 0.7% last year to approximately 0.8% in FY2022;

(e) Network service expenses increased by approximately 42.0% from approximately HK$87,118,000 to approximately HK$123,731,000. As a percentage of revenue it increased from approximately 0.5% last year to approximately 0.6% in FY2022.

Administrative and Other Expenses

Administrative and other expenses increased by approximately 35.3% from approximately HK$778,071,000 in FY2021 to approximately HK$1,052,908,000 in FY2022. As a percentage of revenue, administrative and other expenses were approximately 4.9% (FY2021: approximately 4.7%).

Income Tax Expense

Income tax expense increased by approximately 49.3% from approximately HK$336,908,000 in FY2021 to approximately HK$502,929,000 in FY2022. The proportion of income tax expense to profit before tax increased from approximately 14.3% in FY2021 to approximately 17.8% in FY2022.

Profit Attributable to Owners of the Company and Net Profit Margin

The profit attributable to owners of the Company increased by approximately 16.8% from approximately HK$1,924,513,000 in FY2021 to approximately HK$2,247,491,000 in FY2022. The net profit margin of owners of the Group decreased from 11.7% in FY2021 to approximately 10.5% in FY2022, which was mainly because the selling and distribution expenses increased by approximately 34.4% from approximately HK$3,118,564,000 in FY2021 to approximately HK$4,189,944,000 in FY2022.

Dividends

The Board has proposed a final dividend of HK17 cents per share for FY2022. During FY2022, the Board declared and paid an interim dividend of HK13 cents per share. Total dividends declared for FY2022 accounted for approximately 52.6% of the profit attributable to owners of the Company.

Working Capital

As at 31 March 2022, the Group's cash and cash equivalents and short-term bank deposits were approximately HK$2,825,704,000 and HK$5,855,000, respectively.

The Group has been committed to maintaining a sound financial policy. Benefiting from the steady and sound development of the Company's business, it can effectively manage its cash flow and capital commitments. The Group also ensures that it has sufficient funds to meet its existing and future cash requirements while providing sustainable and stable dividend returns to shareholders.

The Group has not experienced and does not expect to experience any difficulties in meeting its repayment obligations when a loan or financing is due.

Liquidity and Capital Resources

As at 31 March 2022, the Group's short-term borrowings amounted to approximately HK$4,335,016,000 and long-term borrowings amounted to approximately HK$566,000. The Group's major bank borrowings are denominated in HKD and RMB and carry interest at fixed and variable rates. The fixed rates ranged from 0.65% to 3.90% (FY2021: 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 1.17% to 2.15% (FY2021: 1.01% to 1.99%), or the 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% (FY2021: 1.59% to 2.80%). The weighted average effective interest rates of the above variable-rate and fixed-rate bank borrowings were 1.48% and 2.72%, respectively (FY2021: 1.20% to 2.86%, respectively), per annum.

The Group's primary source of working capital is cash flow from operating activities and bank deposits. As at 31 March 2022, the Group's current ratio was approximately 1.3 (31 March 2021: approximately 1.4). As at 31 March 2022, the Group's gearing ratio was approximately 37.0% (31 March 2021: approximately 33.4%), which is defined as total bank borrowings divided by total equity attributable to owners of the Group.

Allowance for Inventories

For FY2022, the Group provided an impairment allowance for inventories of approximately HK$1,987,000 (FY2021: reversed an impairment allowance of approximately HK$18,032,000).

Impairment Loss on Trade Receivables and Bills Receivable

For FY2022, the Group provided impairment loss on trade receivables and bills receivable of approximately HK$19,825,000 (FY2021: approximately HK$2,042,000).

Pledge of Assets

As at 31 March 2022, there was approximately HK$4,045,000 restricted bank balances (31 March 2021: HK$12,237,000). As at 31 March 2022, some subsidiaries of Home Group under the Group pledged certain assets for financing, including property, plant and equipment with a book value of approximately HK$1,615,000 (31 March 2021: property, plant and equipment with a book value of approximately HK$3,755,000).

Capital Commitments and Contingent Liabilities

Save as disclosed in note 32 to the consolidated financial statements, the Group did not have any material capital commitments as at 31 March 2022.

As at 31 March 2022, the Group did not have any material contingent liabilities.

Foreign Currency Risks

The Group's exposure to currency risks is mainly attributable to the trade and other receivables, bank balances, trade and other payables and bank borrowings, which are denominated in currencies other than the functional currency of the respective Group entities. Except for the business of Home Group, most of the Group's sales in overseas markets are settled in USD. In addition, the Group's sales in Mainland China and Hong Kong markets are settled in RMB and HKD respectively. Except for the business of Home Group, the Group's costs are mainly settled in USD, RMB, and HKD. The revenue of Home Group's current business in Europe was settled mainly in Euro, while the cost was settled mainly in Euro, UAH (Ukrainian hryvnia) and PLN (Polish zloty). The Group has no hedging policy (such as using any financial instrument) with respect to foreign exchange exposure.

Significant Investments and Acquisitions

Save as disclosed in this report, the Group did not have any significant investments or material acquisitions or disposals of subsidiaries, associates or joint ventures during the FY2022. The Group continues to seek suitable opportunities to acquire furniture companies to accelerate the development of the Group.

Future Plan for Material Investments or Capital Assets

The Group currently does not have any plan for material investments or capital assets in the coming year.

USE OF PROCEEDS FROM THE 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 who are third parties independent of the Company and its connected persons (as defined under the Listing Rules). The Company successfully raised a total net proceeds of (after deducting related costs and expenses) HK$2,362.7 million from the Placing. 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 at 31 March 2022, the net proceeds from the Placing have been fully utilised as intended as follows:

1. a total of HK$1,174.93 million for capacity and factory expansion in China;

2. a total of HK$286.20 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 settling part of the consideration for the acquisition of 51% interest in Shenzhen Style Home Furnishing Co., Ltd.* (深圳市格調家居有限公司), which owns manufacturing facilities in China; and

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 China;

5. a total of HK$125.40 million for the partial settlement of the consideration for the acquisition of 55% equity interest in Superb Creation Limited which owns manufacturing facilities in, among others, China; and

6. a total of HK$333.78 million for the expenses of increasing the number of stores.

HUMAN RESOURCES

As at 31 March 2022, the Group had 28,685 employees (31 March 2021: 30,621 employees).

The Group always regards its employees as its most important resource, and provides its staff with sound working and living conditions at the main manufacturing bases, and has developed a comprehensive staff training and development, performance evaluation, and incentive system. With years of effort, the Group had also in place a relatively established performance appraisal system, which has acted as a benchmark for the employee incentives.

During FY2022, the total staff costs for the Group amounted to approximately HK$3,238,391,000 (FY2021: approximately HK$2,491,708,000), of which approximately HK$35,742,000 (FY2021: approximately HK$23,385,000) was Directors' emoluments. The Group endeavours to keep the remuneration packages of its employees competitive and reward employees based on their performance. As part of the Group remuneration system and policy, we have adopted a share option scheme and a share award scheme, both of which enable the Group to reward employees and incentivise them to perform better.

FUTURE PLANS AND OUTLOOK

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 advances. The Group may also enter the customized and fabric sofas segments by way of mergers and acquisitions if the right opportunity presents itself, which will enrich the Group's product portfolio, and enable the Group 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.

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

During FY2022, the Company repurchased a total of 34,083,600 ordinary shares of the Company at an aggregate purchase price of approximately HK$390,069,000 (before brokerage and expenses) on The Stock Exchange of Hong Kong Limited. Details of the repurchases of such ordinary shares were as follows:

Month of repurchase	Number of ordinary shares repurchased	Price per ordinary share		Aggregate purchase price
		Highest	Lowest	
		HK$	HK$	(Approx. HK$)
July 2021	2,157,600	15.50	14.98	32,946,747.00
August 2021	406,400	15.50	15.30	6,260,835.80
October 2021	5,400,000	11.30	10.66	59,543,100.00
December 2021	12,000,000	12.40	11.18	143,270,300.00
January 2022	7,626,400	12.02	10.58	88,320,059.20
February 2022	5,000,000	9.17	8.93	45,370,000.00
March 2022	1,493,200	9.65	9.38	14,357,864.60
Total	34,083,600			390,068,906.60

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the Review Period.

Environmental, Social and Governance Report

INTRODUCTION

Man Wah Holdings Limited ("Man Wah" or the "Company") has been persistent in the pursuit of its corporate value of "fulfilling social responsibility and achieving sustainable development," and strived to promote a better environment in the community and green recycling economic development, while adhering to the irrevocable duty and responsibility of "bringing healthy, comfortable, valuable and stylish home to thousands of families".

This report summarizes the actions and achievements of the Company and its subsidiaries (collectively the "Group") in actively fulfilling its social responsibilities in the four key areas of environmental protection, operating practices, workplace quality and public welfare activities during the year ended 31 March 2022 ("FY2022", the "Review Period" or the "Current FY"), thereby reflecting the progress achieved by the Group during the Current FY.

Governance Structure

The Board of the Group is in charge of the strategies and practices of sustainable development and oversees all relevant environmental, social and governance issues. In order to improve its environmental and social performance, the Group has also established the Environmental, Social and Governance Committee, and appointed a member of the Board as the chairman to effectively manage environmental, social and governance issues that have a material impact on the environment and society, and to govern and guide environmental, social and governance practices based on the Group's assessment of the environmental, social and governance arrangements last year.

Reporting Guidelines and Principles

This report is prepared in accordance with the "mandatory disclosure" requirements and "comply or explain" provisions set out in the Environmental, Social and Governance Reporting Guide (the "Environmental, Social and Governance Reporting Guide") in Appendix 27 to the Rules Governing the Listing of Securities on Hong Kong Stock Exchange, and in compliance with the following reporting principles for the preparation of this report:

Materiality

The Group focuses on topics that are material to stakeholders and have a material impact on its business, the environment and the society. Key stakeholders of the Group include employees, directors, suppliers, customers, shareholders, investors, governments and communities where the businesses are operated. By engaging stakeholders in the survey, we discovered material topics and evaluated the materiality of key topics.

Quantitative

The Group ensures that key performance indicators ("KPIs") are measurable and accompanied by statements describing their purposes, impacts and calculation methods.

Balance

This report seeks to report the performance indicators of the Group in an impartial manner and avoid presenting them in a way that may have an undue impact on the decisions or judgments of the readers of this report.

Consistency

The Group adopts consistent methods to collect and calculate data and provides historical data where appropriate, so as to make meaningful comparison between them in the future. To show stakeholders the whole picture of the environmental, social and governance performance of the Group, this report discloses the environmental and social KPIs in accordance with the "comply or explain" provisions of the Environmental, Social and Governance Reporting Guide. The methodology or KPIs used to prepare this report remain unchanged from last year.

1. ENVIRONMENTAL PROTECTION

The Group has strived to enhance operational efficiency. Meanwhile, it has taken lots of measures to reduce the impact on the environment. The processes of its product design, factory design and supplier selection have been in accordance with the highest standards of environmental protection, so as to reach a high degree of integration in efficiency improvement, resource conservation, environmental protection and product health. The Group has strictly complied with the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Water Pollution Prevention and Control Law of the PRC (《中華人民共和國水污染防治法》), the Atmospheric Pollution Prevention and Control Law of the PRC (《中華人民共和國大氣污染防治法》), the Law of the PRC on Prevention and Control of Pollution from Environmental Noise (《中華人民共和國環境噪聲污染防治法》), and other relevant environmental protection laws and regulations of the jurisdictions where the Group operates its factories that have a significant impact on the Group.

1.1 Energy Saving and Emission Reduction

In the furniture production process, the Group increased the utilization rate of resources by improving the production procedure continuously and using more environmentally friendly materials and equipment, so as to reduce costs while minimizing the impact on the environment. As a certain amount of waste water, gas emissions and solid wastes are generated in the furniture production process, the Group has adopted a series of effective measures and will continue to implement such measures to reduce gas emissions and waste generation. In respect of the uncontrolled exhaust gas, waste water and noise arising from operation, the Group has complied with all the national standards such as the Integrated Emission Standard of Air Pollutants (大氣污染綜合排放標準), the Integrated Wastewater Discharge Standard (污水綜合排放標準) and the Emission Standard for Industrial Enterprises Noise at Boundary (工廠企業廠界環境噪聲排放標準) and did not exert material impacts on the environment.

In terms of waste water treatment, the Group has self-constructed domestic sewage treatment systems in the main factories in China. In the prior FY, around 200,000 tons of domestic sewage has been treated by the Group. All the wastewater discharged by the Group has been processed by a localized public wastewater treatment plant throughout the Current FY.

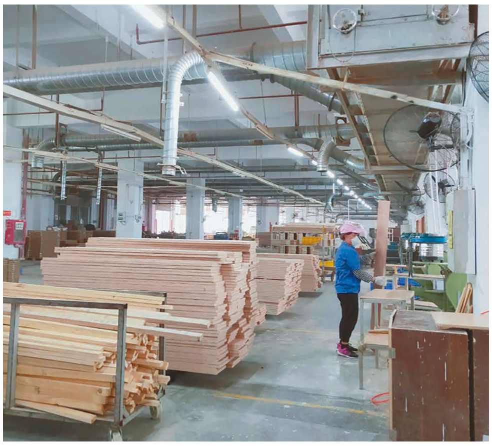
In order to ensure air quality in the workplace, the Group established the full-circumference exhaust gas collection device in all sponge factories, where plasma photolysis and activated carbon adsorption processes were used to treat the exhaust gas. (Please refer to the pictures below)

No substantial direct emission of greenhouse gas is generated from the Group's business activities. Greenhouse gases emissions associated with electricity purchase was approximately 53,931 tonnes (CO_2 equivalent emissions) (2021: 47,165 tonnes) during the Current FY. Indirect emissions other than electricity were minimal.

Greenhouse gases emission	2022	2021
Total Greenhouse gases emission (tonnes)	**53,931**	47,165
Total Greenhouse gases emission per employee (tonnes per employee)	**2.025**	1.521
Direct emissions (tonnes)	**0**	0
Indirect emissions (tonnes)	**53,931**	47,165
Quantity of purchased Electricity ('000 KWh)	**73,487**	64,352
Emission factor (kg/kWh)	**0.73**	0.73

The Group does not generate much waste paper and household garbage during its operation, all of which are collected and disposed by cleaning personnel and afterwards are processed by the Local Sanitation Bureau. Such arrangement does not cause material impact on the environment. The solid wastes such as leftover woods, fabrics and leather, etc. are recycled and reused by the Group in order to save material consumption costs and enhance the resources efficiency. The Group does not generate major hazardous emissions or waste in its operation. As such, data on emission and waste generated from hazardous emission has not been collected. The non-hazardous waste of the Group (representing leftover woods, fabrics and leather) produced during the Review Period was approximately 55.786 tonnes (2021: 51.929 tonnes) and the said waste did not exert any significant impact on the environment.

In the carpentry workshop, the Group used new dust removal equipment in all manufacturing base in China, in order to lower the dust concentration effectively, reduce exhaust emission, and protect the health of the practitioners. Moreover, waste water of the panel-type furniture factory can be reused on the production line after treatment, so as to save water resources. By establishing the closed spraying device, harmful gases will not leak, thus ensuring the safe working environment for employees. (Please refer to the pictures below)



1.2 Resources Consumption

The Group acknowledges the importance of operation-wide consumption of energy and continuously works towards achieving higher energy use efficiency. To this end, the Group has set up an energy measurement and management system with detailed specifications to reduce the consumption of resources. Furthermore, an energy management organization, the Energy Management Team, was set up in 2012. Under this team's leadership, strict management and precise measurement have been implemented on the energy consumption in production and non-production systems in respect of energy imports and exports and incentive and constraint mechanisms for energy-saving have been established and improved. The energy conservation team has set up an energy-saving incentive fund to reward teams and individuals who have achieved excellent results in energy management, energy-saving innovations, and exploring potential in energy-saving work.

We monitor our water consumption continuously and implement water saving measures at all our outlets. There were no issues with the water supply as the water is directly supplied from the respective government agencies.

During FY2022, total electricity consumption of the Group's sofa production bases in China was approximately 71,500,000 kWh, an increase of approximately 19.1% as compared to the Last Corresponding Period. Total water consumption was about 1,147,308 tons, increasing by approximately 6.9% as compared to about 1,073,508 tons in the Last Corresponding Period. During the Current FY, the major energy consumption of the Group is as follows.

Energy Consumption	Unit	2022 Total Consumption	2021 Total Consumption
Total electricity consumption (excluding the solar power panels)	'000 kWh	**57,718**	64,352
Electricity consumption per capita	'000 kWh/per person	**2.68**	1.93
Consumption of non-renewable fuels	L	**265,533**	268,027
Consumption per capita	L/per person	**9.97**	8.62
Total water consumption	m^3	**1,147,308**	1,073,508
Water consumption per capita	m^3/per person	**43.08**	34.51

The Group mainly uses paper boxes, plastic bags and sponge scraps as packaging materials for its products. The amount of various types of packaging materials used in Current FY was approximately 33,008 tons (2021: 29,784 tons) in total and approximately 17 kg (2021: 18 kg) packaging materials were used per set of sofa. The Group used the packaging materials reasonably and effectively to minimize its impact on the environment.

1.3 Environment and Natural Resources

The Group has been committed to the protection of natural resources and reduction of resource wastage across its operation, which has become integral to its corporate culture.

In the factories in China, a solar photovoltaic system at the rooftops has been used. During the Review Period, the three production bases of the Group in China generated power capacity of approximately 14,479,460 kWh with photovoltaic systems, representing approximately 20.3% of the total electricity consumption of sofa production bases as compared to 24.7% in the Last Corresponding Period. In addition, the Group proactively implemented the paperless office policy, thereby minimizing the adverse impacts of its operation on the environment.

1.4 Climate Change

The management of the Group understands that climate change may adversely impact to our businesses and the global economy as a whole. For example, extreme weather events could interrupt its supply chain logistics, which could delay project delivery leading to potential financial losses. Therefore, the Group has formulated climate change policies to address the aforesaid risks. The Group also conducts regular reviews of environmental standard and regulations, while closely monitoring climate and disease-related incidents, in order to proactively minimize its risks.

2. OPERATING PRACTICES

The Group's sofa brand "Cheers First-class Cabin" was awarded the accolades of "Consumers' Favorite Brand of Furniture" and "Green Furniture Products," and its products continued to gain consumer recognition. Providing the best-quality home products and services to billions of consumers around the world is the Group's commitment to consumers, and also the foundation for its constant and robust growth. The Group's employees must abide by the anti-corruption policy strictly so as to maintain the Group's reputation.

2.1 Product Liability

A. Raw material management and control:

In order to provide healthy and comfortable products to customers and ensure the product quality, in strict accordance with the law of the PRC on Product Quality, the Group always uses high quality materials from the product design stage and sets up a comprehensive supplier evaluation system. To reduce the environmental and social risks along the supply chain, only those suppliers with scale, industry position, quality control and reputation that can satisfy the Group's required standard can enter into supply chain system of the Group. For selection of raw materials, the Group makes sure the quality and environmental indicators could meet relevant national regulations and industry standards and standards in clients' countries, and it adheres to strict and reasonable raw material specification table, defining the nature, quality policy and safety indicators of raw materials, and providing quantitative and definite standards for procurement and inspection of raw materials. The Group has introduced a variety of special testing equipment, for example: the heavy metal content tester for checking if the heavy metal content in raw materials such as fabrics, paint and plywood complies with national standards; Martindale abrasion tester for testing the abrasion resistance of leather and ensure the quality of raw materials; and vertical low-temperature flexing tester for testing the smoothness and durability of fabrics at a low temperature environment.

B. *Product quality monitoring:*

During FY2022, no products were recalled due to safety and health reasons. To ensure the Group provides the highest quality products to customers, in strict accordance with the law of the PRC on Product Quality and Protection of the Rights and Interests of Consumers, and the Advertisement Law, it has developed a set of strict quality management procedures, covering the whole process of supplier selection, materials testing, process control, pre-delivery tests, third-party inspection and certification, after-sales service and product quality tracking, and has the IT system record and track the whole process. Based on the strict standards of the world's respected third-party testing organizations, the Group has established testing systems for raw materials, flame retardant, electronic hardware, metal frame, foam, leather, fabric, cloth, semi-finished and finished products. The Group has attained ISO9001 quality management system, ISO14001 environmental management system and China Environmental Labeling Product Certifications. In addition to meeting inspection standard of customers, the Group regularly sends its products to third-party authoritative organizations for testing.

During the FY2022, the Group had complied with the applicable laws and regulations that had a significant impact on the Group with regards to product responsibility.

C. *After-sales service:*

Customers' feedback is an important driving force for the business development of the Group as it helps us continuously enhance the quality of our products and services. During the FY2022, the Group did not receive any major complaints regarding product quality and services. The Group has developed a set of procedures to handle customer feedback or complaints in a professional manner. Upon receiving inquiries or customer complaints related to products or services, we will immediately communicate with customers and take appropriate responding actions. For each complaint received, we will endeavour to investigate the root causes and identify areas for improvement to enhance the quality of the Group's services and products. All complaints and corresponding details are recorded to reduce the possibility of recurrence in the future.

D. Privacy protection:

The Group attaches great importance to the protection of confidential data of our customers. We are determined to handle and protect customers' personal data with the highest degree of confidentiality, and have developed a code of ethical business conduct and social network policy to regulate the collection and use of customer data. We constantly remind employees to maintain customers' personal data with the highest level of security and prohibit them from disclosing or using any confidential matters or customer information without prior consent. Only authorized personnel have access to confidential information. Any employee found to be abusing, accessing without authorisation, or misusing confidential information will be subjected to penalty under the disciplinary policy. Serious offenders will be dismissed immediately.

We have also formulated the confidentiality and privacy policy for our vendors and suppliers to ensure that any information related to products and services, customers or clients, sales, procurement, and marketing plans shall be kept confidential. The confidentiality and privacy policy contains a data privacy appendix which outlines the practices to be observed and responsibilities to be assumed by vendors and suppliers with respect to any customer data shared by the Group. Any violation of the policy may lead to termination of the partnership.

2.2 Supply Chain Management

When selecting suppliers, the Group conducts on-site assessments of the potential suppliers' industry position, production capacity, technical capability, quality control system, production environment, testing capability and personnel quality, requiring relevant qualifications and certifications, so as to, among others, promote environmentally preferable products and services. Only those who pass the assessment can be qualified as its suppliers. In addition, suppliers are managed by hierarchies based on their average monthly purchase volume, and suppliers are paid as scheduled to enable suppliers to grow together with the Group, in return to provide high quality raw materials.

The Group has constantly improved accuracy of sales and production forecast, to further reduce safety stock and thus improve inventory turnover.

During the FY2022, the Group had a total of 2,065 suppliers within the reporting scope, the regional breakdown of which is as follows.

Region	Number
The PRC (including Hong Kong)	1,522
Others (including but not limited to Vietnam, Thailand, Ukraine, Brazil and Argentina)	543
Total	2,065

2.3 Anti-corruption

The Group has been committed to establishing and consistently improving its internal control system in order to prevent corruption and fraud.

The Company's audit committee and management do not tolerate any corruption and fraud. The integrity, impartiality, transparency and responsibility are reflected in the policies and operational procedures of the Group.

In addition, the Group conveys its firm stance against corruption and fraud to its employees, which is an integral part of its corporate governance, and is a full guarantee for the assets and interests of shareholders. It also includes applicable provisions in the contracts with third party suppliers to explain to them its requirements. The Group's internal audit department conducts an independent audit to make the integral mechanism more effective and complete. Seminars are held regularly within the Group to communicate relevant knowledge, skills and experience.

The Group has strengthened the supervision of anti-corruption, while ensuring daily supervision channels. The Group has set up a corruption reporting platform to encourage real-name reporting of corruption and theft of corporate property during the production and operation. By public WeChat ID, telephone and office automation system, this platform has realized efficient and effective communication between the suppliers, consumers, grass-roots staff and management personnel, with the reward system established for informers.

Through continuous improvement of internal operation efficiency and constant promotion of the internal control system, the Group sets up related policies and procedures for the majority of business activities, and implements regular inspection on compliance with policies and procedures. The Group also reviews the business monthly to find out abnormality in its business in time.

During the FY2022, there was no concluded legal case in relation to the corruption conducts of the Group or its employees, nor non-compliance with the applicable laws and regulations on prevention of bribery, extortion, fraud and money laundering such as Criminal Law of the People's Republic of China (《中華人民共和國刑法》), the Law of the People's Republic of China for Countering Unfair Competition (《中華人民共和國反不正當競爭法》), the Company Law of the People's Republic of China (《中華人民共和國公司法》), and the Interim Provisions on Probation of Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》) issued by the State Administration of Industry and Commerce, that have a significant impact on the Group relating to anti-corruption.

3. WORKING ENVIRONMENT

The Group always regards talents as the most valuable resource and provides staff with a comfortable and efficient working environment. The Group develops labor standards and standards on prevention of employing child and forced labour in strict accordance with the Labor Law of the People's Republic of China (《中華人民共和國勞動法》), the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), Vietnamese Labour Law (《越南勞動法》) and other relevant regional employment laws and regulations which have a significant impact on the Group.

Focusing on employee health and safety measures, the Group offers training and development opportunities as well as broad career promotion channel for employees. The Group also advocates for the work-life balance of employees.

The Group has set up a series of policies and procedures on human resources management, including but not limited to: recruitment and promotion, compensation and dismissal, working hours, rest periods, equal opportunity, diversity, anti-discrimination, benefits and welfare, preventing child and forced labour, etc.

It has set up detailed employee selection procedures to make sure that only qualified employees are recruited to the Group. In particular, candidates' credentials are carefully reviewed and administrative means are taken to ensure no minors are employed and no forced labour is used in the Group. If cases of child labour or forced labour are found, the Group would stop the personnel from working immediately. The Group would also follow up on the cases according to relevant internal policies and procedures and report to local authorities if necessary. Based on requirement of different positions, the Group has developed training manuals and programs for employees. In order to better motivate employees, provide equal opportunities to them and evaluate them to make sure that their behaviors are in line with the Group's goal, the Group has set up a comprehensive performance evaluation system. Benefiting from its strong information system and management accounting system, the Group tries to evaluate the performance of different levels of employees and management by actual numeric key performance indicators ("KPI"), and reduce the proportion of subjective judgment in people evaluation. At the same time, the Group has set up a series of incentive bonus programs based on the KPIs. The grant of share options is also based on annual KPIs of managers.

The Group cooperates with many big furniture retailers. These clients conduct regular social responsibility audits to the Group, including detailed checking on working and living environment of workers, preventing child and forced labour, etc. The Group maintains a good record during these factory audits. This is also one of the reasons why the Group is able to maintain long term cooperation with these furniture retailers.

3.1 Employment

As at 31 March 2022, the Group had a total of 28,685 employees within the reporting scope. Set out below is a breakdown thereof by gender, employment type, age and region.

Employees Composition		FY2022
By gender	Male	**18,445**
	Female	**10,240**
By employment type	Full-time	**28,685**
	Part-time	**–**
By age	30 and below	**11,978**
	31–40	**8,965**
	41–50	**6,112**
	Above 50	**1,630**
By region	The PRC (including Hong Kong and Macao)	**18,787**
	Vietnam	**6,722**
	Others (including but not limited to Thailand, Ukraine, Lithuania and Poland)	**3,176**

During FY2022, 6,364 employees departed. The employee turnover rates by gender, age group and region are as follows:

Turnover rate		FY2022
By gender	Male	21%
	Female	25%
By age	30 and below	27%
	31–40	23%
	41–50	15%
	Above 50	5%
By region	The PRC (including Hong Kong and Macao)	13%
	Vietnam	59%
	Others (including but not limited to Thailand, Ukraine, Lithuania and Poland)	2%
Total		**22%**

Employee turnover rate by category = Total number of departed employees by category in FY2022/Number of employees by category as at 31 March 2022*100%.

3.2 Health & Safety

During the Review Period, the Group had strictly abided by the Work Safety Law of the People's Republic of China (《中華人民共和國安全生產法》), Safety Production License Regulations of the People's Republic of China (《中華人民共和國安全生產許可證條例》), Enterprise Safety Production License Management Regulations of the People's Republic of China (《中華人民共和國企業安全生產許可證管理規定》), Law of the People's Republic of China on Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》) and the relevant laws and regulations on safe production of the furniture of operation, and continued to implement the following measures to protect employees' occupational health and safety:

1. conducting three-level safety training and on-the-job safety training for new employees;

2. establishing the Company's voluntary fire brigade, purchasing professional fire and emergency rescue equipment, and regularly holding fire evacuation drills to improve the safety awareness of all employees;

3. regularly arranging health check of employees at the positions with occupational hazards, and supervising employees to wear labor protection products;

4. while procuring the equipment, the safety of the equipment is always the first evaluation index – devices are used to prevent occupational injuries during production, such as the use of infrared detector and nail gun protector on punching machines, etc.;

5. strengthening the on-site identification and rectification of hidden production safety accidents, and implementing the main responsibility of the enterprise to protect the health and safety of employees;

6. establishing a centralized system of supplier assessment, procurement and inspection for food materials of staff canteens; and

7. installing central air-conditioning systems at main production areas. During the past three years (including FY2022), the Group did not have any reported cases of work-related fatality. During FY2022, the number of working days lost due to work-related injuries of employees was 737. There was no material breach or non-compliance with the applicable laws and regulations stated above that had a significant impact on the Group relating to health and safety.

3.3 Staff Training

The Company attaches great importance to the development and cultivation of talents. In addition to the organization of regular on-the-job training and management training, the Company also continues to develop talent cultivation programs in cooperation with well-known institutions, and has internally provided specialist training courses, academic education classes and professional managers training courses.

During the FY2022, the percentage of employees trained and the average training hours for career development-related training by gender and employee category are as follows:

		Percentage of employees trained[1]	Average training hours[2]
By gender	Male	59%	0.84
	Female	41%	1.05
By employee category	Senior management	1%	0.68
	Management	7%	1.24
	Other employees	92%	0.90

Notes:

1. Percentage of employees trained = Total number of employees trained by category in the FY2022/Total number of employees trained in the FY2022 x 100%

2. Average training hours = Total training hours by category in the FY2022/Total number of employees by category at the end of the FY2022.

3.4 Staff Development and Motivation

In recent years, the Company has provided management and professional channels for staff career development, and initially established qualification standards and an excellent staff study points system to provide a standard basis for staff promotion and career development. The Company carried out organizational and talent inventory, and adopted comprehensive assessment of performance and capability to retain reserve talents for key positions of the Company.

The Company has conducted the classified management for talents, provided the appropriate promotion, salary adjustment, job transfer, training and other development plans according to the talent situation, carried out internal personnel selection according to the business development, and built a broader platform for staff development.

Benefiting from the strong information system and management accounting system, the Company has developed a monthly comprehensive quantitative performance appraisal system for staff at the manager- level and above, determining their rewards completely based on objective data. In addition to cash bonus, the Company has developed the share option incentive scheme covering all officers at the manager level and above. During the Review Period, the Company granted 8,870,400 share options to 1,398 officers at the manager level and above (the Company granted 4,385,200 share options to 1,027 officers at the manager level and above in the Last Corresponding Period).

3.5 Work-Life Balance

The Group has been committed to providing employees with ideal working conditions and fully relaxing rest environment. In the staff living area of major factories, the Company has established Staff Club to offer a variety of sports equipment, cinemas, libraries and other facilities, and regularly held various activities for staff, such as various competitions, training classes and staff evening parties, etc.

During the Review Period, there was no material breach or non-compliance with the applicable laws and regulations that had a significant impact on the Group relating to human resources management, including preventing child or forced labour.

4. PUBLIC WELFARE

The Group has been actively involved in various social welfare activities in different ways to give back to society, such as donations to the Community Chest, the Hong Kong Celebration Association, etc. In addition to donations from time to time, the Group also organizes various volunteering activities for its employees, customers and even suppliers, incorporating social services into the team-building activities. While giving back to society, the Group also improves the quality and the sense of belonging to the Company of its staff.

During the Review Period, the Group donated a total of approximately HK$36,586,000 towards public welfare (approximately HK$16,082,000 in the Last Corresponding Period).

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

Man Wah Holdings Limited (the "Company") has a policy of seeking to comply with established best practices in corporate governance. The board (the "Board") of directors (the "Directors") of the Company believes that good corporate governance is crucial to improving the efficiency and performance of the Company and its subsidiaries (the "Group") and to safeguarding the interests of its shareholders (the "Shareholders"). Set out below are the principles of corporate governance as adopted by the Company during the year ended 31 March 2022 ("Review Period").

CORPORATE GOVERNANCE CODE

The Board acknowledges the importance of the highest standards of corporate governance as the Board believes that effective corporate governance practices are fundamental to enhancing shareholders' value and safeguarding the interest of shareholders. Accordingly, the Company has adopted sound corporate governance principles that emphasize effective internal control and accountability to all shareholders.

During the Review Period, the Company has applied the principles of and complied with the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") in force during the year (the "CG Code"), save for the deviation from Code Provision A.2.1 which is explained below. The Company periodically reviews its corporate governance practices to ensure that they continue to meet the requirements of the CG Code.

Under the Code Provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company did not have any officer with the title of "chief executive officer" before 3 November 2020. From 3 November 2020 to 21 March 2022, Mr. Feng Guohua acted as an executive director and the chief executive officer of the Company. During such period, the roles and functions of the chairman and chief executive officer were separate and performed by different individuals in compliance with Code Provision A.2.1. Upon Mr. Feng Guohua's resignation as an executive director and the chief executive officer of the Company on 21 March 2022, Mr. Wong Man Li was appointed as the chief executive officer of the Company. Mr. Wong Man Li, who also acts as the Chairman and Managing Director of the Company, has been responsible for overseeing the general operations of the Group. The Board meets regularly to consider major matters concerning the operations of the Group. The Board considers that this structure had not impaired the balance of power and authority between the Board and the management of the Company as all major decisions have been made in consultation with the Board and appropriate Board committees, as well as management. The roles of the respective executive directors and senior management who are in charge of different functions complement the role of the chairman and chief executive officer. In addition, there are four independent non-executive Directors on the Board offering their experience, expertise, independent advice and views from different perspectives. The Board is therefore of the view that there were adequate balance of power and safeguards in place. The Board believes that this structure had allowed the Group to operate efficiently.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as a code of conduct of the Company for Directors' securities transactions. The Company has made specific enquiry of all Directors and the relevant employees regarding any non-compliance with the Model Code during the Review Period, and they all confirmed that they had fully complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions. Employees who are deemed to be in possession of unpublished price sensitive information in relation to the Company or its shares are prohibited from dealing in shares of the Company during the black-out period.

CORPORATE GOVERNANCE FUNCTIONS

It is the responsibility of the Board to determine the appropriate corporate governance practices applicable to the Company's circumstances and to ensure relevant processes and procedures are in place to achieve the Company's corporate governance objectives.

The duties of the Board in performing its corporate governance functions under the CG Code include:

1. to develop and review the Company's policies and practices on corporate governance;

2. to review and monitor the training and continuous professional development of Directors and senior management of the Company;

3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors of the Company; and

5. to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the Review Period, the Board in particular considered the following corporate governance issues:

(i) to review the Terms of Reference and Proceedings of the Board;

(ii) to review the Terms of References of the Audit Committee and Remuneration Committee;

(iii) to review the Terms of Reference of the Nomination Committee;

(iv) to review the Shareholders' Communication Policy and Procedures for Shareholders to propose a person for election as a Director;

(v) to review the Policy for the employees to raise concerns about possible improprieties; and

(vi) to review the effectiveness of the internal controls and risk management systems of the Company through the Audit Committee.

SHAREHOLDERS' MEETINGS

The annual general meeting and other general meetings of the Company are the primary forum for communication by the Company with the Shareholders and for Shareholders' participation. All Shareholders are encouraged to attend the general meetings or to appoint proxies to attend and vote at meetings on their behalf if they are unable to attend the meetings.

During the Review Period, apart from the annual general meeting, held on 2 July 2021, the Company has not held any other general meeting.

Attendance records

During the Review Period, the annual general meeting was held and the attendance records are as follows:

Board	**Meetings attended/ Eligible to attend Annual General Meeting**
Executive Directors	
Mr. Wong Man Li *(Chairman and appointed as the CEO on 21 March 2022)*	1/1
Ms. Hui Wai Hing	1/1
Mr. Feng Guohua *(resigned as an executive Director and the CEO on 21 March 2022)*	1/1
Mr. Alan Marnie	1/1
Mr. Dai Quanfa	1/1
Ms. Wong Ying Ying	1/1
Independent Non-executive Directors	
Mr. Chau Shing Yim, David	1/1
Mr. Ong Chor Wei *(resigned on 1 April 2022)*	1/1
Mr. Kan Chung Nin, Tony	1/1
Mr. Ding Yuan	1/1
Mr. Yang Siu Shun *(appointed on 1 April 2022)*	N/A

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

The Company has provided funds to encourage the Directors to participate in professional development courses and seminars to develop and refresh their knowledge and skills. During the Review Period, regulatory updates and relevant materials on amendment of Listing Rules were sent to the Directors for their awareness of the latest development on statutory requirements.

The training each Director received during the Review Period is summarized as below:

Name of Director	Reading materials regarding regulatory update and corporate governance matters	Attending seminars/ in-house workshops relevant to the Company's business, Listing Rules compliance and risk management
Executive Directors		
Mr. Wong Man Li *(Chairman and appointed as the CEO on 21 March 2022)*	✔	✔
Ms. Hui Wai Hing	✔	✔
Mr. Feng Guohua *(resigned as an executive Director and the CEO on 21 March 2022)*	✔	✔
Mr. Alan Marnie	✔	✔
Mr. Dai Quanfa	✔	✔
Ms. Wong Ying Ying	✔	✔
Independent non-executive Directors		
Mr. Ong Chor Wei *(resigned on 1 April 2022)*	✔	✔
Mr. Chau Shing Yim, David	✔	✔
Mr. Kan Chung Nin, Tony	✔	✔
Mr. Ding Yuan	✔	✔
Mr. Yang Siu Shun *(appointed on 1 April 2022)*	N/A	N/A

BOARD OF DIRECTORS

As at 31 March 2022, the Board comprised five executive Directors and four independent non-executive Directors (the "INEDs"). The list of Directors is set out in the section headed "Directors' Report" of this annual report.

The Board has a balance of skills and experience appropriate for the requirements of the business of the Company. The Directors' biographical information is set out in the section headed "Directors' Biographies" of this annual report.

Save for the Directors' business relationships as a result of their respective directorships in the Company and the executive Directors employment with the Group, the spousal relationship between the executive Directors Mr. Wong Man Li and Ms. Hui Wai Hing, and the family relationship between Mr. Wong Man Li, Ms. Hui Wai Hing and Ms. Wong Ying Ying, as disclosed in each of their respective biographies in the section headed "Directors' Biographies" of this annual report, there are no financial, business, family or other material or relevant relationships among members of the Board and they are independent from each other.

The Board met regularly during the Review Period on an ad-hoc basis as required by business needs. The Board's primary purpose is to set and review the overall strategic development of the Group and to oversee the achievement of the plans to enhance Shareholders' value. Daily operational decisions are delegated to the executive Directors.

Role and function

The Board is responsible for overall strategic formulation and performance monitoring of the Group. It delegates day-to-day operations of the Company to the executive committee of the Board (the "Executive Committee") and senior management within the control and authority framework set by the Board. In addition, the Board has also delegated various responsibilities to each of the Company's audit committee (the "Audit Committee"), remuneration committee (the "Remuneration Committee") and nomination committee (the "Nomination Committee"). Further details of these committees are set out in the sections headed "Audit Committee", "Remuneration Committee" and "Nomination Committee" below.

Board meetings

The Board has four scheduled meetings a year. Additional meetings would be arranged if and when required. The Directors can attend meetings in person or through other means of electronic communication in accordance with the bye-laws of the Company (the "Bye-laws").

The company secretary of the Company (the "Company Secretary") assists the Chairman in drawing the agenda of each meeting and each Director may request inclusion of matters in the agenda. Generally, at least 14 days' notice of a regular Board meeting is given and the Company aims at giving reasonable notice for all other Board meetings. The Company also aims at sending the agenda and the accompanying board papers, which are prepared in such form and quality as will enable the Board to make an informed decision on matters placed before it, to all Directors at a reasonable time before the intended date of a Board meeting.

All Directors have access to the Company Secretary who is responsible for ensuring that Board procedures are complied with and all applicable rules and regulations are followed.

The Company Secretary is responsible for taking minutes of Board and Board committee meetings, drafts and final versions of which would be sent to Directors for comments and records respectively, in both cases within a reasonable time after each meeting. Minutes are recorded in sufficient detail the matters considered by the Board and decisions reached, including any concerns raised by Directors or dissenting views (if any) expressed. Minutes of the Board and Board committees' meetings are kept by the Company Secretary and are open for inspection by any Director or committee member.

If a substantial shareholder of the Company or a Director has a conflict of interest in a matter (including material transaction with connected persons) which the Board has determined to be material, a Board meeting will be held instead of by way of resolution.

Attendance records

During the Review Period, a total of four Board meetings were held and the attendance records are as follows:

Board	**Meetings attended/ Eligible to attend**
Executive Directors	
Mr. Wong Man Li *(Chairman and appointed as the CEO on 21 March 2022)*	4/4
Ms. Hui Wai Hing	4/4
Mr. Feng Guohua *(resigned as an executive Director and the CEO on 21 March 2022)*	3/4
Mr. Alan Marnie	4/4
Mr. Dai Quanfa	4/4
Ms. Wong Ying Ying	4/4
Independent Non-executive Directors	
Mr. Chau Shing Yim, David	4/4
Mr. Ong Chor Wei *(resigned on 1 April 2022)*	3/4
Mr. Kan Chung Nin, Tony	4/4
Mr. Ding Yuan	4/4
Mr. Yang Siu Shun *(appointed on 1 April 2022)*	N/A

Access to information

The Directors may seek independent professional advice in appropriate circumstances, at the Company's expenses. The Company will, upon request, provide separate independent professional advice to Directors to assist the relevant Directors to discharge their duties to the Company.

The Board is supplied with relevant information by the senior management pertaining to matters to be brought before the Board for decision as well as reports relating to operational and financial performance of the Group before each Board meeting. Where any Director requires more information than is volunteered by the management, each Director has the right to separately and independently access to the Company's senior management to make further enquiries if necessary.

Appointments and re-election of Directors

Directors were nominated by members of the Board during the year to fill casual vacancies or as an addition to existing Board. The Nomination Committee, in consultation with the Board, determines the selection criteria and identifies candidates with the appropriate expertise and experience for the appointments of new Directors. The Nomination Committee then nominates the most suitable candidate to be appointed to the Board.

According to the Bye-laws, any Director so appointed by the Board shall hold office, in the case of filling a casual vacancy, only until the next following general meeting of the Company or, in the case of an addition to their number, until the next following annual general meeting of the Company who shall then be eligible for re-election at such general meeting. Every Director (including INEDs) is appointed for a specific term and is subject to retirement by rotation at least once every three years.

Every newly appointed Director will be given an introduction of regulatory requirements. The Directors are continually updated on the latest development of the Listing Rules and other applicable statutory requirements to ensure compliance and upkeep of good corporate governance practice.

Independent Non-executive Directors

Pursuant to Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules, the Company has appointed four independent non-executive Directors for a term of three years. Two of the INEDs Mr. Chau Shing Yim, David, and Mr. Ong Chor Wei, have appropriate professional qualifications or accounting or related financial management expertise. As disclosed in the announcement dated on 21 March 2022, with effect from 1 April 2022, Mr. Ong Chor Wei resigned as an INED and Mr. Yang Siu Shun was appointed as an INED. Mr. Yang Siu Shun also has appropriate professional qualifications or accounting or related financial management expertise. Every Director is subject to retirement by rotation at least once every three years in accordance with the Bye-laws.

The INEDs are considered by the Board to be independent of the management and free of any relationship that could materially interfere with the exercise of their independent judgments. The Board considered that each of the INEDs brings his own relevant expertise to the Board and its deliberations. None of the INEDs has any business or financial interests with the Group nor has any relationship with other Directors.

Directors' and Auditors' Responsibilities for Accounts

The Directors' responsibilities for the accounts and the responsibilities of the external auditor to the Shareholders are set out on pages 74 to 75 of this annual report.

Board Committees

The Board has established the following committees to oversee particular aspects of the Company's affairs and to assist in the execution of the Board's responsibilities. All committees have their own terms of reference. All resolutions passed by the committees will be reported to the Board at the next Board meeting.

Audit Committee

The Audit Committee has been established with specific written terms of reference which deal clearly with its authorities and duties. As at 31 March 2022, the Audit Committee consisted of four INEDs, namely, Mr. Chau Shing Yim, David, Mr. Ong Chor Wei, Mr. Ding Yuan and Mr. Kan Chung Nin, Tony. None of the members of the Audit Committee are former partners of the auditor of the Company within the past financial year. The principal duties of the Audit Committee include, among other things:

- to review the audit plans of the Group's external auditors;
- to review external auditors' reports;
- to review the cooperation given by the Group's officers to the external auditors;
- to review the Group's financial statements before their submission to the Board;
- to review, approve and monitor internal control procedures and risk management systems;
- to review the effectiveness of our internal audit function;
- to review and approve the terms and conditions for all interested person transactions;
- to nominate external auditors for appointment;
- to review and ratify interested person transactions to ensure that they comply with the approved internal control procedures and have been conducted on an arm's length basis; and
- to review the Group's financial and accounting policies and practices.

The Audit Committee has explicit authority to investigate any activity within its terms of reference and the authority to obtain outside legal or other independent professional advice if it considers necessary. It is given access to and assistance from the employees and reasonable resources to discharge its duties properly.

During the Review Period, the Board had no disagreement with the Audit Committee's view on the re-appointment of the external auditor. The financial statements for the Review Period have been reviewed by the Audit Committee.

During the Review Period, two meetings of the Audit Committee were held and the Audit Committee's primary responsibilities included, overseeing the relationship with the Company's external auditor, reviewing financial information of the Group, and overseeing of the Group's financial reporting system, internal control procedures and risk management system, and the effectiveness of the Group's internal audit function. The Company has adopted a term of reference of the Audit Committee, which complies with the provisions of the CG Code. The terms of reference of the Audit Committee are available on the Company's website. The members of the Audit Committee during the Review Period and their attendance were as follows:

Audit Committee	**Meetings attended/ Eligible to attend**
Mr. Chau Shing Yim, David *(Chairman)*	2/2
Mr. Ong Chor Wei	2/2
Mr. Ding Yuan	2/2
Mr. Kan Chung Nin, Tony	2/2

Nomination Committee

The Nomination Committee has been established with specific written terms of reference which deal clearly with its authorities and duties. As at 31 March 2022, the Nomination Committee consisted of three INEDs, namely, Mr. Chau Shing Yim, David, Mr. Kan Chung Nin, Tony and Mr. Ding Yuan, and one executive Director of the Company, namely, Mr. Wong Man Li. The principal duties of the Nomination Committee include, among other things:

- to nominate the Directors having regard to the Directors' contribution and performance;
- to determine on an annual basis whether or not a Director is independent;
- to review the Company's board diversity policy and the progress on achieving the objectives set for implementing the said policy;
- to decide whether or not a Director is able to and has been adequately carrying out his duties as a Director; and
- to review and assess the adequacy of the corporate governance guidelines of the Company and to recommend any proposed changes to the Board for approval.

The Nomination Committee has adopted a nomination policy (the "Nomination Policy") which sets out the procedures and criteria for the selection, appointment and reappointment of Directors. In evaluating and selecting a candidate for directorship, the Nomination Committee has to consider, among others, character and integrity, willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committees of the Company, diversity including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service; and such other relevant factors that the Nomination Committee may consider appropriate.

The Board has adopted a board diversity policy (the "Board Diversity Policy") which sets out the approach to achieve diversity on the Board. The Company aims to achieve that the Board has a balance of skills, experience and diversity of perspectives appropriate to meet the requirements of its business. Board appointments will be based on merit, and candidates will be considered against objective criteria, having due regard to the benefit of diversity on the Board including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The Nomination Committee will give adequate consideration to these measurable objectives when making recommendations of candidates for appointment to the Board.

The Nomination Committee has designed measurable goals according to four major aspects (namely, the age, professional qualification, term of service and independence) for purposes of implementing the Board Diversity Policy and considered that these goals have been achieved satisfactorily during the year. The relevant goals will be reviewed from time to time so as to ensure its appropriateness and its progress for achieving such goals. The Nomination Committee will review the Board Diversity Policy from time to time (if appropriate) to ensure that such Policy continues to be effective. Or at present, the Nomination Committee has not set any measurable objectives to implement its Board Diversity Policy. However, it will consider and review the Board Diversity Policy and setting of any measurable objectives from time to time.

Where vacancies exist at the Board, candidates are proposed and put forward to the Nomination Committee for consideration. The recommendations of the Nomination Committee will then be tendered to the Board for approval. In considering the nomination of a new Director, the Nomination Committee will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates. In determining the independence of Directors, the Board follows the requirements set out in the Listing Rules.

The Nomination Committee has explicit authority to seek any necessary information from the employees within its scope of duties and the authority to obtain outside independent professional advice if it considers necessary.

During the Review Period, one meeting of the Nomination Committee was held and the Nomination Committee reviewed the structure of the Board and determined the policy for the nomination of Directors.

The members of the Nomination Committee during the Review Period and their attendance were as follows:

Nomination Committee	Meetings attended/ Eligible to attend
Mr. Wong Man Li *(Chairman)*	1/1
Mr. Chau Shing Yim, David	1/1
Mr. Kan Chung Nin, Tony	1/1
Mr. Ding Yuan	1/1

Remuneration Committee

The Remuneration Committee has been established with specific written terms of reference which deal clearly with its authorities and duties. As at 31 March 2022, the Remuneration Committee consisted of three INEDs, namely, Mr. Ding Yuan, Mr. Chau Shing Yim, David and Mr. Kan Chung Nin, Tony, and one executive Director of the Company, namely, Mr. Wong Man Li. The principal duties of the Remuneration Committee include, among other things:

- to review the remuneration of the executive Directors and to provide a greater degree of objectivity and transparency in the setting of remuneration; and
- to assess performance of the executive Directors and determine specific remuneration packages for each executive Director and the Group's Managing Director.

The Remuneration Committee may consult the Chairman about their proposals relating to the remuneration of other executive Directors. The Remuneration Committee takes into consideration industry practices and norms in compensation, in addition to the performance relative to the industry and the performance of the individual Directors. The Company reviews the remuneration package annually taking into consideration of the market practice, competitive market position and individual performance.

During the Review Period, one meeting of the Remuneration Committee was held. The work done by the Remuneration Committee during the Review Period included the following:

(i) to determine the policy for the remuneration of executive Directors;
(ii) to assess performance of executive Directors; and
(iii) to approve the terms of an executive Director's service contract.

In order to attract, retain, and motivate executives and key employees serving the Group, the Company has adopted a share option scheme in July 2020. The incentive scheme enables the eligible persons to obtain an ownership interest in the Company and thus to reward the participants who contribute to the success of the Group's operations.

Details of the remuneration of the Directors of the Company for the Review Period are set out in note 38 to the consolidated financial statements and details of the share option scheme and share award scheme are set out in note 29 to the consolidated financial statements.

The members of the Remuneration Committee during the Review Period and their attendance were as follows:

Remuneration Committee	**Meetings attended/ Eligible to attend**
Mr. Ding Yuan *(Chairman)*	1/1
Mr. Wong Man Li	1/1
Mr. Chau Shing Yim, David	1/1
Mr. Kan Chung Nin, Tony	1/1

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company recognises the importance of open communication and fair disclosure. It is the Company's policy to ensure that all shareholders are equally informed of all major corporate developments.

All shareholders have proper notice of any general meeting of the Company at which the Directors and the committees' members are available to give explanation on any query raised by the shareholders. Major information of the Company could be obtained from the Company's website or financial reports and circulars sent to the shareholders. Any enquiries by the shareholders requiring the Board's attention can also be sent in writing to the Investor Relations Manager of the Company whose contact details are set out in the paragraph headed "Shareholders' rights – (c) Right to put enquiries to the Board" below.

Resolutions put to the vote at the general meetings of the Company shall be decided on a poll, save that the chairman of the meeting may in good faith allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Procedures for conducting a poll will be explained to the shareholders at each general meeting and questions from shareholders regarding the voting procedures will be answered. The poll results will be posted on the websites of the Stock Exchange and the Company respectively in the manner prescribed under the Listing Rules.

As part of a regular program of investor relations, senior executives may hold briefings or road shows after the results announcement and attend conferences with institutional investors and analysts to engage in two-way communications on Company's performance, objectives and developments. Company visits can be arranged upon specific request.

Shareholders' rights

(a) Right to convene special general meeting

Bye-laws

(i) Bye-law 62 provides that the board of Directors may, whenever it thinks fit, convene a special general meeting ("SGM"), and SGMs shall also be convened on requisition, as provided by the Companies Act (as defined therein), and, in default, may be convened by the requisitionists.

Companies Act

(ii) Pursuant to section 74 of the Companies Act, a Shareholder or Shareholders holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company may requisition the directors of the Company (the "Directors" and each a "Director") to forthwith proceed duly to convene an SGM by depositing a written requisition at the registered office of the Company.

(iii) The written requisition must state the purposes of the meeting (including the resolutions to be considered at the meeting), signed by the requisitionists, deposited at the registered office of the Company at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and may consist of several documents in like form each signed by one or more requisitionists.

(iv) If the Directors do not within twenty-one days from the date of the deposit of the requisition proceed duly to convene an SGM, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene an SGM, but any SGM so convened shall not be held after the expiration of three months from the date of deposit of the requisition.

(v) An SGM so convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Directors.

(b) Right to put forward proposals at general meetings

Companies Act

(i) Sections 79 and 80 of the Companies Act allow certain Shareholder(s) to requisition the Company to give notice to the shareholders in respect of any resolution which is intended to be moved at an annual general meeting ("AGM") of the Company or circulate a statement in respect of any proposed resolution or business to be considered at a general meeting of the Company. Under section 79 of the Companies Act, at the expense of the requisitionists unless the Company otherwise resolves, it shall be the duty of the Company on the requisition in writing by such number of Shareholders:

(a) to give to the Shareholders entitled to receive notice of the next AGM notice of any resolution which may properly be moved and is intended to be moved at that meeting;

(b) to circulate to the Shareholders entitled to have notice of any general meeting sent to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

(ii) The number of Shareholders necessary to make the above-mentioned requisitions to the Company shall be:

(a) either any number of Shareholders representing not less than one-twentieth of the total voting rights of all the Shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates; or

(b) not less than one hundred Shareholders.

(iii) Notice of any such intended resolution shall be given, and any such statement shall be circulated, to Shareholders entitled to have notice of the meeting sent to them by serving a copy of the resolution or statement on each such Shareholder in any manner permitted for service of notice of the meeting, and notice of any such resolution shall be given to any other Shareholder by giving notice of the general effect of the resolution in any manner permitted for giving him notice of meeting of the Company, provided that the copy shall be served, or notice of the effect of the resolution shall be given, as the case may be, in the same manner and, so far as practicable, at the same time as notice of the meeting and, where it is not practicable for it to be served or given at that time, it shall be served or given as soon as practicable thereafter.

(iv) Section 80 of the Companies Act sets out the conditions to be met before the Company is bound to give any notice of resolution or to circulate any statement. Pursuant to section 80 of the Companies Act, the Company shall not be bound to give notice of any resolution or to circulate any statement as mentioned in paragraph (b)(i) above unless:

(aa) a copy of the requisition signed by the requisitionists, or two or more copies which between them contain the signatures of all the requisitionists, is deposited at the registered office of the Company:

(i) in the case of a requisition requiring notice of a resolution, not less than six weeks before the meeting; and

(ii) in the case of any other requisition, not less than one week before the meeting; and (bb) there is deposited or tendered with the requisition a sum reasonably sufficient to meet the Company's expense in giving effect to the procedures in paragraph (b)(i) above (i.e. the giving of notice of resolution and/or circulation of statement).

Provided that if, after a copy of the requisition requiring notice of a resolution has been deposited at the registered office of the Company, an AGM is called for a date six weeks or less after the copy has been deposited, the copy though not deposited within the above-mentioned time shall be deemed to have been properly deposited for the purposes thereof.

(c) Right to put enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing for the attention of the Investor Relations Manager of the Company whose contact details are as follows:

1st Floor, Wah Lai Industrial Center
10–14 Kwei Tei Street, Fotan
New Territories, Hong Kong
Fax: (852) 2712 0630
Email: ir@manwahgroup.com

The Investor Relations Manager of the Company shall forward the Shareholders' enquiries and concerns to the Board and/or relevant committees of the Board to answer the Shareholders' questions where appropriate.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Insurance cover has been arranged for Directors' and Officers' Liability to provide adequate cover, as determined by the Board, in respect of the Board members and senior management members of the Company. Such insurance has also been renewed before 31 March 2022 with a term from 1 April 2022 until 31 March 2023.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is of the opinion that sound internal control and risk management systems will contribute to the effectiveness and efficiency of the operations of the Group and to the safeguard of the Group's assets as well as the Shareholders' investment.

The Company improves its business and operational activities by identifying the areas of significant business risks via a regular review and taking appropriate measures to control and mitigate these risks. The management of the Company reviews all significant control policies and procedures and highlights all significant matters to the Board and Audit Committee annually.

The Board is responsible for overall ensuring, maintaining and overseeing the internal control systems of the Group. The Executive Committee helps the Board to discharge its responsibilities of ensuring and maintaining sound internal control functions by reviewing and monitoring the internal control systems and processes annually so as to ensure that they can provide reasonable assurance against material errors of the Group. The Company has an internal audit function.

The Board has reviewed the effectiveness of the risk management and internal control systems and considers the risk management and internal control systems effective and adequate.

COMPANY SECRETARY

Ms. Liu Xiaoting was the Company Secretary of the Company. Ms. Liu Xiaoting reported to the Chairman of the Company and is responsible for advising the Board on corporate governance matters. Ms. Liu Xiaoting has confirmed that she has taken no less than 15 hours of relevant professional training during the Review Period.

AUDITOR'S REMUNERATION

The Audit Committee is responsible for considering the appointment of the external auditor.

During the Review Period, the remuneration paid or payable to the Company's auditor, Messrs. PricewaterhouseCoopers ("PwC"), is set out as follows:

Services rendered	**Paid/payable fee** HK$'000
Statutory audit services	3,100
Review of interim financial information	700
Non-audit services	2,807
	6,607

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing financial statements of the Group which give a true and fair view of the state of affairs of the Group on a going concern basis and in presenting the financial statements, announcements and other financial disclosures required under the Listing Rules, the Directors aim to present a balanced, clear and understandable assessment of the Group's position and prospects.

Directors' Report

The directors (the "Directors") of Man Wah Holdings Limited (the "Company") present this annual report and the audited consolidated financial statements of the Company for the Review Period.

BUSINESS REVIEW

A fair review of the Group's business, an indication of likely future development in the Group's business, an analysis using financial key indicators as required by Schedule 5 to the Hong Kong Companies Ordinance (Cap. 622) can be found in the "Chairman's Statement" and "Management Discussion and Analysis" section, which form part of this Directors' Report of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE COMPANY

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

Competition

The products of the Group are sold in over 60 countries. The Group needs to compete with global sofa manufacturers as well as a lot of local players. Advantages in cost control, design, quality and service are the core advantages of the Group, and if they cannot be maintained, the Group's market share in major markets may decrease.

Macroeconomic environment

Currently, the Group's products are mainly sold in North America, China, Europe and other markets. Any negative macroeconomic change in its major markets may affect its sales growth or margins adversely. The Group needs to keep increasing its key competences to reduce possible impacts from macroeconomy.

Besides, overseas transportation cost is one of the most important expense elements of the Group. Changes in the global economy may significantly affect shipping rate, which consequently may affect the Group's profitability or revenue growth.

Supply chain

For sofa production, the Group needs to source leather, wood, chemical materials from global the market. It needs to plan carefully in advance with its major suppliers on quantity, delivery time, material specifications etc. in order to match the delivery of materials with its production plan and avoid waiting time for its factories or customers. At the same time, the Group needs to keep its inventory level as low as possible to control cost. Any disruption in the supply chain may cause an increase in production cost or delay in delivery to its customers. In order to lower supply chain risks, the Group has set up a comprehensive planning system for material procurement. In addition, for each major material, the Group has at least two qualified suppliers and keeps reviewing the competency of suppliers on a timely basis.

CORPORATE REORGANISATION

The Company was incorporated with limited liability in Bermuda.

The shares ("Shares") of the Company were listed on the main board of the Stock Exchange with effect from 9 April 2010.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 36 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Company and together with its subsidiaries (referred to as the "Group") for the Review Period are set out in the consolidated statement of comprehensive income on pages 76 to 77 of this annual report.

An interim dividend of HK13.0 cents per Share amounting to approximately HK$513,774,000 was paid to the shareholders of the Company ("Shareholders") during the Review Period. The Directors recommend the payment of a final dividend of HK17 cents per Share to the Shareholders on the register of members on Monday, 11 July 2022, amounting to approximately HK$667,771,000.

PROPERTY, PLANT AND EQUIPMENT

During the Review Period, the Group revalued all of its investment properties as at 31 March 2022. The net decrease in fair value of investment properties, which has been credited directly to consolidated statement of comprehensive income, amounted to approximately HK$300,000.

Details of movements during the Review Period in the property, plant and equipment of the Group are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the Review Period in the share capital of the Company are set out in note 28 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to Shareholders as at the end of the Review Period were as follows:

	2022	2021
	HK$'000	HK$'000
Contributed surplus	**2,018,306**	2,374,931
Retained earnings	**85,941**	473,229
	2,104,247	2,848,160

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

DIRECTORS

The Directors of the Company during the Review Period and up to the date of this annual report were:

Executive Directors:
Mr. Wong Man Li *(Chairman and appointed as the CEO on 21 March 2022)*
Ms. Hui Wai Hing
Mr. Feng Guohua *(resigned as an executive Director and the CEO on 21 March 2022)*
Mr. Alan Marnie
Mr. Dai Quanfa
Ms. Wong Ying Ying

Independent Non-executive Directors:
Mr. Chau Shing Yim, David
Mr. Ong Chor Wei *(resigned on 1 April 2022)*
Mr. Kan Chung Nin, Tony
Mr. Ding Yuan
Mr. Yang Siu Shun *(appointed on 1 April 2022)*

In accordance with clause 99 of the Company's bye-laws, Mr. Dai Quanfa, Mr. Alan Marnie and Mr. Kan Chung Nin, Tony will retire by rotation. Mr. Dai Quanfa, Mr. Alan Marnie and Mr. Kan Chung Nin, Tony all being eligible, will offer themselves for re-election at the forthcoming annual general meeting to be held on Thursday, 30 June 2022. In accordance with clause 102(B) of the Company's bye-laws, Mr. Yang Siu Shun was appointed by the Board to fill a casual vacancy on the Board and shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN SECURITIES

As at 31 March 2022, the interests of the Directors, chief executives and their associates 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 ("SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix 10 to the Listing Rules were as follows:

Long positions in 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[1]
Mr. Wong Man Li	Interest in controlled corporation	2,369,782,400[2]	60.33%
	Interest of spouse	2,546,400[2]	0.06%
	Beneficial owner	3,090,000[2]	0.08%
Ms. Hui Wai Hing	Beneficial owner	2,546,400[3]	0.06%
	Interest of spouse	2,372,872,400[3]	60.41%
Mr. Alan Marnie	Beneficial owner	800,000[4]	0.02%
Mr. Dai Quanfa	Beneficial owner	1,048,400[5]	0.03%
Ms. Wong Ying Ying	Beneficial owner	2,221,600[6]	0.06%

Notes:

1. The percentage of the Company's issued share capital is based on the 3,928,062,800 Shares issued as at 31 March 2022.

2. These 2,369,782,400 Shares were beneficially owned by Man Wah Investments Limited which, in turn, was owned by Mr. Wong Man Li and Ms. Hui Wai Hing as to 80% and 20%, respectively. Mr. Wong was therefore deemed to be interested in the entire 2,369,782,400 Shares held by Man Wah Investments Limited. Mr. Wong also held 2,789,600 Shares and 300,400 share options granted to him under the Share Option Schemes (as defined below), respectively. Upon exercise of those share options, Mr. Wong would directly own an aggregate of 3,090,000 Shares. Mr. Wong was also deemed, under Part XV of the SFO, to be interested in the 2,546,400 Shares in which Ms. Hui Wai Hing, the spouse of Mr. Wong, had a long position.

3. These 2,546,400 Shares represented the 2,296,800 Shares and the 249,600 underlying Shares upon the exercise of share options granted to Ms. Hui under the Share Option Schemes, respectively. Upon exercise of the Share Options, Ms. Hui would own an aggregate of 2,546,400 Shares. Ms. Hui was also deemed, under Part XV of the SFO, to be interested in the 2,372,872,400 Shares in which Mr. Wong Man Li, the spouse of Ms. Hui, was interested.

4. This figure represents the aggregate number of 800,000 Shares interested in by Mr. Marnie by virtue of SFO.

5. This figure represents the aggregate number of 580,000 Shares held by Mr. Dai and 468,400 underlying shares upon the exercise of share options granted to Mr. Dai under the Share Option Schemes.

6. This figure represents the aggregate number of 1,989,600 Shares held by Ms. Wong and 232,000 underlying shares upon the exercise of share options granted to Ms. Wong under the Share Option Schemes.

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 ordinary shares held	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 31 March 2022, none of the Directors, chief executives of the Company nor their 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 and the section headed "Share Options", 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 during the Review Period.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than shareholdings disclosed above, at no time during the year ended 31 March 2022 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2022, the register of substantial Shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain Directors, the following Shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Long position in shares and underlying shares of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Approximate percentage of the issued share capital of the Company[1]
Man Wah Investments Limited	Beneficial owner	2,369,782,400	60.33%

Note:

1. The percentage of the Company's issued share capital is based on the 3,928,062,800 Shares issued as at 31 March 2022.

Save as disclosed above, as at 31 March 2022, 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.

SHARE OPTION SCHEME

On 3 July 2020, a share option scheme (the "Share Option Scheme") which complies with the requirements of Chapter 17 of the Listing Rules was adopted by the shareholders of the Company.

The purpose of the Share Option Scheme is to enable the Company to grant share options to selected participants as incentives or rewards for their contributions to the Company and/or its subsidiaries and/or its associated companies. The Share Option Scheme is in force for a period of 10 years commencing on 3 July 2020, being the date of adoption of the Share Option Scheme, and will expire on 2 July 2030.

The purpose of the Share Option Scheme is to reward Participants who have contributed to the Group and to encourage eligible participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole.

Under the Share Option Scheme, the Directors may, at their discretion, offer Directors (including executive Directors, non-executive Directors and independent non-executive Directors) and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers of any member of the Group who, in the sole discretion of the Directors, will contribute or have contributed to the Group, share options to subscribe for shares of the Company. The maximum number of shares of the Company issued and to be issued upon the exercise of share options granted under the Share Option Scheme (including exercised and outstanding share options) to each grantee in any 12-month period up to the date of grant shall not exceed 1% of the issued shares of the Company as at the date of grant. Any further grant of share options in excess of this limit is subject to the Company's shareholders' approval in a general meeting. In addition, any share options granted to a substantial shareholder or an independent non-executive Director of the Company, or to any of their respective associates, in excess of in aggregate 0.1% of the shares of the Company in issue (based on the date of grant) and an aggregate value of HK$5,000,000 (based on the closing price of the Company's shares at the date of grant), within any 12-month period, are subject to shareholders' approval in advance in a general meeting. Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to prior approval in advance by the independent non-executive Directors of the Company (excluding independent non-executive Directors who are the proposed grantees of the share options in questions).

The period during which a share option may be exercised will be determined by the Directors at their absolute discretion, save that no share option may be exercised more than 10 years after it has been granted under the Share Option Scheme. There is no requirement that a share option must be held for any minimum period before it can be exercised but the Directors are empowered to impose at their discretion any such minimum period at the time of grant of any share options.

The exercise price in relation to each share option will be determined by the Company's directors at their absolute discretion and shall not be less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotation sheet of the Stock Exchange on the date of grant; (ii) the average closing prices of the shares of the Company as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of the share of the Company on the date of grant. Each of the grantees is required to pay HK$1 as consideration for the grant of share options in accordance with the Share Option Scheme. The offer of share options must be accepted within 28 days from the date of the offer.

Share options do not confer rights on the holders to dividends or to vote at general meetings.

The maximum number of shares of the Company available for issuance upon exercise of all shares options which may be granted under the Share Option Scheme is 379,912,520. As at the date of this report, the available unissued shares under the mandate limit of the Share Option Scheme is 367,861,320 shares, representing approximately 9.4% of the issued shares of the Company as at the date of this report.

The Company's 2010 share option scheme ("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.

SHARE OPTIONS

Details of movements in the share options under the 2010 Share Option Scheme and the Share Option Scheme (collectively, the "Share Option Schemes") during the Review Period were as follows:

					Number of Share Options[1]				
Grantee	Date of grant[2]	Vesting period	Exercisable period	Exercise price per share	Outstanding at 1.4.2021	Granted during the Review Period	Cancelled/ Lapsed during the Review Period	Exercised during the reviewing period	Outstanding at 31.3.2022
Mr. Wong Man Li	13.1.2017	13.1.2017–12.1.2020	13.1.2020–12.1.2022	5.17	74,000	–	–	(74,000.00)	–
		13.1.2017–12.1.2021	13.1.2021–12.1.2023	5.17	73,200	–	–	(73,200.00)	–
	12.2.2018	12.2.2018–11.2.2020	12.2.2020–11.2.2022	7.18	40,400	–	–	(40,400.00)	–
		12.2.2018–11.2.2021	12.2.2021–11.2.2023	7.18	40,400	–	–	(40,400.00)	–
		12.2.2018–11.2.2022	12.2.2022–11.2.2024	7.18	40,400	–	–	–	40,400
	28.1.2019	28.1.2019–27.1.2021	28.1.2021–27.1.2023	3.91	60,400	–	–	(60,400.00)	–
		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
	17.1.2020	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
		17.1.2020–16.1.2024	17.1.2024–16.1.2026	6.53	22,800	–	–	–	22,800
	3.2.2021	3.2.2021–2.2.2023	3.2.2023–2.2.2025	19.78	10,400	–	–	–	10,400
		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
	16.2.2022	16.2.2022–15.2.2024	16.2.2024–15.2.2026	11.1	–	12,800	–	–	12,800
		16.2.2022–15.2.2025	16.2.2025–15.2.2027	11.1	–	12,800	–	–	12,800
		16.2.2022–15.2.2026	16.2.2026–15.2.2028	11.1	–	12,400	–	–	12,400

Grantee	Date of grant[2]	Vesting period	Exercisable period	Exercise price per share	Number of Share Options[1] Outstanding at 1.4.2021	Granted during the Review Period	Cancelled/ Lapsed during the Review Period	Exercised during the reviewing period	Outstanding at 31.3.2022
Ms. Hui Wai Hing	13.1.2017	13.1.2017–12.1.2020	13.1.2020–12.1.2022	5.17	69,200	–	–	(69,200.00)	–
		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	–	–	(31,200.00)	–
		12.2.2018–11.2.2021	12.2.2021–11.2.2023	7.18	31,200	–	–	–	31,200
		12.2.2018–11.2.2022	12.2.2022–11.2.2024	7.18	30,400	–	–	–	30,400
	17.1.2020	17.1.2020–16.1.2022	17.1.2022–16.1.2024	6.53	18,400	–	–	–	18,400
		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
		3.2.2021–2.2.2025	3.2.2025–2.2.2027	19.78	12,000	–	–	–	12,000
	16.2.2022	16.2.2022–15.2.2024	16.2.2024–15.2.2026	11.1	–	9,600	–	–	9,600
		16.2.2022–15.2.2025	16.2.2025–15.2.2027	11.1	–	9,600	–	–	9,600
		16.2.2022–15.2.2026	16.2.2026–15.2.2028	11.1	–	9,600	–	–	9,600
Mr. Feng Guohua	3.2.2021	3.2.2021–2.2.2023	3.2.2023–2.2.2025	19.78	37,600	–	(37,600.00)	–	–
		3.2.2021–2.2.2024	3.2.2024–2.2.2026	19.78	37,600	–	(37,600.00)	–	–
		3.2.2021–2.2.2025	3.2.2025–2.2.2027	19.78	37,200	–	(37,200.00)	–	–
	16.2.2022	16.2.2022–15.2.2024	16.2.2024–15.2.2026	11.1	–	277,200	(277,200.00)	–	–
		16.2.2022–15.2.2025	16.2.2025–15.2.2027	11.1	–	277,200	(277,200.00)	–	–
		16.2.2022–15.2.2026	16.2.2026–15.2.2028	11.1	–	276,400	(276,400.00)	–	–
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	28.1.2019–27.1.2022	28.1.2022–27.1.2024	3.91	95,200	–	–	–	95,200
		28.1.2019–27.1.2023	28.1.2023–27.1.2025	3.91	95,200	–	–	–	95,200
	17.1.2020	17.1.2020–16.1.2022	17.1.2022–16.1.2024	6.53	39,200	–	–	–	39,200
		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
		3.2.2021–2.2.2025	3.2.2025–2.2.2027	19.78	16,400	–	–	–	16,400
	16.2.2022	16.2.2022–15.2.2024	16.2.2024–15.2.2026	11.1	–	22,800.00	–	–	22,800
		16.2.2022–15.2.2025	16.2.2025–15.2.2027	11.1	–	22,800.00	–	–	22,800
		16.2.2022–15.2.2026	16.2.2026–15.2.2028	11.1	–	22,000.00	–	–	22,000

Grantee	Date of grant[2]	Vesting period	Exercisable period	Exercise price per share	Number of Share Options[1]: Outstanding at 1.4.2021	Granted during the Review Period	Cancelled/ Lapsed during the Review Period	Exercised during the reviewing period	Outstanding at 31.3.2022
Ms. Wong Ying Ying	13.1.2017	13.1.2017–12.1.2020	13.1.2020–12.1.2022	5.17	31,200	–	–	(31,200.00)	–
		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	–	–	(24,800.00)	–
		12.2.2018–11.2.2021	12.2.2021–11.2.2023	7.18	24,800	–	–	–	24,800
		12.2.2018–11.2.2022	12.2.2022–11.2.2024	7.18	24,000	–	–	–	24,000
	28.1.2019	28.1.2019–27.1.2021	28.1.2021–27.1.2023	3.91	22,800	–	–	–	22,800
		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
	17.1.2020	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
		17.1.2020–16.1.2024	17.1.2024–16.1.2026	6.53	12,800	–	–	–	12,800
	3.2.2021	3.2.2021–2.2.2023	3.2.2023–2.2.2025	19.78	2,000	–	–	–	2,000
		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
	16.2.2022	16.2.2022–15.2.2024	16.2.2024–15.2.2026	11.1	–	13,600	–	–	13,600
		16.2.2022–15.2.2025	16.2.2025–15.2.2027	11.1	–	13,600	–	–	13,600
		16.2.2022–15.2.2026	16.2.2026–15.2.2028	11.1	–	13,200	–	–	13,200

Grantee	Date of grant[2]	Vesting period	Exercisable period	Exercise price per share	Number of Share Options[1]: Outstanding at 1.4.2021	Granted during the Review Period	Cancelled/ Lapsed during the Review Period	Exercised during the reviewing period	Outstanding at 31.3.2022
Other employees	13.1.2017	13.1.2017–12.1.2020	13.1.2020–12.1.2022	5.17	16,400	–	(400)	(16,000.00)	–
		13.1.2017–12.1.2021	13.1.2021–12.1.2023	5.17	194,400	–	(2,000.00)	(137,200.00)	55,200
	12.2.2018	12.2.2018–11.2.2020	12.2.2020–11.2.2022	7.18	100,800	–	(8,800)	(92,000.00)	–
		12.2.2018–11.2.2021	12.2.2021–11.2.2023	7.18	484,400	–	(3,600.00)	(372,400.00)	108,400
		12.2.2018–11.2.2022	12.2.2022–11.2.2024	7.18	996,400	–	(46,000.00)	(226,400.00)	724,000
	28.1.2019	28.1.2019–27.1.2021	28.1.2021–27.1.2023	3.91	879,600	–	(6,400.00)	(672,000.00)	201,200
		28.1.2019–27.1.2022	28.1.2022–27.1.2024	3.91	3,275,200	–	(163,600.00)	(1,016,400.00)	2,095,200
		28.1.2019–27.1.2023	28.1.2023–27.1.2025	3.91	3,114,800	–	(173,600.00)	–	2,941,200
	17.1.2020	17.1.2020–16.1.2022	17.1.2022–16.1.2024	6.53	1,924,400	–	(80,000.00)	(374,000.00)	1,470,400
		17.1.2020–16.1.2023	17.1.2023–16.1.2025	6.53	1,874,800	–	(95,600.00)	–	1,779,200
		17.1.2020–16.1.2024	17.1.2024–16.1.2026	6.53	1,621,600	–	(75,600.00)	–	1,546,000
	3.2.2021	3.2.2021–2.2.2023	3.2.2023–2.2.2025	19.78	1,513,200	–	(76,800.00)	–	1,436,400
		3.2.2021–2.2.2024	3.2.2024–2.2.2026	19.78	1,445,200	–	(67,600.00)	–	1,377,600
		3.2.2021–2.2.2025	3.2.2026–2.2.2027	19.78	1,163,600	–	(45,200.00)	–	1,118,400
	16.2.2022	16.2.2022–15.2.2024	16.2.2024–15.2.2026	11.1	–	2,816,400	(46,400.00)	–	2,770,000
		16.2.2022–15.2.2025	16.2.2025–15.2.2027	11.1	–	2,757,200	(43,600.00)	–	2,713,600
		16.2.2022–15.2.2026	16.2.2026–15.2.2028	11.1	–	2,291,200	(30,800.00)	–	2,260,400
					20,237,600	8,870,400	(1,909,200)	(3,351,200)	23,847,600
Share Options Exercisable Before 31 March 2022									5,242,400

Notes:

1. Number of shares in the Company over which Share Options granted under the Share Option Schemes are exercisable.

2. The closing price of the Shares immediately before the dates on which the relevant Share Options were granted on (i) 13 January 2017, i.e. on 12 January 2017 was HK$5.14, (ii) 12 February 2018, i.e. on 11 February 2018 was HK$6.80, (iii) 28 January 2019 i.e. on 25 January 2019 was HK$3.79, (iv) 17 January 2020, i.e. on 16 January 2020 was HK$6.48, (v) 3 February 2021, i.e. on 2 February 2021 was HK$19.50, and (vi) 16 February 2022, i.e. on 15 February 2022 was HK$10.80

3. 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.

4. The weighted average closing price immediately before the dates on which the options were exercised was HK$11.65. The gross proceeds received from issuance of shares upon the exercise of Share Options during the Review Period was approximately HK$17,294,332.

On 16 February 2022, 8,870,400 share options were granted. The fair value of the Share Options granted during the year ended 31 March 2022 was HK$37,117,924, which was determined based on binomial option pricing model.

The key valuation parameters are as follows:

	Directors	Staff
Share price at grant date	HK$10.98	HK$10.98
Exercise price	HK$11.1	HK$11.1
Expected volatility	55.57%	55.57%
Life of the share options	6 years	6 years
Expected dividend yield	2.563%	2.563%
Risk-free rate	1.390–1.639%	0.342–0.511%
Suboptimal exercise behaviour multiple	2.8	2.2

Expected volatility is determined by considering the historical share price movement of the Company. Expected dividend yield is determined from the Company's historical payment of dividends. Risk-free rate is determined with reference to Hong Kong Sovereign Bond Curve as extracted from Bloomberg. Forfeiture rate is determined from the Group's historical employee share options exit rate. Suboptimal exercise behaviour multiple is based on the Company's historical employee share options early exercise multiples. The fair value of equity-settled share options is estimated through the use of option valuation models which require various inputs and assumptions. The value of options is subjective and may be uncertain as it is affected by assumptions applied and limitation of the valuation model. Some of the inputs are based on estimates derived from historical information of the Group, such as suboptimal exercise behaviour. In this regard, using different input estimates could produce different option values, which would result in the recognition of a higher or lower expense.

SHARE AWARD SCHEME

The Company adopted a share award scheme (the "Share Award Scheme") on 27 January 2011 (the "Adoption Date") with a duration of 10 years commencing from the Adoption Date. The objective of the Share Award Scheme was to recognise the contributions by certain directors and employees of the Group and to give incentive to them in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group. Please refer to the Company's announcement dated 31 January 2011 for further information on the Share Award Scheme.

As at 31 March 2022, the Share Award Scheme had expired. No Shares was granted by the Company to any employees of the Company or Directors pursuant to the Share Award Scheme during the Review Period.

No Shares were held by the trustee of the Share Award Scheme.

CONFIRMATION OF INDEPENDENCE BY INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive Directors are independent.

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 33 to the consolidated financial statements. Such continuing connected transactions 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 during the Review Period which need to be disclosed as connected transactions and continuing connected transactions in accordance with the requirements of the Listing Rules.

The Directors consider that those continuing connected party transaction(s) disclosed in note 33 to the consolidated financial statements fall under the definition of "continuing connected transaction(s)" in Chapter 14A of the Listing Rules, which are exempted from the reporting, announcement, shareholders' approval and annual review requirements under the Listing Rules.

DIRECTORS' INTEREST IN TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

Save as disclosed under the section headed "Connected Transactions and Continuing Connected Transactions", no transaction, arrangement or contract of significance, to which any member of our Group was a party, and in which a Director or an entity connected with a Director or the controlling Shareholder of the Company or any of its subsidiaries (if any) had a material interest, whether directly and indirectly, subsisted at the end of 31 March 2022 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.

None of the Directors of the Company had an interest in a business which competes with the Company or is likely to compete with the business of the Group.

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 9.11% and 17.02% of the total revenue and purchases for the year, respectively. The Group's largest customer accounted for around 2.32% of the total revenue for the year. The Group's largest supplier accounted for around 9.22% of the total purchase for the year.

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 own more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest customers or suppliers.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND OTHERS

The Group is not aware of any key relationships between itself and its employees, customers, suppliers and others that have a significant impact on the Group and on which the Group's success depends.

RETIREMENT BENEFITS SCHEMES

Details of the retirement benefits schemes are set out in note 10 to the consolidated financial statements.

DONATIONS

During the Review Period, the Group made charitable and other donations amounting to approximately HK$36,586,000 (FY2021: HK$16,082,000).

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

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

During FY2022, the Company repurchased a total of 34,083,600 ordinary shares of the Company at an aggregate purchase price of approximately HK$390,068,906.6 (before brokerage and expenses) on The Stock Exchange of Hong Kong Limited. Details of the repurchases of such ordinary shares were as follows:

Month of repurchase	Number of ordinary shares repurchased	Price per ordinary share Highest HK$	Lowest HK$	Aggregate purchase price (Approx. HK$)
July 2021	2,157,600	15.50	14.98	32,946,747.00
August 2021	406,400	15.50	15.30	6,260,835.80
October 2021	5,400,000	11.30	10.66	59,543,100.00
December 2021	12,000,000	12.40	11.18	143,270,300.00
January 2022	7,626,400	12.02	10.58	88,320,059.20
February 2022	5,000,000	9.17	8.93	45,370,000.00
March 2022	1,493,200	9.65	9.38	14,357,864.60
Total	34,083,600			390,068,906.60

The repurchased ordinary shares were cancelled during the Review Period. The issued share capital of the Company was accordingly reduced by the par value of the repurchased ordinary shares so cancelled. The above repurchases were effected by the Directors pursuant to the general mandate to repurchase shares granted by the shareholders of the Company to the Board at the annual general meeting of the Company held on 2 July 2021, 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 any listed securities of the Company during the Review Period and until the date of this report.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee and the employees' emoluments are determined on the basis of their merit, qualifications and competence.

The emoluments of the Directors of the Company are decided by the Remuneration Committee, having regarded to the Group's operating results, individual performance and comparable market statistics.

The emoluments of the Directors and employees of the Group include a share option scheme and share award scheme, details of which are disclosed in pages 56 to 62 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as at the date of this annual report.

AUDITOR

On 13 March 2020, the Board appointed Messrs. PricewaterhouseCoopers as the auditor of the Company with effect from 13 March 2020 to fill the casual vacancy following the resignation of Messrs. Deloitte Touche Tohmatsu. There has been no change in auditors since then.

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Messrs. PricewaterhouseCoopers as the auditor of the Company.

CHANGE IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, since the publication of the last interim report, the changes in the Director's information are as follows:

Mr. Feng Guohua has resigned as an executive Director and the Chief Executive Officer of the Company with effect from 21 March 2022;

Mr. Wong Man Li has been appointed as the Chief Executive Officer of the Company with effect from 21 March 2022;

Mr. Ong Chor Wei has resigned as an independent non-executive Director and a member of Audit Committee with effect from 1 April 2022;

Mr. Yang Siu Shun has been appointed as an independent non-executive Director and a member of the Audit Committee with effect from 1 April 2022;

The annual remuneration of the independent non-executive Directors was increased from HK$380,000 to HK$420,000, with effect from 1 April 2022.

Save as disclosed above, there is no other information required to be disclosed under Rule 13.51 B(1) of the Listing Rules.

ENVIRONMENTAL POLICIES AND PERFORMANCE

A discussion on the environmental policies and performance of the Company can be found in the "Environmental, Social and Governance Report" section, which forms part of this Directors' Report of this annual report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

During the Review Period, there was no material breach or non-compliance with the applicable laws and regulations that have a significant impact on the Group.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this Annual Report relating to Share Option Schemes and share award scheme, no equity-linked agreements were entered into during the Review Period or subsisted at the end of the Review Period.

TAX RELIEF

The Company is not aware of any information relating to relief from taxation to which its shareholders are entitled by reason of their holding of the shares of the Company.

MANAGEMENT CONTRACT

No contract concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or subsisting during the Review Period.

PERMITTED INDEMNITY PROVISION

The Bye-laws provides that for the time being a director of the Company, every Director shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which he shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of his duty or supposed duty in his office.

On behalf of the board

Wong Man Li
Chairman
16 May 2022

Independent Auditor's Report

羅兵咸永道

To the Shareholders of Man Wah Holdings Limited
(incorporated in Bermuda with limited liability)

OPINION

What we have audited

The consolidated financial statements of Man Wah Holdings Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 76 to 173, comprise:

- the consolidated statement of financial position as at 31 March 2022;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Impairment assessment of goodwill
- Impairment assessment of trade receivables and bills receivable
- Purchase price allocation for business combinations

Key Audit Matter	How our audit addressed the Key Audit Matter

Impairment assessment of goodwill

Refer to Notes 2.11 and 2.12 (Accounting policies), Note 4(i) (Critical accounting estimates and assumptions) and Note 17 (Intangible assets) to the consolidated financial statements.

We identified the impairment assessment of goodwill as a key audit matter due to the complexity and significant judgment and estimates involved in the goodwill impairment assessment by the management of the Group.

The carrying amount of goodwill as at 31 March 2022 was approximately HK$1,003,331,000. The goodwill impairment assessment involved significant management judgment and estimates in the determination of valuation model and the application of assumptions in the model, including discount rates and revenue growth rates, in estimating the value in use of the cash generating units to which goodwill has been allocated. Based on management's assessment, there is no impairment of goodwill as at 31 March 2022.

Our procedures in relation to the impairment assessment of goodwill included:

- Obtaining an understanding of the management's internal control and assessment process of impairment assessment of goodwill and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors;

- Assessing the appropriateness of the valuation methodologies used by management based on our industry knowledge and relevant market practice;

- Evaluating the assumptions underpinning the discounted cash flow models, including discount rates by comparing rates used by other comparable companies and revenue growth rates by reference to the budget of the Group as well as industry trend;

- Considering management's sensitivity analysis with respect to variations of key assumptions adopted, to evaluate the extent to which reasonably possible changes, both individually and in aggregate, would result in change to the outcome of the impairment assessment; and

- Evaluating the historical accuracy of the forecasted future cash flows by comparing them to actual results in the current period and understanding the causes for the significant variances, if any.

Based on the above, we found management's judgment and estimates involved in the impairment assessment of goodwill to be supportable by the available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of trade receivables and bills receivable	
Refer to Notes 2.13 and 2.16 (Accounting policies), Note 3.1 (Credit risk), Note 4(ii) (Critical accounting estimates and assumptions) and Note 22 (Trade receivables and bills receivable) to the consolidated financial statements. As at 31 March 2022, the Group's gross trade receivables and bills receivable amounted to approximately HK$2,269,774,000 and the provision for impairment of trade receivables and bills receivable amounted to approximately HK$24,686,000. Management of the Group estimated the lifetime expected credit loss ("ECL") of trade receivables and bills receivable through grouping of various debtors that have similar loss patterns, after considering credit profile of different customers, repayment history and past due status of respective trade receivables and bills receivable. Estimated loss rates are based on historical loss rates over the expected life of the trade debtors and are adjusted for forward-looking factors such as changes of macroeconomic. The Group recognised an amount of approximately HK$19,825,000 of provision for impairment of trade receivables and bills receivable during the year ended 31 March 2022. We identified impairment assessment of trade receivables and bills receivable as a key audit matter due to the involvement of significant management judgment and estimates in evaluating the ECL of the Group's trade receivables and bills receivable at the end of the reporting period.	Our procedures in relation to impairment assessment of trade receivables and bills receivable included: • Obtaining an understanding of the management's internal control and assessment process of impairment assessment of trade receivables and bills receivable and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors; • Testing the trade receivables and bills receivable ageing analysis as at 31 March 2022, on a sampling basis, by comparing individual items in the analysis with the relevant sales agreements, sales invoices and other supporting documents; • Evaluating management's basis in developing the ECL model; • Assessing the reasonableness of the historical loss rates used in the ECL model by corroborating the credit profile of the respective customers with their historical settlement pattern; and • Evaluating the forward-looking information used by management by comparing against publicly available economic information. Based on the above, we found management's judgment and estimates involved in the impairment assessment of trade receivables and bills receivable to be supportable by available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter

Purchase price allocation for business combinations

Refer to Note 2.3 (Accounting policies), Note 4(v) (Critical accounting estimates and assumptions), Note 17 (Goodwill and other intangible assets) and Note 30 (Business combinations) to the consolidated financial statements.

During the year ended 31 March 2022, the Group completed three business combinations at a total purchase price of HK$636,317,000. Management has engaged independent qualified valuers to assist them in identifying intangible assets and to perform the valuations of the identified assets and liabilities of the acquired companies at their respective acquisition dates, and based on which, management performed a purchase price allocation exercise for each acquisition, which resulted in recognition of intangible assets of HK$157,726,000 mainly representing the patents and trademarks of HK$88,928,000 and customer relationships of HK$68,798,000. Goodwill of HK$414,801,000, being the excess of considerations transferred and the amount of non-controlling interests in the acquirees over the fair value of identified net assets, was recognised.

Significant judgments and estimates were involved in the fair value assessment of the identified intangibles assets and the recognition of goodwill arising from the business combinations. These significant judgments and estimates include the adoption of appropriate valuation methodologies and the use of key assumptions in the valuation (mainly revenue growth rates, gross profit margins, discount rates and economic useful lives of the identified intangible assets), which are subject to a high degree of estimation uncertainty. The inherent risk in relation to the purchase price allocation for business combinations is considered significant due to uncertainty of significant assumptions used.

Our procedures in relation to purchase price allocation for business combinations included:

- Obtaining an understanding of management's internal control and fair value assessment process of assets acquired and liabilities assumed at acquisition dates and assessed the inherent risk of material misstatement by considering the degree of complexity and subjectivity involved.

- Assessing the appropriateness of the accounting treatments by reviewing the key terms of the acquisition agreements and other relevant documents.

- Assessing the competency, capabilities and objectivity of the external independent valuers engaged by management;

- Obtaining the valuation reports in relation to the purchase price allocation for the acquisitions, and engaged our in-house valuation experts to assess the appropriateness of the valuation methodologies adopted by management, the reasonableness of discount rates and expected useful lives of patents and trademarks and customer relationship used by management;

- Challenging and assessing the reasonableness of the key assumptions used and the reliability of data inputs in the cash flow forecasts for the valuation of the identified patents and trademarks and customer relationship with the involvement of our in-house valuation experts. For revenue growth rates and gross profit margins, we compared these assumptions with the relevant historical data of the acquired companies and market data, where applicable;

Key Audit Matter	How our audit addressed the Key Audit Matter
We focused on this area because the magnitude of the identified intangible assets and goodwill recognised arising from the business combinations, and the significant judgments and estimates involved in the fair value assessment of the identified intangible assets and the recognition of goodwill arising from the business combinations.	• Evaluating the reasonableness of the sensitivity analysis performed by management on the key assumptions to understand the impact of reasonable changes in assumptions on the identified patents and trademarks, customer relationship and goodwill; and • Checking the mathematical accuracy of the calculations of the fair value of the identified patents and trademarks, customer relationship and goodwill. Based on the above, we found management's judgment and estimates involved in purchase price allocation for business combinations to be supportable by available evidence.

OTHER INFORMATION

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Kong Ling Yin, Raymond.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 16 May 2022

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
Revenue and other income		**21,787,920**	16,945,965
Revenue	5	**21,496,783**	16,434,071
Cost of goods sold		**(13,606,188)**	(10,504,964)
Gross profit		**7,890,595**	5,929,107
Other income	6	**291,137**	511,894
Other losses, net	7	**(49,350)**	(93,713)
Selling and distribution expenses		**(4,189,944)**	(3,118,564)
Administrative and other expenses		**(1,052,908)**	(778,071)
Operating profit	8	**2,889,530**	2,450,653
Finance costs	9	**(79,692)**	(96,046)
Share of results of joint ventures		**9,651**	5,707
Profit before income tax		**2,819,489**	2,360,314
Income tax expense	11	**(502,929)**	(336,908)
Profit for the year		**2,316,560**	2,023,406
Other comprehensive income:			
Item that may be reclassified to profit or loss:			
Currency translation differences		**386,330**	546,805
Other comprehensive income for the year		**386,330**	546,805
Total comprehensive income for the year		**2,702,890**	2,570,211

	Note	2022 HK$'000	2021 HK$'000
Profit for the year attributable to:			
Owners of the Company		**2,247,491**	1,924,513
Non-controlling interests		**69,069**	98,893
		2,316,560	2,023,406
Total comprehensive income for the year attributable to:			
Owners of the Company		**2,578,251**	2,439,729
Non-controlling interests		**124,639**	130,482
		2,702,890	2,570,211
Earnings per share attributable to owners of the Company			
– Basic (HK cents per share)	12	**56.90**	50.26
– Diluted (HK cents per share)	12	**56.77**	50.10

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

Consolidated Statement of Financial Position

As at 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**6,051,190**	4,774,294
Investment properties	15	**495,827**	482,067
Right-of-use assets	16	**2,931,906**	2,324,072
Goodwill	17	**1,003,331**	560,519
Other intangible assets	17	**276,525**	166,517
Interests in joint ventures	18	**67,773**	55,812
Financial assets at fair value through profit or loss	23	**1,973**	1,894
Deferred tax assets	19	**41,025**	42,678
Deposit paid for right-of-use assets		**30,070**	167,311
Deposits paid for acquisition of subsidiaries		**–**	244,585
Prepayments and deposits paid for acquisition of property, plant and equipment		**280,882**	126,926
Total non-current assets		**11,180,502**	8,946,675
Current assets			
Inventories	20	**2,698,697**	2,003,605
Properties held for sale		**209,623**	254,779
Properties under development	21	**178,751**	164,498
Trade receivables and bills receivable	22	**2,245,088**	1,680,529
Other receivables and prepayments	22	**775,074**	700,841
Financial assets at fair value through profit or loss	23	**386,919**	372,750
Tax recoverable		**10,986**	6,854
Short-term bank deposits	24	**5,855**	892,066
Restricted bank balances	24	**4,045**	12,237
Cash and cash equivalents	24	**2,825,704**	2,404,027
Total current assets		**9,340,742**	8,492,186
Total assets		**20,521,244**	17,438,861

	Notes	2022 HK$'000	2021 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	28	**1,571,225**	1,583,518
Reserves		**10,138,478**	9,157,814
		11,709,703	10,741,332
Non-controlling interests		**1,038,470**	663,727
Total equity		**12,748,173**	11,405,059
LIABILITIES			
Non-current liabilities			
Lease liabilities	16	**165,855**	20,308
Bank borrowings, non-current portion	27	**566**	1,196
Deferred tax liabilities	19	**161,423**	128,854
Other non-current liabilities		**1,550**	1,278
Total non-current liabilities		**329,394**	151,636
Current liabilities			
Trade payables and bills payable	25	**1,155,911**	971,142
Other payables and accruals	25	**1,224,626**	746,883
Lease liabilities	16	**106,493**	26,419
Contract liabilities	26	**354,907**	363,145
Bank borrowings, current portion	27	**4,335,016**	3,588,713
Tax payable		**266,724**	185,864
Total current liabilities		**7,443,677**	5,882,166
Total liabilities		**7,773,071**	6,033,802
Total equity and liabilities		**20,521,244**	17,438,861

The consolidated financial statements on pages 76 to 173 were approved by the Board of Directors on 16 May 2022 and were signed on its behalf.

WONG MAN LI	**WONG YING YING**
Director	*Director*

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

Consolidated Statement of Changes in Equity

For the year ended 31 March 2022

	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
Comprehensive income													
Profit for the year	–	–	–	–	–	–	–	–	–	2,247,491	2,247,491	69,069	2,316,560
Other comprehensive income													
Currency translation differences	–	–	–	–	–	330,760	–	–	–	–	330,760	55,570	386,330
Total comprehensive income	–	–	–	–	–	330,760	–	–	–	2,247,491	2,578,251	124,639	2,702,890
Transactions with owners													
Repurchase of shares (Note 28)	(13,633)	(377,455)	–	–	–	–	–	–	–	–	(391,088)	–	(391,088)
Acquisition of subsidiaries (Note 30)	–	–	–	–	–	–	–	–	–	–	–	180,201	180,201
Capital contribution by non-controlling equity holders	–	–	–	–	–	–	–	–	–	–	–	22,072	22,072
Partial disposal of interest in a subsidiary	–	–	–	(101,383)	–	–	–	–	–	–	(101,383)	191,311	89,928
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	–	12,659	–	12,659	–	12,659
Issuance of shares upon exercise of share options	1,340	20,830	–	–	–	–	–	–	(4,876)	–	17,294	–	17,294
Transfer to PRC statutory reserves	–	–	–	–	81,196	–	–	–	–	(81,196)	–	–	–
Dividends paid to equity holders of the Company (Note 13)	–	–	–	–	–	–	–	–	–	(1,147,362)	(1,147,362)	–	(1,147,362)
Dividends paid to non-controlling equity holders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(66,428)	(66,428)
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(77,052)	(77,052)
Total transactions with owners	(12,293)	(356,625)	–	(101,383)	81,196	–	–	–	7,783	(1,228,558)	(1,609,880)	250,104	(1,359,776)
Balance at 31 March 2022	1,571,225	2,018,306	(16,132)	(113,194)	801,304	(6,509)	37,099	(448)	28,368	7,389,684	11,709,703	1,038,470	12,748,173

	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 2020	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
Comprehensive income													
Profit for the year	–	–	–	–	–	–	–	–	–	1,924,513	1,924,513	98,893	2,023,406
Other comprehensive income													
Currency translation differences	–	–	–	–	–	515,216	–	–	–	–	515,216	31,589	546,805
Total comprehensive income	–	–	–	–	–	515,216	–	–	–	1,924,513	2,439,729	130,482	2,570,211
Transactions with owners													
Issuance of ordinary shares, net of transaction costs	60,000	2,302,707	–	–	–	–	–	–	–	–	2,362,707	–	2,362,707
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	4,696	4,696
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	–	7,509	–	7,509	–	7,509
Issuance of shares upon exercise of share options	5,142	72,224	–	–	–	–	–	–	(13,830)	–	63,536	–	63,536
Transfer to PRC statutory reserves	–	–	–	–	79,064	–	–	–	–	(79,064)	–	–	–
Dividends paid to equity holders of the Company (Note 13)	–	–	–	–	–	–	–	–	–	(836,296)	(836,296)	–	(836,296)
Total transactions with owners	65,142	2,374,931	–	–	79,064	–	–	–	(6,321)	(915,360)	1,597,456	4,696	1,602,152
Balance at 31 March 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

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

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 and disposal of equity interest of subsidiaries. It represents the difference between the carrying amount of the net assets of the subsidiaries attributable to the additional interest or disposal of equity interests in subsidiaries that do not result in a loss of control at the dates of transactions and the fair value of consideration paid or received 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.

Consolidated Statement of Cash Flows

For the year ended 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
Cash flows from operating activities			
Cash generated from operations	35(a)	**2,755,054**	2,282,969
Interest paid		**(70,706)**	(93,635)
Interest received		**71,161**	48,004
Income tax paid, net		**(431,852)**	(314,951)
Net cash generated from operating activities		**2,323,657**	1,922,387
Cash flows from investing activities			
Investment in structured deposits		**(22,463,400)**	(16,546,482)
Prepayment for acquisition of subsidiaries		**–**	(244,585)
Payment for acquisition of property, plant and equipment		**(1,737,726)**	(1,266,156)
Withdrawal of restricted bank balances		**13,827**	19,358
Placement of restricted bank balances		**(5,635)**	(7,959)
Purchase of other intangible assets		**(4,708)**	(379)
Prepayment for right-of-use assets		**(217,940)**	(163,619)
Proceeds on disposal of structured deposits		**22,497,983**	16,563,981
Proceeds from disposal of property, plant and equipment		**55,424**	82,342
Investment in financial assets at fair value through profit or loss		**–**	(357,134)
Placement of short term bank deposits		**(5,855)**	(892,066)
Withdrawal of short term bank deposits		**892,066**	–
Proceeds from disposal of financial assets at fair value through profit or loss		**–**	125,379
Investment in joint ventures		**–**	(17,762)
Acquisition of subsidiaries, net of cash acquired		**(110,776)**	(18,321)
Cash outflow on disposal of a subsidiary		**(12,640)**	–
Net cash used in investing activities		**(1,099,380)**	(2,723,403)
Cash flows from financing activities			
Dividends paid to equity holders of the company	13	**(1,147,362)**	(836,296)
Dividends paid to non-controlling equity holders of subsidiaries		**(66,428)**	–
Repurchase of shares		**(391,088)**	–
Repayment of borrowings		**(1,542,380)**	(2,688,984)
New borrowings raised		**2,260,433**	2,246,488
Capital contribution from non-controlling equity holders		**112,000**	–
Proceeds from issuance of shares upon exercise of share options		**17,294**	63,536
Proceeds from issuance of ordinary shares, net of transaction costs		**–**	2,362,707
Principal elements of lease payments		**(86,656)**	(34,426)
Net cash (used in)/generated from financing activities		**(844,187)**	1,113,025
Net increase in cash and cash equivalents		**380,090**	312,009
Cash and cash equivalents at beginning of the year		**2,404,027**	2,020,245
Effect of foreign exchange rate changes		**41,587**	71,773
Cash and cash equivalents at end of the year		**2,825,704**	2,404,027

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

1 GENERAL INFORMATION

The Company was incorporated and registered as an exempted company with limited liability in Bermuda under the Companies Act 1981 of Bermuda (as amended). Its shares are listed on the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") with effect from 9 April 2010. The Company's immediate and ultimate holding company is Man Wah Investments Limited, which is owned by Mr. Wong Man Li and Ms. Hui Wai Hing, directors of the Company.

The Company acts as an investment holding company.

The consolidated financial statements of the Company are 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of Man Wah Holdings Limited have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRS") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared on a historical cost basis, except for the following:

- financial assets at fair value through profit or loss ("FVPL") – measured at fair value; and
- investment properties – measured at fair value.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(i) New and amended standards adopted by the Group

The Group has applied the following amended standards for the first time for their annual reporting period commencing 1 April 2021:

Amendments to HKFRS 9, Hong Kong Accounting Standard ("HKAS") 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
HKFRS 16 (Amendments)	Covid-19 related Rent Concessions

The adoption of the amendments to standards did not have any material impact on the consolidated financial statements for the current year or any prior years.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

2.1 Basis of preparation – continued

(ii) New standards, amendments to standards and interpretations that are not yet effective and have not been early adopted by the Group

Certain new accounting standard, amendments to standards and interpretations have been published that are not mandatory for 31 March 2022 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2.2 Principles of consolidation and equity accounting

(a) Subsidiaries

Subsidiaries are all entities (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 2.3).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

(b) Joint arrangements

Under IFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Man Wah Holdings Limited has both joint operations and joint ventures.

Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated statement of financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

2.2 Principles of consolidation and equity accounting – continued

(b) Joint arrangements – continued

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.12.

(c) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred,
- liabilities incurred to the former owners of the acquired business,
- equity interests issued by the Group,
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

2.3 Business combinations – continued

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree at the acquisition date is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors (the "Board") that makes strategic decisions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

2.6 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollar ("HK$"), which is the Group's presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statements of comprehensive income.

All foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'other losses, net'.

(c) *Group companies*

The results and financial positions of foreign operations (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income. When a foreign operation is sold, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold land and buildings and leasehold improvements, the shorter lease term as follows:

Leasehold land and buildings	50 years or over the term of the relevant lease for land, whichever is shorter
Leasehold improvements	5 years or over the term of the relevant lease, whichever is shorter
Plant and machinery	10% – 20%
Furniture, fittings and office equipment	20% – 33%
Motor vehicles	12.5% – 20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

2.8 Investment properties

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties.

Leasehold land is accounted for as investment properties when the rest of the definition of an investment property is met and carried at fair value.

Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, and adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of a valuation gain or loss in 'other losses, net'

2.9 Buildings under development for future owner-occupied purpose

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

2.10 Properties under development

When the leasehold land and buildings are in the course of development for sale, the leasehold land component included in properties under development is amortised over a straight-line basis over the lease term. During the construction period, the amortisation charge provided for the leasehold land is included as part of the costs of the properties under development.

Properties under development which are intended to be held for sale are shown as current assets and carried at the lower of cost and net realisable value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

2.11 Intangible assets

(a) Goodwill

Goodwill is measured as described in Note 2.3. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

(b) Patents and trademarks, technology knowhow and customer relationship

Separately acquired patents and trademarks are shown at historical cost. Patents and trademarks, technology knowhow and customer relationship acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

(c) Research and development

Development costs that are directly attributable to the design and testing of identifiable and unique intangible assets controlled by the Group are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the intangible asset so that it will be available for use
- management intends to complete the intangible asset and use or sell it
- there is an ability to use or sell the intangible asset
- it can be demonstrated how the intangible asset will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available, and
- the expenditure attributable to the intangible asset during its development can be reliably measured

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

2.11 Intangible assets – continued

(c) Research and development – continued

Directly attributable costs that are capitalised include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Research expenditure and development expenditure that do not meet the criteria above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(d) Amortisation methods and periods

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

Patents and trademarks	7% – 12.5%
Technology knowhow	10%
Customer relationship	9% – 20%

2.12 Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

2.13 Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

2.13 Investments and other financial assets – continued

(iii) Measurement – continued

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other losses. Impairment losses are presented as separate line item in the statement of comprehensive income.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other losses. Interest income from these financial assets is included in finance income using the effective interest rate method. Net foreign exchange gains and losses are presented in general and administrative expenses and impairment expenses are presented as separate line item in the consolidated statement of comprehensive income.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other losses in the period in which it arises.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

2.13 Investments and other financial assets – continued

(iv) Impairment

The Group assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and bills receivable, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 3.1 for further details.

For other financial assets at amortised cost, the Group measures the impairment as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime ECL.

To assess whether there is a significant increase in credit risk, the Group compares the risk of default as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtors' ability to meet its obligations
- actual or expected significant changes in the operating results of debtors
- significant increases in credit risk on other financial instruments of the same debtor
- significant changes in the expected performance and behaviour of debtors, including changes in the payment status of the debtor in the Group and changes in the operating results of the debtor

Financial assets are written off when there is evidence indicating that the debtor is in severe financial difficulty and there is no reasonable expectation of recovery of the balances.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

2.14 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.15 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods comprises of direct materials, direct labor and an appropriate proportion of variable and fixed overhead expenditure. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.16 Trade, bills and other receivables

Trade receivables and bills receivable are amounts due from customers for services performed in the ordinary course of business. If collection of trade receivables and bills receivable and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade, bills and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See Note 22 for further information about the Group's accounting for trade, bills and other receivables and Note 3.1 for a description of the Group's impairment policies.

2.17 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits held at call with banks with original maturities of three months or less.

For the deposits held at call with banks with original maturities of three months or more are classified as "short-term bank deposits".

2.18 Restricted bank balances

Bank deposits which are restricted to use are classified as "restricted cash". Restricted cash are excluded from cash and cash equivalents in the consolidated statement of cash flows.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

2.19 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

When any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to owners of the company until the shares are cancelled or reissued.

2.20 Trade, bills and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade, bills and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.21 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in consolidated statement of comprehensive income as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

2.22 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

2.23 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

2.23 Current and deferred income tax – continued

(b) Deferred income tax – continued

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the Group is unable to control the reversal of the temporary difference for joint ventures. Only when there is an agreement in place that gives the group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the joint venture's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.24 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current accrual and other payables in the consolidated statement of financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

2.24 Employee benefits – continued

(b) Pension obligations

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

There were no forfeited contributions (by employees on behalf of employees who leave the scheme prior to resuming fully in such contributions) to offset existing contributions under the defined contribution schemes.

(c) Bonus plans

The Group recognises a liability and an expense for bonuses, based on performance and takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.25 Government grants

Grants from the government are recognised at fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to costs are shown separately as other income.

2.26 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

2.27 Revenue recognition

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

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

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

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

(a) Sales of goods

The Group is principally engaged in the manufacturing and trading of sofa, ancillary products and chairs and other products. Revenue are recognised when control of the product to has transferred, being when the products are delivered to the customers, the customer has accepted the products and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery occurs when the products have been shipped to the specified location and the risk of obsolescence and loss have been transferred to the customers.

Revenue from sales of goods is recognised based on the price specified for each order, net of the provision for customer claims. Accumulated experience is used to estimate and provide for the claims and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. Provision for customer claims (included in accruals and other payables) is recognised for expected volume claims payable to customers in relation to sales made until the end of the reporting period.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

2.27 Revenue recognition – continued

(b) *Sales of residential properties*

Revenue from sales of residential properties is recognised at a point in time when the buyer obtains physical possession of the completed property.

(c) *Service income*

The Group receives a service income for its furniture mall business. Service income is recognised when the services are rendered.

2.28 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- amounts expected to be payable by the Group under residual value guarantees,
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

2.28 Leases – continued

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

The useful life used for the asset's depreciation purpose are:

Rented land and properties	Remaining lease term

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2.29 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

2.30 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares

- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.31 Share-based payments

Share-based compensation benefits are provided to employees via the share options granted to employees.

The fair value of options granted is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

– including any market performance conditions (e.g. the entity's share price),

– excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period), and

– including the impact of any non-vesting conditions (e.g. the requirement for employees to save or hold shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

3 FINANCIAL RISK MANAGEMENT

The Group's major financial instruments include trade, bills and other receivables, trade, bills and other payables, financial assets at FVPL, cash and cash equivalents, short-term bank deposits, restricted bank balances, lease liabilities and bank borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. There has been no change to the Group's exposure to financial risks or the manner in which it manages and measures the risk.

3.1 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 seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US Dollars ("US$") and Renminbi ("RMB"). The Group manages its foreign exchange risks by performing regular review and monitoring its foreign exchange exposure. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

As HK$ are pegged to US$, the Group does not have material exchange rate risk on translation between HK$ and US$.

At the end of the reporting period, the carrying amount of the Group's monetary assets and monetary liabilities denominated in currencies other than the respective functional currencies of the relevant group entities, expressed in HK$, are as follows:

Assets

	2022 HK$'000	2021 HK$'000
US$	**1,651,009**	1,284,884
RMB	**6,038**	17,994
Euro ("EUR")	**66,049**	40,402
HK$	**20,855**	353
Other currencies	**22,567**	5,139

3 FINANCIAL RISK MANAGEMENT – continued

3.1 Financial risk factors – continued

(a) Market risk – continued

(i) Foreign exchange risk – continued

Liabilities

	2022 HK$'000	2021 HK$'000
US$	**625,302**	728,544
RMB	**3,229**	2,947
EUR	**13,722**	13,102
HK$	**500,202**	–
Other currencies	**15,362**	11,864

The table below illustrates the sensitivity as at the end of the reporting period to a reasonably possible change in the respectively exchange rates against the functional currency of the respective group entities, with all other variables held constant, to the profit for the year ended 31 March 2022, mainly as a result of net foreign exchange impact on translation of trade, bills and other receivables, restricted bank balances, cash and cash equivalents, short-term bank deposits, trade, bills and other payables and bank borrowings denominated in these foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

	Change in exchange rate	Impact on post-tax profit HK$'000
2022		
If US$ strengthens/weakens against the functional currencies	+5%/-5%	45,587 higher/lower
If RMB strengthens/weakens against the functional currencies	+5%/-5%	107 higher/lower
If HK$ strengthens/weakens against the functional currencies	+5%/-5%	16,693 lower/higher
2021		
If US$ strengthens/weakens against the functional currencies	+5%/-5%	26,113 higher/lower
If RMB strengthens/weakens against the functional currencies	+5%/-5%	638 higher/lower

3 FINANCIAL RISK MANAGEMENT – continued

3.1 Financial risk factors – continued

(a) Market risk – continued

(ii) Cash flow and fair value interest rate risk

Interest rate risk arises from the potential changes in interest rates that may have an adverse effect on the Group's results for the current reporting period and in future years. The Group is exposed to cash flow interest rate risk arising from the volatility of Hong Kong Interbank Offered Rate, Best Lending Rate or Euro Interbank Offered Rate as all bank borrowings, cash and cash equivalents are at floating rates or at prevailing deposit rates. The Group generally does not take a speculative view on the movement in interest rates and, therefore, does not use interest rate derivative instruments to hedge exposed risks.

The sensitivity analysis below has been determined based on the exposure to interest rates on the Group's variable rate borrowings, restricted bank balances and bank balances at the end of the reporting period and prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point increase or decrease is used by management for the assessment of the reasonably possible change in interest rates.

If interest rates on restricted bank balances, short-term bank deposits and cash and cash equivalents had been 50 basis points (2021: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2022 would increase/decrease by HK$10,599,000 (2021: HK$7,305,000). This is mainly attributable to the Group's exposure to interest rates on its variable- rate bank deposits.

If interest rates on bank borrowings had been 50 basis points (2021: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2022 would decrease/increase by HK$9,047,000 (2021: HK$9,539,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

3 FINANCIAL RISK MANAGEMENT – continued

3.1 Financial risk factors – continued

(b) Credit risk

The credit risk of the Group's financial assets, which mainly comprise trade receivables and bills receivable, deposits and other receivables, financial assets at FVPL, short-term bank deposits, restricted bank balances and cash and cash equivalents, arises from potential default of the counterparties, with maximum exposure equal to the carrying amounts of these instruments.

(i) Risk management

As at 31 March 2022 and 2021, substantially all of the cash and bank balances, as detailed in Note 24, are held in banks in China, Macau, Hong Kong, Vietnam and Europe with high credit ratings assigned by international credit-rating agencies. Over 94% (2021: 80%) of the Group's bank balance is deposited into five banks. The directors of the Company anticipated that the expected credit loss rate of cash at bank is assessed to be close to zero after considering forward-looking information and no provision was made as at 31 March 2022.

In order to minimise the credit risk, the Group's current credit practices include assessing the customers' credit reliability and periodic review of their financial status to determine credit limits to be granted. 6% (2021: 1%) and 24% (2021: 16%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively. Apart from delegating a team for determining the credit limits, credit approval and other monitoring procedures on customers, the Group also explores new markets and new customers in order to minimise the concentration of credit risk. Other than the above, no other concentration of credit risk exists on Group's trade receivables.

In addition, most of the Group's exposure on trade receivables and bills receivable related to oversea sales was covered by insurance. The Group has purchased credit insurance from certain insurance corporations on most of the Group's overseas sales to compensate for losses from debts when they become irrecoverable. Credit enhancements, including the credit insurance which is considered to be in substance, an integral part of the contractual terms of trade receivables and bills receivable and the cash flows from credit enhancements are included in the measurement of ECL.

The credit ratings of FVPL are monitored for credit deterioration.

3 FINANCIAL RISK MANAGEMENT – continued

3.1 Financial risk factors – continued

(b) Credit risk – continued

(ii) Impairment of financial assets

Trade receivables and bills receivable arising from contracts with customers

The Group applied IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables and bills receivable balances. To measure the expected credit losses, trade receivables and bills receivables has been grouped based on shared credit risk characteristics through grouping of various debtors that have similar loss patterns, after considering credit profile of different customers, repayment history and past due status of respective trade receivables and bills receivable. The historical loss rates are adjusted to reflect forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

For trade receivables and bills receivable relating to debtors which face significant financial difficulties or enter liquidation, they are assessed individually for impairment. Accordingly, the Group provided HK$19,825,000 for impairment for trade receivables and bills receivable during the year ended 31 March 2022 (2021: HK$2,042,000) for these debtors. Trade receivables and bills receivable of HK$24,686,000 has been provided for as at 31 March 2022 (2021: HK$6,697,000).

The Group has assessed the loss allowance of the remaining trade receivables and bills receivable and the directors are of the opinion that the risk of default by these customers is not significant, taking into account forward-looking information on macroeconomics factors. Therefore, expected credit loss rate and provision for impairment of the remaining trade receivables and bills receivable is assessed to be insignificant.

Other financial assets at amortised cost

Based on the impairment assessment performed by the Group, the management of the Group considers the expected credit loss of other financial assets at amortised cost under the 12 months ECL method taking into account forward-looking information and provision for impairment for other receivables amounted to HK$9,958,000 is provided as at 31 March 2022 (2021: Nil).

Liquidity risk management

In managing of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of borrowings on a regular basis.

3 FINANCIAL RISK MANAGEMENT – continued

3.1 Financial risk factors – continued

Liquidity risk management – continued

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Specifically, for bank and other borrowing which contain a repayment on demand clause which can be exercised at the discretion of the counterparties, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay.

	Weighted average effective interest rate %	On demand or less than 1 year HK$'000	1–2 years HK$'000	2–5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 March 2022						
Non-derivative financial liabilities						
Trade and other payables		**2,040,311**	**–**	**–**	**2,040,311**	**2,040,311**
Bank borrowings – variable rate	**1.48**	**2,179,423**	**–**	**–**	**2,179,423**	**2,167,256**
Bank borrowings – fixed rate	**2.72**	**2,212,888**	**366**	**213**	**2,213,467**	**2,168,326**
Lease liabilities		**117,586**	**72,559**	**106,993**	**297,138**	**272,348**
		6,550,208	**72,925**	**107,206**	**6,730,339**	**6,648,241**

	Weighted average effective interest rate %	On demand or less than 1 year HK$'000	1–2 years HK$'000	2–5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 March 2021						
Non-derivative financial liabilities						
Trade and other payables		1,461,919	–	–	1,461,919	1,461,919
Bank borrowings – variable rate	1.20	2,311,399	–	–	2,311,399	2,304,668
Bank borrowings – fixed rate	2.86	1,308,422	740	486	1,309,648	1,285,241
Lease liabilities	–	27,966	16,927	4,078	48,971	46,727
		5,109,706	17,667	4,564	5,131,937	5,098,555

The amounts included above for variable interest rate instruments of non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

3 FINANCIAL RISK MANAGEMENT – continued

3.2 Capital management

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes bank borrowings disclosed in Note 27, cash and cash equivalents disclosed in Note 24 and equity attributable to owners of the Company, comprising issued share capital as disclosed in Note 28 and reserves.

The directors of the Company review the capital structure regularly. As part of this review, the Directors consider the cost of capital and the risks associates with each class of the capital. Based on the recommendations of the directors, the Group will balance its overall capital structure through adjusting the amount of dividends paid to the shareholders, return capital to shareholders, issue new shares as well as draw down of new debt or the redemption of existing debt.

3.3 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 receivables and bills receivable, other receivables, restricted bank balances, trade payables 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 policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

As at 31 March 2022 and 2021, the Group's financial assets at FVPL are measured at fair value through profit or loss. The fair values are categorised as level 2 which are quoted prices available from over-the-counter markets. There is no transfer of financial assets or financial liabilities between level 1 to level 3 in the year. See Note 23 for disclosures relevant to financial assets at FVPL.

As at 31 March 2022 and 2021, there are certain investment properties measured at fair value using market approach and income approach. See Note 15 for disclosures relevant to investment properties.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgment in applying the group's accounting policies.

Estimates and judgment are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(i) Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit to which goodwill has been allocated, which is the higher of the value in use and fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit, a suitable discount rate, growth rates, budgeted sales and gross margin in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows, a material impairment loss may arise. As at 31 March 2022, the carrying amount of goodwill is HK$1,003,331,000 (2021: HK$560,519,000).

(ii) Provision of ECL for trade receivables and bills receivable

The Group uses provision matrix to calculate ECL for trade receivables and bills receivable. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and available without undue costs or effort. At each reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables and bills receivable with objective evidence that the debtor faces significant financial difficulties or enter liquidation are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables and bills receivable are disclosed in Note 3.1.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS – continued

Critical judgment in applying accounting policies

The followings are the critical judgment, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

(iii) Control over investees accounted for as subsidiaries

Certain entities are considered to be subsidiaries of the Company despite the interest therein are not more than 50% of the issued share capital of the relevant entities. Based on the contractual power pursuant to the relevant shareholders' agreement between the Group and the other shareholders, the Group has the majority voting power in the Board of Directors in the respective investees, by which the relevant activities that significantly affect the return of the investee are determined, and hence has control over these investees. Accordingly, those entities are accounted for as subsidiaries of the Company.

(iv) Recognition of deferred taxation

At 31 March 2022, the Group provided for deferred tax liabilities of approximately HK$34,413,000 (2021: HK$34,619,000) in relation to the earnings expected to be distributed from the certain subsidiaries. Deferred tax liabilities have not been provided on the distributable profits of subsidiaries that the Group plans to retain in the respective entities for their daily operations and future developments. In case where the actual distribution of profits are larger than expected, material tax liabilities will arise, which will be recognised in the profit or loss for the period in which such profits are distributed or the future development plan of the Group changed, whichever is earlier.

No deferred tax assets have been recognised in respect of the unused tax losses of approximately HK$$383,615,000((2021: HK$174,539,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than or more than expected, a material reversal or recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or recognition takes place.

(v) Business combinations

The Group accounts for business combinations by using acquisition method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The determination and allocation of fair values to the identifiable assets acquired and liabilities assumed is based on various assumptions and valuation methodologies requiring considerable management judgment. The most significant variables in these valuations are revenue growth rate, gross profit margins, discount rates and economic useful lives, as well as the assumptions and estimates used based on the risk inherent in the related activity's current business model and industry comparisons.

5 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.

The Company's executive directors make decisions based on the operating results of each segment and review reports on the aging analysis of trade receivables 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 accounting policies described in Note 2.5. Segment results represent the profit before income tax earned by each segment without allocation of other income, net exchange gains or losses, fair value gains or losses on investment properties, gains or losses from changes in fair value of financial assets at FVPL, share of results of joint ventures, finance costs, and unallocated expenses.

5 SEGMENT INFORMATION – continued

Segment revenues and results

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

For the year ended 31 March 2022

	Sofas and ancillary products HK$'000	Other products HK$'000	Other business HK$'000	Home Group business HK$'000	Total HK$'000
Revenue					
External sales	14,616,557	5,618,220	371,128	890,878	21,496,783
Results					
Segment results	2,148,018	902,598	197,645	7,834	3,256,095
Other income					291,137
Share of results of joint ventures					9,651
Exchange losses, net					(360)
Fair value losses on investment properties					(300)
Loss from change in fair value of financial assets at FVPL					(504)
Finance costs					(79,692)
Unallocated expenses					(656,538)
Profit before income tax					2,819,489

5 SEGMENT INFORMATION – continued

Segment revenues and results – continued

For the year ended 31 March 2021

	Sofas and ancillary products HK$'000	Other products HK$'000	Other business HK$'000	Home Group business HK$'000	Total HK$'000
Revenue					
External sales	11,723,615	3,708,066	238,318	764,072	16,434,071
Results					
Segment results	1,935,131	570,809	27,840	86,167	2,619,947
Other income					511,894
Share of results of joint ventures					5,707
Exchange losses, net					(28,864)
Fair value gains on investment properties					238
Loss from change in fair value of financial assets at FVPL					(61,793)
Finance costs					(96,046)
Unallocated expenses					(590,769)
Profit before income tax					2,360,314

5 SEGMENT INFORMATION – continued

Other information

	Sofas and ancillary products HK$'000	**Other products HK$'000**	**Other business HK$'000**	**Home Group business HK$'000**	**Total HK$'000**
Amounts included in the measure of segment result:					
For the year ended 31 March 2022					
Loss/(gain) on disposal of property, plant and equipment	**3,124**	**1,699**	**–**	**(127)**	**4,696**
Depreciation and amortisation	**494,895**	**111,567**	**41,959**	**36,112**	**684,533**
Provision for/(reversal of provision for) impairment of trade receivables and bills receivable	**377**	**19,727**	**–**	**(279)**	**19,825**
Provision for/(reversal of provision for) impairment of inventories	**2,709**	**–**	**–**	**(722)**	**1,987**

	Sofas and ancillary products HK$'000	Other products HK$'000	Other business HK$'000	Home Group business HK$'000	Total HK$'000
Amounts included in the measure of segment result:					
For the year ended 31 March 2021					
Loss/(gain) on disposal of property, plant and equipment	383	508	–	(199)	692
Depreciation and amortisation	358,296	64,663	36,947	33,888	493,794
Provision for impairment of trade receivables and bills receivable	–	1,698	–	344	2,042
Reversal of impairment of inventories	(17,634)	–	–	(398)	(18,032)

5 SEGMENT INFORMATION – continued

Geographical information

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

	2022 HK$'000	2021 HK$'000
PRC (including Hong Kong and Macau)	**13,563,935**	10,213,896
North America	**5,667,477**	4,579,469
Europe	**1,580,265**	1,050,842
Others	**685,106**	589,864
	21,496,783	16,434,071

Note: Others mainly included Australia, United Arab Emirates, Israel and Indonesia. Home Group 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.

Information about the Group's non-current assets (excluding deferred tax assets) is presented based on the location of the assets:

	2022 HK$'000	2021 HK$'000
PRC (including Hong Kong and Macau)	**9,128,977**	6,950,505
Europe	**517,468**	544,206
Vietnam	**1,407,038**	1,408,063
Others	**85,994**	1,223
	11,139,477	8,903,997

During the year, none of the Group's customers individually contributed more than 10% of the Group's revenue (2021: none).

5 SEGMENT INFORMATION – continued

Disaggregation of revenue from contracts with customers

Segments	Sofas and ancillary products HK$'000	Other products HK$'000	Other business HK$'000	Home Group business HK$'000	Total HK$'000
	For the year ended 31 March 2022				
Types of goods or service					
Manufacture and distribution of goods recognised at a point in time					
Sofas and ancillary products	14,616,557	–	–	890,878	15,507,435
Residential properties	–	–	128,733	–	128,733
Chairs, mattresses, smart furniture spare parts	–	3,359,814	–	–	3,359,814
Metal mechanism for recliners	–	2,219,730	–	–	2,219,730
Other products to commercial clients	–	38,676	–	–	38,676
	14,616,557	5,618,220	128,733	890,878	21,254,388
Service income – recognised over time	–	–	242,395	–	242,395
Total	14,616,557	5,618,220	371,128	890,878	21,496,783
Geographical markets					
North America	5,410,362	257,115	–	–	5,667,477
PRC (including Hong Kong and Macau)	8,627,693	4,565,114	371,128	–	13,563,935
Europe	195,398	493,989	–	890,878	1,580,265
Others	383,104	302,002	–	–	685,106
Total	14,616,557	5,618,220	371,128	890,878	21,496,783

5 SEGMENT INFORMATION – continued

Disaggregation of revenue from contracts with customers – continued

	For the year ended 31 March 2021				
Segments	Sofas and ancillary products HK$'000	Other products HK$'000	Other business HK$'000	Home Group business HK$'000	Total HK$'000
Types of goods or service					
Manufacture and distribution of goods recognised at a point in time					
Sofas and ancillary products	11,723,615	–	–	764,072	12,487,687
Residential properties	–	–	168,705	–	168,705
Chairs, mattresses, smart furniture spare parts	–	2,218,494	–	–	2,218,494
Metal mechanism for recliners	–	1,460,155	–	–	1,460,155
Other products to commercial clients	–	29,417	–	–	29,417
	11,723,615	3,708,066	168,705	764,072	16,364,458
Service income – recognised over time	–	–	69,613	–	69,613
Total	11,723,615	3,708,066	238,318	764,072	16,434,071
Geographical markets					
North America	4,374,286	205,183	–	–	4,579,469
PRC (including Hong Kong and Macau)	6,851,748	3,123,830	238,318	–	10,213,896
Europe	185,183	101,587	–	764,072	1,050,842
Others	312,398	277,466	–	–	589,864
Total	11,723,615	3,708,066	238,318	764,072	16,434,071

6 OTHER INCOME

	2022 HK$'000	2021 HK$'000
Income from sales of scrap materials (Note (a))	**30,936**	154,660
Income on structured deposits	**21,086**	13,553
Interest income	**71,161**	48,004
Government subsidies (Note (b))	**161,704**	201,742
Others (Note (a))	**6,250**	93,935
	291,137	511,894

Notes:

(a) During the year ended 31 March 2022, as a result of business change, income from sales of scrap metal and certain other income are recognised as "Revenue".

(b) The government subsidies recognised in other income of HK$161,704,000 (2021: HK$201,742,000) mainly represented the subsidies on PRC taxes paid, photovoltaic power generation, export credit insurance expenses and research and development costs.

7 OTHER LOSSES, NET

	2022 HK$'000	2021 HK$'000
Exchange losses, net	**(360)**	(28,864)
Fair value (losses)/gains on investment properties	**(300)**	238
Loss on disposal of property, plant and equipment	**(4,696)**	(692)
Impairment provision for trade receivables and bills receivable	**(19,825)**	(2,042)
Impairment provision for other receivables	**(9,958)**	–
Losses from changes in fair value of financial assets at FVPL	**(504)**	(61,793)
Others	**(13,707)**	(560)
	(49,350)	(93,713)

8 OPERATING PROFIT

Profit from operation is arrived at after charging/(crediting) the following:

	2022 HK$'000	2021 HK$'000
Cost of inventories	**11,229,027**	8,600,806
Auditor's remuneration		
– audit services	**3,800**	3,500
– non-audit services	**2,807**	390
Amortisation of intangible assets (Note 17)	**54,382**	33,438
Depreciation of property, plant and equipment (Note 14)	**530,839**	389,891
Depreciation of right-of-use assets (Note 16)	**99,312**	70,465
Employee benefit expenses (including directors' emoluments) (Note 10)	**3,238,391**	2,491,708
Short-term lease payment	**58,635**	40,990
Provision for / (reversal of provision for) impairment of inventories	**1,987**	(18,032)
Legal and professional fee	**64,796**	49,430

9 FINANCE COSTS

	2022 HK$'000	2021 HK$'000
Interest on bank borrowings	**69,226**	91,397
Interest on lease liabilities	**8,986**	2,411
Others	**1,480**	2,238
	79,692	96,046

10 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2022	2021
	HK$'000	HK$'000
Salaries and other allowances	**3,134,600**	2,443,235
Retirement benefit scheme contribution	**91,132**	40,964
Equity-settled share-based payments expense	**12,659**	7,509
	3,238,391	2,491,708

During the years ended 31 March 2022 and 2021, there is no forfeited contributions utilised and available at the year-end to reduce future contributions.

(a) Retirement benefits scheme

The employees of the Group's subsidiaries established in the PRC are members of a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of these subsidiaries. The only obligation of these subsidiaries with respect to the central pension scheme is to meet the required contributions under the scheme.

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme ("the MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, the Group and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. Both the Group's and the employees' contributions are subject to a cap of HK$1,500 per month and thereafter contributions are voluntary.

The total contributions incurred in connection with the above for the year ended 31 March 2022 were approximately HK$91,132,000 (2021: HK$40,964,000). No forfeited contributions are available to reduce the contribution payable by the Group in the future years.

10 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) – continued

(b) Five highest paid individuals

For the year ended 31 March 2022, the five individuals whose emoluments were the highest in the Group included 1 director (2021: 1 director), whose emoluments were reflected in the analysis presented in Note 38(a). The emoluments paid/payable to the remaining 4 (2021: 4 individuals) individuals during the year ended 31 March 2022 were as follows:

	2022 HK$'000	2021 HK$'000
Salaries and other allowances	**22,808**	32,433
Discretionary bonus	**8,613**	8,383
Retirement benefit scheme contribution	**46**	29
Share-based payment expense	**2,610**	782
	34,077	41,627

	2022 HK$'000	2021 HK$'000
Their emoluments were within the following bands:		
HK$6,000,001 to HK$6,500,000	**–**	1
HK$6,500,001 to HK$7,000,000	**1**	–
HK$8,000,001 to HK$8,500,000	**1**	1
HK$8,500,001 to HK$9,000,000	**1**	–
HK$9,500,001 to HK$10,000,000	**–**	1
HK$10,000,001 to HK$10,500,000	**1**	–
HK$17,500,001 to HK$18,000,000	**–**	1
	4	4

11 INCOME TAX EXPENSE

	2022 **HK$'000**	2021 HK$'000
Current income tax:		
PRC Corporate Income Tax ("PRC CIT")	**368,289**	314,152
PRC Withholding Income Tax	**46,191**	27,900
PRC Land Appreciation Tax ("PRC LAT")	**5,653**	17,336
Macau Complementary Tax	**60,361**	–
U.S. Federal and State Corporate Income Taxes ("U.S. CIT")	**2,444**	1,252
Others	**19,250**	6,397
Deferred tax	**(2,418)**	(33,057)
Under-provision in prior years	**3,159**	2,928
	502,929	336,908

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 years, except for a PRC subsidiary of the Company, carrying out business in the western region of the PRC, which qualifies for 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, details of which are set in Note 19.

The U.S. CIT charge comprises federal income tax calculated at 21% (2021: 21%) and state income tax calculated from 0% to 9% (2021: 0% to 9%) on the estimated assessable profits of the subsidiaries 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.

11 INCOME TAX EXPENSE – continued

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using PRC CIT rate as follows:

	2022 HK$'000	2021 HK$'000
Profit before income tax	**2,819,489**	2,360,314
Tax calculated at the PRC CIT rate of 25% (2021: 25%)	**704,872**	590,079
Effect of different tax rates of subsidiaries operating in other jurisdiction and preferential tax rate	**(217,580)**	(172,841)
Income not subject to tax	**(93,493)**	(51,493)
Expenses not deductible for tax purposes	**14,285**	9,452
Tax losses for which no deferred income tax asset was recognised	**45,803**	22,189
Utilisation of tax losses previously not recognised	**(2,135)**	(50,514)
Tax effect of profit of a subsidiary under tax exemption	**–**	(54,456)
Provision for PRC Withholding Income Tax	**46,191**	29,989
Provision for PRC LAT	**5,653**	17,336
Tax effect of PRC LAT	**(1,413)**	(4,334)
Share of results of joint ventures	**(2,413)**	(1,427)
Under provision in prior years	**3,159**	2,928
	502,929	336,908

The weighted average applicable tax rate was 17.8% (2021: 14.3%). The increase is mainly due to the Group's Macau subsidiary being subject to Macau Complementary Tax at a rate of 12% on the assessable income effective on 1 January 2021.

12 EARNINGS PER SHARE

Earnings per share is computed as follows:

	2022	2021
Basic		
Profit attributable to equity owners of the Company for the year (HK$'000)	**2,247,491**	1,924,513
Weighted average outstanding ordinary share, in thousands	**3,950,168**	3,829,383
Basic earnings per share for the year in HK cents	**56.90**	50.26
Diluted		
Profit attributable to equity owners of the Company for the year (HK$'000)	**2,247,491**	1,924,513
Weighted average outstanding ordinary share, in thousands	**3,950,168**	3,829,383
Effect of dilutive potential ordinary shares on exercise of share options	**8,519**	12,014
Weighted average outstanding ordinary shares after assuming dilution, in thousands	**3,958,687**	3,841,397
Diluted earnings per share for the year in HK cents	**56.77**	50.10

13 DIVIDENDS

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

	2022 HK$'000	2021 HK$'000
Final dividend for 2021 of HK$0.16 (2021: HK$0.12 for 2020) per share	**633,588**	455,936
Interim dividend for 2022 of HK$0.13 (2021: HK$0.10 for 2021) per share	**513,774**	380,360
	1,147,362	836,296

A final dividend of HK$0.17 per share in respect of the year ended 31 March 2022, amounting to approximately HK$667,771,000 to be paid to the shareholders of the Company whose names appear on the Company's register of members on 11 July 2022, has been proposed by the board of directors and is subject to approval by the shareholders at the forthcoming annual general meeting.

14 PROPERTY, PLANT AND EQUIPMENT

	Freehold land in Europe HK$'000	Buildings outside the PRC HK$'000	Buildings in the PRC HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fittings and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000 (Note)	Total HK$'000
Cost									
At 1 April 2020	27,701	814,245	1,850,992	245,544	1,112,412	542,341	205,036	423,592	5,221,863
Exchange adjustments	2,231	22,137	156,628	21,102	80,164	47,704	19,721	36,719	386,406
Additions	–	31,940	9,643	60,071	221,301	121,097	175,504	695,578	1,315,134
Acquisition of a subsidiary	–	–	–	–	1,250	145	152	–	1,547
Transfer to properties held for sale	–	–	–	–	–	–	–	(310,164)	(310,164)
Transfer from investment properties	–	–	–	–	–	–	–	6,255	6,255
Transfers	–	163	–	12,755	5,852	2,217	–	(20,987)	–
Disposals/written off	–	(52,830)	(5,128)	(7,177)	(70,889)	(13,955)	(28,324)	–	(178,303)
At 31 March 2021	29,932	815,655	2,012,135	332,295	1,350,090	699,549	372,089	830,993	6,442,738
Exchange adjustments	(1,379)	1,329	89,514	14,263	43,721	68,806	15,084	35,945	267,283
Additions	–	10,796	2,156	61,342	198,756	256,581	69,705	1,006,902	1,606,238
Acquisition of subsidiaries (Note 30)	–	–	–	21,787	18,976	13,156	15,639	–	69,558
Transfers from construction in progress	–	222,152	394,070	23,302	13,345	44,363	1,447	(698,679)	–
Disposals/written off	–	(1,432)	–	(17,904)	(48,754)	(70,400)	(9,107)	–	(147,597)
At 31 March 2022	28,553	1,048,500	2,497,875	435,085	1,576,134	1,012,055	464,857	1,175,161	8,238,220
Accumulated depreciation and impairment									
At 1 April 2020	–	79,883	209,190	122,280	489,438	274,790	96,295	–	1,271,876
Exchange adjustments	–	3,869	18,681	11,126	34,188	25,426	8,656	–	101,946
Charge for the year	–	20,175	36,823	47,444	136,004	105,520	43,925	–	389,891
Eliminated on disposals/written off	–	(15,936)	(419)	(3,956)	(47,323)	(12,380)	(15,255)	–	(95,269)
At 31 March 2021	–	87,991	264,275	176,894	612,307	393,356	133,621	–	1,668,444
Exchange adjustments	–	(1,755)	11,652	8,173	18,185	33,324	5,645	–	75,224
Charge for the year	–	22,744	45,534	61,481	146,393	188,469	66,218	–	530,839
Eliminated on disposals/written off	–	(565)	–	(4,741)	(19,224)	(54,089)	(8,858)	–	(87,477)
At 31 March 2022	–	108,415	321,461	241,807	757,661	561,060	196,626	–	2,187,030
Carrying values									
At 31 March 2022	28,553	940,085	2,176,414	193,278	818,473	450,995	268,231	1,175,161	6,051,190
At 31 March 2021	29,932	727,664	1,747,860	155,401	737,783	306,193	238,468	830,993	4,774,294

Note: During the year ended 31 March 2022, depreciation of right-of-use assets of HK$41,857,000 (2021: HK$19,881,000) was capitalised as cost of construction in progress.

15 INVESTMENT PROPERTIES

	HK$'000
At 1 April 2020	455,215
Transfer to property, plant and equipment	(6,255)
Exchange adjustments	32,869
Fair value gains	238
At 31 March 2021	482,067
Exchange adjustments	14,060
Fair value losses	(300)
At 31 March 2022	495,827

All of the Group's property interests held to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair value measurement for all of the Group's investment properties are categorised as level 3. The fair values of the investment properties in Hong Kong, Macau and the PRC of HK$441,641,000 were determined by the directors of the Company with reference to professional valuations carried out by Cushman & Wakefield. The fair value of the investment properties on freehold land in Ukraine of HK$54,181,000 were determined by the directors of the Company with reference to management's assessment The fair values were determined by market approach and income approach. The market approach makes reference to the market evidence of transaction prices for similar properties in the same locations and conditions and adjusted for a number of factors, including differences in location within the city, size, building age, etc., between the comparable properties and the subject matters. Income method capitalises the net income from existing tenancies with due allowance for reversionary income potential at appropriate capitalisation rates for individual properties.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

There has been no change to the valuation technique or level of fair value hierarchy during the year.

During the year ended 31 March 2021, the Group transferred certain investment properties with a fair value of HK$6,255,000 to property, plant and equipment.

15 INVESTMENT PROPERTIES – continued

The carrying value of investment properties shown above comprises:

	2022 HK$'000	2021 HK$'000
Investment properties on lands under medium-term lease:		
– in Hong Kong	**49,100**	49,100
– in Macau	**6,300**	6,600
– in PRC	**386,246**	369,568
	441,646	425,268
Investment properties on freehold land in Ukraine	**54,181**	56,799
	495,827	482,067

The valuation is considered to be level 3 in the fair value hierarchy due to unobservable inputs including capitalisation rate, rental growth rate and expected vacancy rate used in the valuation. The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers into or out of Level 3 for fair value measurements during the year.

16 LEASES

This note provides information on leases where the Group is a lessee.

(i) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	2022 HK$'000	2021 HK$'000
Right-of-use assets		
Land use rights*	**2,674,411**	2,279,764
Retail stores	**18,269**	22,922
Office premises	**16,043**	15,008
Warehouses	**223,183**	6,378
	2,931,906	2,324,072
Lease liabilities		
Current	**106,493**	26,419
Non-current	**165,855**	20,308
	272,348	46,727

* The Group has land lease arrangements with Mainland China and Vietnam governments.

Additions to the right-of-use assets during the year ended 31 March 2022 were approximately HK$654,890,000 (2021: HK$20,454,000), including HK$156,582,000 addition due to business acquisitions (2020: HK$nil).

16 LEASES – continued

(i) Amounts recognised in the consolidated statement of financial position – continued

The consolidated statement of comprehensive income shows the following amounts relating to leases: – continued

	2022 **HK$'000**	2021 HK$'000
Depreciation charge of right-of-use assets		
Land use rights	**17,331**	38,548
Retail stores	**14,722**	16,975
Office premises	**15,087**	12,473
Warehouses	**52,172**	2,469
	99,312	70,465
Interest expense (include in finance costs)	**8,986**	2,411
Expenses relation to short-term leases (including in administrative and selling expenses)	**58,635**	40,990

The total cash outflow for leases for the year ended 31 March 2022 was HK$86,656,000 (2021: HK$36,837,000).

During the year ended 31 March 2022, depreciation of right-of-use assets of HK$41,857,000 (2021: HK$19,881,000) was capitalised as cost of construction in progress.

17 GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill	Patents and trademarks	Technology knowhow	Customer relationship	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost					
At 1 April 2020	524,048	38,391	126,345	114,232	803,016
Additions	13,286	379	–	–	13,665
Exchange adjustments	23,185	1,191	8,641	8,432	41,449
At 31 March 2021	560,519	39,961	134,986	122,664	858,130
Additions	–	4,708	–	–	4,708
Acquisition of subsidiaries (Note 30)	414,801	88,928	–	68,798	572,527
Exchange adjustments	28,011	3,913	(6,224)	794	26,494
At 31 March 2022	1,003,331	137,510	128,762	192,256	1,461,859
Accumulated amortisation					
At 1 April 2020	–	7,583	41,062	41,883	90,528
Exchange adjustments	–	415	2,929	3,784	7,128
Charge for the year	–	4,191	13,378	15,869	33,438
At 31 March 2021	–	12,189	57,369	61,536	131,094
Exchange adjustments	–	263	(3,139)	(597)	(3,473)
Charge for the year	–	15,519	13,370	25,493	54,382
At 31 March 2022	–	27,971	67,600	86,432	182,003
Carrying value					
At 31 March 2022	1,003,331	109,539	61,162	105,824	1,279,856
At 31 March 2021	560,519	27,772	77,617	61,128	727,036

17 GOODWILL AND OTHER INTANGIBLE ASSETS – continued

For the purposes of impairment testing, goodwill has been allocated to the CGUs in respect of the manufacture and distribution of sofas by Home Group, the production and sale of metal components for furniture business by Jiangsu Yulong Intelligent Technology Co., Limited ("Jiangsu Yulong"), the manufacture and sale of sofas by Beyond Excel Holdings Limited and its wholly owned subsidiary, Timberland Company Limited ("Beyond Excel Group"), the distribution of other products by Shanghai Qingzhu Trading Limited ("Shanghai Qingzhu"), the manufacture and distribution of furniture by Huizhou City Pulini Home Furnishing Co. Limited ("Huizhou Pulini"), the manufacture and sale of metal components for furniture business by Lion Rock Group Holdings Limited, Pacific Shiner Investment Limited and Gold Sands Investment Company Limited ("Lion Rock Group") and the manufacture and distribution of sofas by Shenzhen Style Home Furnishing Co., Ltd ("Shenzhen Style"). During the year ended 31 March 2022, the directors of the Company determine that there are no impairment of these CGUs.

The carrying amounts of goodwill (net of accumulated impairment losses) allocated to these units are as follows:

	Goodwill	
	2022	2021
	HK$'000	HK$'000
Manufacture and distribution of sofas by Home Group	**136,957**	138,208
Sale of metal components for furniture business by Jiangsu Yulong Intelligent Technology Co., Limited	**241,823**	232,230
Manufacture and distribution of sofas by Beyond Excel Group	**157,397**	156,260
Distribution of other products by Shanghai Qingzhu	**21,384**	20,535
Manufacture and distribution of furnitures by Huizhou Pulini	**13,835**	13,286
Manufacture and sale of metal components for furniture business by Lion Rock Group	**259,012**	–
Manufacture and distribution of sofas by Shenzhen Style	**172,923**	–
	1,003,331	560,519

The recoverable amounts of the CGUs have been determined based on value in use calculations, using cash flow projections based on business forecasts approved by management covering a 5-year period, and pre-tax discount rate of 20%, 18%, 20%, 18%, 18%, 18% and 15% for Home Group, Jiangsu Yulong, Beyond Excel Group, Shanghai Qingzhu and Huizhou Pulini, Lion Rock Group and Shenzhen Style respectively. The CGU's cash flows beyond the 5-year period are extrapolated at 1%, 3%, 3%, 3%, 3%, 3% and 3% growth rate for Home Group, Jiangsu Yulong, Beyond Excel Group Shanghai Qingzhu, Huizhou Pulini, Lion Rock Group and Shenzhen style, respectively. These growth rates are based on the directors' best estimate on the average growth rate of the industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the past performance and management's expectations for the market development.

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of any of the CGUs to exceed the aggregate recoverable amount of the relevant CGUs.

18 INTERESTS IN JOINT VENTURES

	2022 HK$'000	2021 HK$'000
Opening balance as at 1 April	**55,812**	47,435
Share of profit	**9,651**	5,707
Exchange adjustments	**2,310**	2,670
Closing balance as at 31 March	**67,773**	55,812

As at 31 March 2022 and 2021, the Group had interests in the following joint ventures:

Name of joint ventures	Form of business structure	Principal place of business and place of incorporation	Effective equity interest and voting power indirectly held by the Group 2022	2021	Principal activity
深圳華生大家居集團有限公司	Limited liability	The PRC	**27%**	27%	Manufacturing and trading of bedding products
上海豪裝網絡科技有限公司	Limited liability	The PRC	**45%**	45%	Promotion and marketing

19 DEFERRED TAXATION

	2022 HK$'000	2021 HK$'000
Deferred tax assets	**(41,025)**	(42,678)
Deferred tax liabilities	**161,423**	128,854
	120,398	86,176

19 DEFERRED TAXATION – continued

The following are the major deferred tax liabilities/(assets) recognised by the Group and movements thereon during the year:

	Withholding tax HK$'000	Tax depreciation HK$'000	Fair value change in relation to properties HK$'000 (Note)	Inventory provision HK$'000	Fair value adjustments on business combination HK$'000	Tax losses HK$'000	Total HK$'000
At 1 April 2020	31,798	(339)	27,400	(5,907)	63,913	–	116,865
Exchange adjustments	733	618	935	(530)	164	448	2,368
Charge/(credit) to profit or loss	2,088	3,417	–	6,202	(4,739)	(40,025)	(33,057)
At 31 March 2021	34,619	3,696	28,335	(235)	59,338	(39,577)	86,176
Exchange adjustments	(206)	(551)	1,088	(60)	1,626	(130)	1,767
Acquisition of subsidiaries (Note 30)	–	–	–	–	34,873	–	34,873
Charge/(credit) to profit or loss	–	745	–	295	(5,747)	2,289	(2,418)
At 31 March 2022	34,413	3,890	29,423	–	90,090	(37,418)	120,398

The Group recognised deferred income tax assets of HK$37,418,000 (2021: HK$39,577,000) in respect of tax losses amounting to approximately HK$149,672,000 (2021: HK$160,098,000) which could be carried forward to offset future taxable income.

The Group had remaining unused tax losses of HK$383,615,000 (2021: HK$174,539,000) as at 31 March 2022 available for offset against future profits. Most of the unused tax losses will expire in various dates in the next five years.

Withholding tax is imposed on dividends declared in respect of profits earned by the subsidiaries in the PRC and some European countries. Except for deferred tax liability of HK$34,413,000 (2021: HK$34,619,000) which has been recognised, deferred taxation has not been recognised in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of subsidiaries amounting to HK$6,403,575,000 (2021: HK$5,090,183,000) as at 31 March 2022 as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Note: Amounts included deferred tax on fair value change in investment properties and property, plant and equipment upon its transfer to investment properties.

20 INVENTORIES

	2022	2021
	HK$'000	HK$'000
Raw materials	**958,371**	613,442
Work-in-progress	**672,570**	510,212
Finished goods	**1,067,756**	879,951
	2,698,697	2,003,605

21 PROPERTIES UNDER DEVELOPMENT

	HK$'000
At 1 April 2020	149,410
Additions	2,373
Exchange adjustments	12,715
At 31 March 2021	164,498
Additions	7,340
Exchange adjustments	6,913
At 31 March 2022	178,751

The balance as at 31 March 2022 and 2021 is the land and development cost of properties under development located at Chongqing, the PRC (2021: Chongqing, the PRC), which are expected to be completed within one year from 31 March 2022.

22 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2022 HK$'000	2021 HK$'000
Trade receivables and bills receivable	**2,269,774**	1,687,226
Less: provision for impairment of trade receivables and bills receivable	**(24,686)**	(6,697)
Trade receivables and bills receivable, net	**2,245,088**	1,680,529
Other receivables and prepayments		
Valued added taxes recoverable	**186,827**	206,195
Deposits	**80,473**	59,649
Prepayments to suppliers	**360,597**	289,954
Sundry receivables	**147,177**	145,043
	775,074	700,841

As at 31 March 2022, total bills receivables amounted to HK$34,146,000 (2021: HK$58,466,000). All bills receivables 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 receivables and bills receivable (net of provision for impairment of trade receivables and bills receivable) presented based on the invoice date at the end of the reporting period is as follows:

	2022 HK$'000	2021 HK$'000
0–90 days	**2,164,387**	1,607,354
91–180 days	**64,419**	58,723
Over 180 days	**16,282**	14,452
	2,245,088	1,680,529

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.

22 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS – continued

Movement in provision for impairment of trade receivables and bills receivable

	2022 HK$'000	2021 HK$'000
1 April	**6,697**	4,540
Net loss allowance for trade receivables	**19,825**	2,042
Amounts written off as uncollectible	**(2,289)**	(198)
Exchange adjustments	**453**	313
31 March	**24,686**	6,697

23 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 HK$'000	2021 HK$'000
Non-current asset		
Unlisted equity investment	**1,973**	1,894
Current assets		
Listed debentures (Note)	**386,919**	372,750

Note: The investments are listed debentures carrying interest at fixed rates ranging from 6.88% to 8.5% per annum and with maturity dates ranging from 23 October 2020 to 26 November 2022.

The fair values of all of the Group's financial assets at FVPL are categorised as level 2 which are quoted prices available from over-the-counter markets.

24 SHORT-TERM BANK DEPOSITS, RESTRICTED BANK BALANCES AND CASH AND CASH EQUIVALENTS

	2022 HK$'000	2021 HK$'000
Short–term bank deposits (Note (i))	**5,855**	892,066
Restricted bank balances (Note (ii))	**4,045**	12,237
Cash and cash equivalents (Note (iii))	**2,825,704**	2,404,027
	2,835,604	3,308,330

Notes:

(i) The effective annual interest rate and maturities of short-term bank deposits at 31 March 2022 and 2021 are as follows:

	2022 HK$'000	2021 HK$'000
Effective annual interest rate	**0.33%**	1.32% to 1.95%
Maturities	**183 days to 365 days**	183 days

(ii) The restricted bank balances mainly represent deposits at banks in relation to properties held for sale and carry interest at prevailing deposit rate from 0% to 0.3% (2021: 0% to 0.3%) per annum.

(iii) Bank balances carry interest at prevailing deposit rates ranging from -0.5% to 3% per annum (2021: -0.5% to 3% per annum).

For the year ended 31 March 2022, the Group performed impairment assessment on cash and cash equivalents, restricted bank balances and short-term bank deposits and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided. Details of impairment assessment of bank balances for the year ended 31 March 2022 are set out in Note 3.1.

25 TRADE AND OTHER PAYABLES AND ACCRUALS

	2022 HK$'000	2021 HK$'000
Trade payables and bills payable	**1,155,911**	971,142
Other payables and accruals		
Accruals	**711,012**	567,021
Payables for acquisition of property, plant and equipment	**20,874**	46,658
Others payable	**492,740**	133,204
	1,224,626	746,883

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

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

	2022 HK$'000	2021 HK$'000
0–90 days	**1,154,833**	969,227
91–180 days	**917**	1,856
Over 180 days	**161**	59
	1,155,911	971,142

26 CONTRACT LIABILITIES

	2022 HK$'000	2021 HK$'000
Sales of sofas	**350,134**	347,858
Sales of properties under development	**4,773**	15,287
	354,907	363,145

For sales of sofas, the contract liabilities recorded at the beginning of the year had been fully recognised as revenue during the year. The management expects that the unsatisfied performance obligations will be recognised as revenue within one year according to the contract period.

For sales of properties under development, revenue was fully recognised during the year from the contract liabilities recorded at the beginning of the year. The management expects that the unsatisfied performance obligations will be recognised as revenue within one year according to the contract period.

The revenue recognised during the year ended 31 March 2022, in relation to contract liabilities at 1 April 2021, was HK$363,145,000 (2021: HK$260,856,000).

27 BANK BORROWINGS

	2022 HK$'000	2021 HK$'000
Secured (Note)	**1,280**	2,447
Unsecured	**4,334,302**	3,587,462
	4,335,582	3,589,909
The carrying amounts of the above borrowings are repayable:		
Within one year	**4,335,016**	3,588,713
Within a period of more than one year but not exceeding two years	**566**	721
Within a period of more than two years but not exceeding five years	**–**	475
	4,335,582	3,589,909
Less: Amounts due within one year shown under current liabilities	**(4,335,016)**	(3,588,713)
Amounts shown under non-current liabilities	**566**	1,196

27 BANK BORROWINGS – continued

The Group's bank borrowings are denominated in HK$, RMB and US$, and carry interest at fixed and variable rates. The fixed rates range from 0.65% to 3.90% (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 1.17% to 2.15% (2021: 1.01% to 1.99%), and best lending rate quoted by the Hongkong and Shanghai Banking Corporation Limited ("Best Lending Rate") plus 1% or (ii) Euro Interbank Offered Rate plus a spread, ranging from 2.10% to 2.80% (2021: 1.59% to 2.80%). The weighted average effective interest rate of the above variable-rate and fixed-rate bank borrowings was 1.48% to 2.72%, respectively (2021: 1.20% to 2.86%) per annum.

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

	2022 **HK$'000**	2021 HK$'000
Property, plant and equipment	**1,615**	3,755

28 SHARE CAPITAL

	Number of shares In thousands	**Amounts** HK$'000
Authorised:		
Ordinary shares:		
At 1 April 2020, 31 March 2021 and 31 March 2022 – HK$0.40 each	5,000,000	2,000,000
Issued and fully paid:		
At 1 April 2020	3,795,940	1,518,376
Issuance of ordinary shares (Note (a))	150,000	60,000
Exercise of share options	12,855	5,142
At 31 March 2021	3,958,795	1,583,518
Share repurchase (Note (b))	(34,084)	(13,633)
Exercise of share options	3,351	1,340
At 31 March 2022	3,928,062	1,571,225

28 SHARE CAPITAL – continued

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 year ended 31 March 2022, 34,084,000 ordinary shares of the Company of HK$0.40 each were repurchased at a price ranging from HK$8.93 to HK$15.5 per share. All shares repurchased have been cancelled during the year ended 31 March 2022.

29 SHARE OPTION SCHEMES AND SHARE AWARD SCHEME

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 adopt a new share option scheme (the "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.

Under the Share Option Scheme, the directors may, at their discretion, offer directors (including executive, non-executive directors and independent non-executive directors and employees of the Group, and any advisors, consultants, distributors, contractors, suppliers, agents, venture partners, promoters, service providers of any member of the Group)" who, in the sole discretion of the directors, will contribute or have contributed to the Company or any of its subsidiaries or any of its associated companies, share options to subscribe for shares of the Company. The maximum number of shares of the Company available for issue upon exercise of all share options which may be granted under the Share Option Scheme is 379,912,520. The maximum number of shares of the Company issued and to be issued upon the exercise of share options granted under the Share Option Scheme (including exercised and outstanding share options) to each grantee in any 12-month period up to the date of grant shall not exceed 1% of the issued shares of the Company as at the date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, in aggregate excess of 0.1% of the shares of the Company in issue (based on the date of grant and an aggregate value of HK$5,000,000 (based on the closing price of the Company's shares at the date of grant), within any 12-month period, are subject to shareholders' approval in advance in a general meeting. Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors (excluding independent non-executive directors who are the proposed grantees of the share options in questions).

29 SHARE OPTION SCHEMES AND SHARE AWARD SCHEME – continued

Share option schemes – continued

The period during which a share option may be exercised will be determined by the directors at their absolute discretion, save that no share option may be exercised more than 10 years after it has been granted under the Share Option Scheme. There is no requirement that a share option must be held for any minimum period before it can be exercised but the directors are empowered to impose at their discretion any such minimum period at the time of grant of any share options.

The exercise price in relation to each share option will be determined by the directors of the company at their absolute discretion and shall not be less than the highest of (i) the official closing price of the shares of the Company as stated in the daily quotation sheet of Hong Kong Stock Exchange on the date of grant (ii) the average closing prices of the shares of the Company as stated in the daily quotation sheets of the Hong Kong Stock Exchange for the five business days immediately preceding the date of grant and (iii) the nominal value of the share of the Company on the date of grant. Each of the grantees is required to pay HK$1 as consideration for the grant of share options in accordance with the Share Option Scheme. The offer of share options must be accepted within 28 days from the date of the offer.

Share options do not confer rights on the holders to dividends or to vote at general meetings.

29 SHARE OPTION SCHEMES AND SHARE AWARD SCHEME – continued

Share option schemes – continued

Details of outstanding share options granted by the Company as at 31 March 2022 and 2021 are as follows:

Date of grant	Exercise period	Number of share options granted (Note)	Exercise price HK$	Fair value as at date of grant HK$'000
13.1.2017	13.1.2019 – 12.1.2021	2,554,400	5.17	3,166
	13.1.2020 – 12.1.2022	2,552,800	5.17	3,838
	13.1.2021 – 12.1.2023	2,556,400	5.17	4,367
12.2.2018	12.2.2020 – 11.2.2022	2,052,800	7.18	3,329
	12.2.2021 – 11.2.2023	2,032,000	7.18	3,751
	12.2.2022 – 11.1.2024	1,841,200	7.18	3,765
28.1.2019	28.1.2021 – 27.1.2023	4,983,600	3.91	4,205
	28.1.2022 – 27.1.2024	4,974,800	3.91	4,103
	28.1.2023 – 27.1.2025	4,760,800	3.91	3,921
17.1.2020	17.1.2022 – 16.1.2024	2,268,400	6.53	4,715
	17.1.2023 – 16.1.2025	2,209,600	6.53	4,965
	17.1.2024 – 16.1.2026	1,910,000	6.53	4,771
3.2.2021	3.2.2023 – 2.2.2025	1,605,600	19.78	7,971
	3.2.2024 – 2.2.2026	1,535,200	19.78	7,667
	3.2.2025 – 2.2.2027	1,244,400	19.78	6,295
16.2.2022	16.2.2024 – 15.2.2026	3,152,400	11.10	12,293
	16.2.2025 – 15.2.2027	3,093,200	11.10	12,933
	16.2.2026 – 15.2.2028	2,624,800	11.10	11,384

29 SHARE OPTION SCHEMES AND SHARE AWARD SCHEME – continued

Share option schemes – continued

The following tables disclose details of movements of the Company's share options held by directors and employees during the current and prior years:

		Number of share options								
Date of grant	Vesting period	Outstanding at 1.4.2020	Granted during the year	Lapsed/ forfeited during the year	Exercised	Outstanding at 31.3.2021	Granted during the year	Lapsed/ forfeited during the year	Exercised	Outstanding at 31.3.2022
Directors										
26.1.2016	26.1.2016 – 25.1.2019	222,400	–	–	(222,400)	–	–	–	–	–
27.1.2016	27.1.2016 – 26.1.2019	252,000	–	–	(252,000)	–	–	–	–	–
13.1.2017	13.1.2017 – 12.1.2019	233,600	–	–	(233,600)	–	–	–	–	–
	13.1.2017 – 12.1.2020	233,600	–	–	(59,200)	174,400	–	–	(174,400)	–
	13.1.2017 – 12.1.2021	232,400	–	–	(59,200)	173,200	–	–	(73,200)	100,000
12.2.2018	12.2.2018 – 11.2.2020	138,800	–	–	(42,400)	96,400	–	–	(96,400)	–
	12.2.2018 – 11.2.2021	138,800	–	–	(42,400)	96,400	–	–	(40,400)	56,000
	12.2.2018 – 11.1.2022	136,800	–	–	–	136,800	–	–	–	136,800
28.1.2019	28.1.2019 – 27.1.2021	178,400	–	–	(95,200)	83,200	–	–	(60,400)	22,800
	28.1.2019 – 27.1.2022	178,400	–	–	–	178,400	–	–	–	178,400
	28.1.2019 – 27.1.2023	178,000	–	–	–	178,000	–	–	–	178,000
17.1.2020	17.1.2020 – 16.1.2022	94,000	–	–	–	94,000	–	–	–	94,000
	17.1.2020 – 16.1.2023	94,000	–	–	–	94,000	–	–	–	94,000
	17.1.2020 – 16.1.2024	92,400	–	–	–	92,400	–	–	–	92,400
3.2.2021	3.2.2021 – 2.2.2023	–	79,200	–	–	79,200	–	(37,600)	–	41,600
	3.2.2021 – 2.2.2024	–	79,200	–	–	79,200	–	(37,600)	–	41,600
	3.2.2021 – 2.2.2025	–	77,200	–	–	77,200	–	(37,200)	–	40,000
16.2.2022	16.2.2022 – 16.2.2024	–	–	–	–	–	336,000	(277,200)	–	58,800
	16.2.2022 – 16.2.2025	–	–	–	–	–	336,000	(277,200)	–	58,800
	16.2.2022–16.2.2026	–	–	–	–	–	333,600	(276,400)	–	57,200
		2,403,600	235,600	–	(1,006,400)	1,632,800	1,005,600	(943,200)	(444,800)	1,250,400

29 SHARE OPTION SCHEMES AND SHARE AWARD SCHEME – continued

Share option schemes – continued

		Number of share options								
Date of grant	Vesting period	Outstanding at 1.4.2020	Granted during the year	Lapsed/ forfeited the year	Exercised	Outstanding at 31.3.2021	Granted during the year	Lapsed/ forfeited the year	Exercised	Outstanding at 31.3.2022
Employees										
26.1.2016	26.1.2016–25.1.2019	4,342,400	–	(168,000)	(4,174,400)	–	–	–	–	–
13.1.2017	13.1.2017–12.1.2019	1,244,800	–	(60,800)	(1,184,000)	–	–	–	–	–
	13.1.2017–12.1.2020	1,378,800	–	(66,400)	(1,296,000)	16,400	–	(400)	(16,000)	–
	13.1.2017–12.1.2021	1,410,000	–	(125,200)	(1,090,400)	194,400	–	(2,000)	(137,200)	55,200
12.2.2018	12.2.2018–11.2.2020	1,203,200	–	(48,400)	(1,054,000)	100,800	–	(8,800)	(92,000)	–
	12.2.2018–11.2.2021	1,193,200	–	(82,000)	(626,800)	484,400	–	(3,600)	(372,400)	108,400
	12.2.2018–11.1.2022	1,074,400	–	(78,000)	–	996,400	–	(46,000)	(226,400)	724,000
28.1.2019	28.1.2019–27.1.2021	3,790,800	–	(488,000)	(2,423,200)	879,600	–	(6,400)	(672,000)	201,200
	28.1.2019–27.1.2022	3,784,000	–	(508,800)	–	3,275,200	–	(163,600)	(1,016,400)	2,095,200
	28.1.2019–27.1.2023	3,604,800	–	(490,000)	–	3,114,800	–	(173,600)	–	2,941,200
17.1.2020	17.1.2020–16.1.2022	2,141,200	–	(216,800)	–	1,924,400	–	(80,000)	(374,000)	1,470,400
	17.1.2020–16.1.2023	2,084,400	–	(209,600)	–	1,874,800	–	(95,600)	–	1,779,200
	17.1.2020–16.1.2024	1,793,600	–	(172,000)	–	1,621,600	–	(75,600)	–	1,546,000
3.2.2021	3.2.2021–2.2.2023	–	1,526,400	(13,200)	–	1,513,200	–	(76,800)	–	1,436,400
	3.2.2021–2.2.2024	–	1,456,000	(10,800)	–	1,445,200	–	(67,600)	–	1,377,600
	3.2.2021–2.2.2025	–	1,167,200	(3,600)	–	1,163,600	–	(45,200)	–	1,118,400
16.2.2022	16.2.2022–16.2.2024	–	–	–	–	–	2,816,400	(46,400)	–	2,770,000
	16.2.2022–16.2.2025	–	–	–	–	–	2,757,200	(43,600)	–	2,713,600
	16.2.2022–16.2.2026	–	–	–	–	–	2,291,200	(30,800)	–	2,260,400
		29,045,600	4,149,600	(2,741,600)	(11,848,800)	18,604,800	7,864,800	(966,000)	(2,906,400)	22,597,200
		31,449,200	4,385,200	(2,741,600)	(12,855,200)	20,237,600	8,870,400	(1,909,200)	(3,351,200)	23,847,600
Exercisable at the end of the reporting period		9,249,600				2,164,400				5,242,400

29 SHARE OPTION SCHEMES AND SHARE AWARD SCHEME – continued

Share option schemes – continued

Note: The number of share options granted and the relevant exercise price are adjusted to reflect the effect of bonus issues by the Company, including the bonus issue in January 2015 and August 2016.

During the year ended 31 March 2022, share options of 8,870,400 were granted on 16 February 2022. The estimated fair value of the options granted on the grant date was HK$37,118,000. The closing price of the Company's shares at the date of grant was HK$10.98.

During the year ended 31 March 2021, share options of 4,385,200 were granted on 3 February 2021. The estimated fair value of the options granted on the grant date was HK$21,930,000. The closing price of the Company's shares at the date of grant was HK$19.78.

The fair values of the share options at the dates of grant were calculated using the Binomial Option Pricing model after taking into account the different vesting periods. The assumptions used for the calculation for options granted during the years ended 31 March 2022 and 2021 are as follows:

Date of grant	28.1.2019	17.1.2020	3.2.2021	**16.2.2022**
Closing share price at date of grant	HK$3.91	HK$6.53	HK$19.78	**HK$10.98**
Exercise price	HK$3.91	HK$6.53	HK$19.78	**HK$11.10**
Suboptimal exercise factor	1.6 to 2.47	1.6 to 2.47	2.2 to 2.8	**2.2 to 2.8**
Expected volatility	38.83% to 39.68%	45.93% to 46.98%	45.72% to 48.48%	**52.11% to 55.57%**
Expected dividend yield	4.02%	1.99%	4.24%	**2.56%**
Risk free rate	1.74% to 1.81%	1.48% to 1.50%	3.42% to 5.11%	**1.39% to 1.64%**
Fair value	HK$0.81 to HK$1.08	HK$2.07 to HK$2.57	HK$5.65 to HK$5.96	**HK$3.84 to HK$4.72**

The variables and assumptions used above are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The Group recognised an expense of HK$12,659,000 (2021: HK$7,509,000) in relation to the share options granted by the Company.

29 SHARE OPTION SCHEMES AND SHARE AWARD SCHEME – continued

Share Award Scheme

The Company adopted a share award scheme (the "Share Award Scheme") on 27 January 2011 (the "Adoption Date") with a duration of 10 years commencing from the Adoption Date. The objective of the Share Award Scheme is to recognise the contributions by certain directors, employees of the Group (the "Selected Participants") and to give incentive to them in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group. The Company has set up the Employees' Share Award Scheme Trust (the "Trust") to administer and hold the Company's shares before they are vested and transferred to the Selected Participants. The Trust purchases the Company's shares being awarded from the open market with funds provided by the Company for award use. 100% of awarded shares of the Company and the related income derived therefore are vested on the third anniversary date of the grant date. Vesting of the awarded shares of the Company and related income will be conditional on the Selected Participants remaining an employee of the Group until and on each of the relevant vesting dates and his/her execution of the relevant documents to effect the transfer from the Trustee within the period stipulated. An award shall automatically lapse forthwith when a Selected Participant ceases to be an employee of the Group, or the subsidiary employing the Selected Participant ceases to be a subsidiary, or an order for the winding–up of the Company is made or a resolution is passed for the voluntary winding– up of the Company.

Where the awarded shares of the Company do not vest in accordance with the Share Award Scheme, the Trust shall sell such shares of the Company as it determines in its discretion, after having taken into account the recommendations of the Board of Directors of the Company.

The Share Award Scheme has expired on 26 January 2021.

No shares granted by the Company under the Share Award Scheme was outstanding as at 31 March 2021 and 2022.

30 BUSINESS COMBINATIONS

(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 is acquired from an independent third party to expand the Group's manufacture and sale of sofas operations. The minimum consideration was fully settled in cash.

30 BUSINESS COMBINATIONS – continued

(i) Acquisition of Shenzhen Style Home Furnishing Co., Ltd ("Shenzhen Style") – continued

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

	HK$'000
Fair value	
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
Deferred tax liabilities	(21,610)
Trade payable	(34,074)
Other payables	(5,765)
Lease liabilities	(22,005)
Contract liabilities	(5,491)
Total identifiable net assets	100,673

Goodwill arising on acquisition:

	HK$'000
Cash consideration paid	217,406
Add: non-controlling interests	49,330
Less: fair values of identifiable net assets acquired	(100,673)
Goodwill arising on acquisition	166,063

30 BUSINESS COMBINATIONS – continued

(i) Acquisition of Shenzhen Style Home Furnishing Co., Ltd ("Shenzhen Style") – continued

	31 March 2022 HK$'000	31 March 2021 HK$'000
Deposits paid for acquisitions of subsidiaries	**–**	130,254
Remaining cash consideration	**87,153**	–
Cash and cash equivalents in subsidiaries acquired	**(33,545)**	–
Net outflow of cash and cash equivalents included in cash flows from investing activities	**53,608**	130,254

(ii) Acquisition of Lion Rock Group Holdings Limited, Pacific Shiner Investment Limited and Gold Sands Investment Company Limited (the "Lion Rock Group")

On 1 April 2021, Remacro Machinery & Technology (Wujiang) Co., Ltd., a wholly owned subsidiary of the Company, acquired 60% equity interest in the Lion Rock Group, 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 will be HK$224,985,000 and the consideration will be adjusted based on the net profit generated by the Lion Rock Group 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 Lion Rock Group 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 and the finalised contingent consideration is included in other payables.

30 BUSINESS COMBINATIONS – continued

(ii) Acquisition of Lion Rock Group Holdings Limited, Pacific Shiner Investment Limited and Gold Sands Investment Company Limited (the "Lion Rock Group") – continued

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

	HK$'000
Fair value	
Property, plant and equipment	7,691
Right-of-use assets	6,775
Intangible assets	68,904
Inventories	23,125
Trade receivable	30,435
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	(13,263)
Lease liabilities	(7,092)
Total identifiable net assets	91,961

Goodwill arising on acquisition:

	HK$'000
Cash consideration paid	224,985
Finalised contingent consideration payable	78,930
Add: non-controlling interests	36,784
Less: fair values of identifiable net assets acquired	(91,961)
Goodwill arising on acquisition	248,738

30 BUSINESS COMBINATIONS – continued

(ii) Acquisition of Lion Rock Group Holdings Limited, Pacific Shiner Investment Limited and Gold Sands Investment Company Limited (the "Lion Rock Group") – continued

	31 March 2022 HK$'000	31 March 2021 HK$'000
Deposits paid for acquisitions of subsidiaries	**–**	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	**93,474**	114,331

(iii) Acquisition of Superb Creation Group (the "Superb Group")

On 31 December 2021, Man Wah Industrial Company Limited, an indirect wholly-owned subsidiary of the Company acquired 55% of the equity interest in the Superb Group at a consideration determined based on net asset value of the Superb Group as at 31 December 2021, which will be paid in cash. This acquisition has been completed and accounted for using the purchase method.

The Superb Group are engaged in furniture export business with its business operation concentrates in the United States and Australian and were acquired from an independent third party with a purpose to obtain synergies between the business of the Group and that of the Superb Group and to obtain additional factories in the PRC, Thailand and Vietnam. The minimum consideration was fully settled in cash.

The Group has engaged external valuers to perform fair value assessments in accordance with IFRS 3 Business Combination. As at 31 March 2022, 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.

30 BUSINESS COMBINATIONS – continued

(iii) Acquisition of Superb Creation Group (the "Superb Group") – 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
Provisional fair value	
Property, plant and equipment	57,553
Right-of-use assets	127,927
Intangible assets	2,380
Inventories	273,965
Trade receivable	101,864
Other receivables and prepayments	49,800
Structured deposits	1,656
Cash and cash equivalents	151,302
Trade payable	(81,971)
Other payables	(333,267)
Contract liabilities	(3,707)
Tax payable	(2,731)
Lease liabilities	(135,688)
Total identifiable net assets	209,083

30 BUSINESS COMBINATIONS – continued

(iii) Acquisition of Superb Creation Group (the "Superb Group") – continued

Goodwill arising on acquisition:

	HK$'000
Cash consideration paid	114,996
Add: non-controlling interests	94,087
Less: fair values of identifiable net assets acquired	(209,083)
	–

	31 March 2022 HK$'000	31 March 2021 HK$'000
Deposits paid for acquisitions of subsidiaries	**–**	–
Remaining cash consideration	**114,996**	–
Cash and cash equivalents in subsidiaries acquired	**(151,302)**	–
Net inflow of cash and cash equivalents included in cash flows from investing activities	**(36,306)**	–

31 LEASES COMMITMENTS

The Group as lessor

As at 31 March 2022, the Group had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

	2022 HK$'000	2021 HK$'000
Within one year	**32,661**	18,779
In the second to fifth year inclusive	**23,671**	44,386
Over five years	**2,198**	3,178
	58,530	66,343

32 CAPITAL COMMITMENTS

	2022 HK$'000	2021 HK$'000
Capital expenditure contracted but not provided for in the consolidated financial statements in respect of		
– acquisition and construction of property, plant and equipment	**306,116**	227,197
– construction of production plants	**1,037,613**	509,871
	1,343,729	737,068
Other commitments of		
– construction of properties under development	**5,603**	10,587
– investment in joint ventures	**–**	11,841
– acquisition of subsidiaries	**–**	197,807
	5,603	220,235
Total	**1,349,332**	957,303

33 RELATED PARTY DISCLOSURES

(a) Senior management

(i) Related party transactions

During the year, the Group entered into the following transactions with related parties:

	2022 HK$'000	2021 HK$'000
Rental expense paid to related parties (Note)	**2,916**	2,916

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 year are set out in note 38(a).

34 FINANCIAL INSTRUMENTS

	2022 HK$'000	2021 HK$'000
Financial assets		
Financial assets at amortised cost		
– Trade, bills and other receivables	**2,472,738**	2,091,416
– Short-term bank deposits	**5,855**	892,066
– Restricted bank balances	**4,045**	12,237
– Cash and cash equivalents	**2,825,704**	2,404,027
FVPL	**388,892**	372,750
	5,697,234	5,772,496
Financial liabilities		
Financial liabilities at amortised cost		
– Trade, bills and other payables	**2,040,311**	1,461,919
– Lease liabilities	**272,348**	46,727
– Bank borrowings	**4,335,582**	3,589,909
	6,648,241	5,098,555

35 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

	Notes	2022 HK$'000	2021 HK$'000
Profit before income tax		**2,819,489**	2,360,314
Adjustments for:			
Amortisation of other intangible assets	8	**54,382**	33,438
Depreciation of property, plant and equipment	8	**530,839**	389,891
Depreciation of right-of-use assets	8	**99,312**	70,465
Equity-settled share-based payments expense		**12,659**	7,509
Fair value loss on financial assets at fair value through profit or loss		**504**	61,793
Fair value loss/(gain) on investment properties		**300**	(238)
Finance costs	9	**79,692**	96,046
Provision for/(reversal of provision for) impairment of inventories		**1,987**	(18,032)
Provision for impairment of trade receivables		**19,825**	2,042
Interest income		**(71,161)**	(48,004)
Income from structured deposits		**(21,086)**	(13,553)
Losses on disposal of property, plant and equipment		**4,696**	692
Losses from disposal of a subsidiary		**9,358**	–
Share of results of joint ventures		**(9,651)**	(5,707)
		3,531,145	2,936,656
Changes in working capital:			
Increase in inventories		**(376,686)**	(445,402)
Increase in trade receivables and bills receivable		**(422,927)**	(471,504)
Decrease/(increase) in other receivables and prepayments		**34,809**	(229,434)
Decrease in trade payables and bills payable		**(2,097)**	(5,201)
(Decrease)/increase in other payables and accruals		**(26,397)**	294,381
(Decrease)/increase in contract liabilities		**(30,521)**	102,289
Increase/(decrease) in other non-current liabilities		**272**	(55)
Decrease/(increase) in properties under development		**54,796**	(2,373)
(Increase)/decrease in properties held for sale		**(7,340)**	103,612
Cash generated from operations		**2,755,054**	2,282,969

35 NOTES TO THE STATEMENT OF CASH FLOWS – continued

(b) Non–cash investing and financing activities

- Utilisation of deposits of HK$147,561,000 (2021:HK$117,962,000) for acquisition of property, plant and equipment
- Utilisation of deposits of HK$244,585,000 (2021: Nil) for acquisition of subsidiaries

(c) Reconciliation of liabilities arising from financing activities

The following section sets out an analysis of net debt and the movements in net debt for each of the years presented.

Net debt	**2022 HK$'000**	2021 HK$'000
Bank borrowings	**4,335,582**	3,589,909
Lease liabilities	**272,348**	46,727
Net debt	**4,607,930**	3,636,636

	Bank borrowings HK$'000	**Lease liabilities** HK$'000	**Total** HK$'000
At 1 April 2020	3,979,285	58,288	4,037,573
Commencement of lease	–	20,454	20,454
Interest on lease liabilities	–	2,411	2,411
Financing cash flows	(442,496)	(34,426)	(476,922)
Foreign exchange translation	53,120	–	53,120
At 31 March 2021 and 1 April 2021	3,589,909	46,727	3,636,636
Commencement of leases	–	138,506	138,506
Interest on lease liabilities	–	8,986	8,986
Acquisition of subsidiary	–	164,785	164,785
Financing cash flows	718,053	(86,656)	631,397
Foreign exchange translation	27,620	–	27,620
At 31 March 2022	4,335,582	272,348	4,607,930

36 SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 March 2022 and 2021 are as follows:

Name of subsidiary	Place/Country of incorporation or establishment/operations	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Group 31 March 2022	2021	Principal activities
Directly owned					
Man Wah Group Limited	British Virgin Islands ("BVI")	US$50,000	**100%**	100%	Investment holding
Man Wah USA, Inc.	United States of America	US$310,000	**100%**	100%	Advertising and marketing of home furnishing products
Man Wah UK Ltd.	United Kingdom	GBP100	**100%**	100%	Advertising and marketing of home furnishing goods
Indirectly owned					
Man Wah Industrial Company Limited 敏華實業有限公司	Hong Kong	HK$3,000,000	**100%**	100%	Investment holding and trading of sofas and other furniture
Man Wah Furniture (China) Co., Ltd.*[(1)] 敏華家具(中國)有限公司[(1)]	The PRC	US$60,000,000	**100%**	100%	Manufacturing and trading of sofas, bedding products, other furniture and foam
Man Wah (Macao Commercial Offshore) Limited 敏華(澳門離岸商業服務)有限公司	Macau	MOP100,000	**100%**	100%	Offshore sales, management business consultancy, back office support
Man Wah Industrial (Wujiang)Co., Ltd.*[(1)] 敏華實業(吳江)有限公司[(1)]	The PRC	RMB1,275,000,000	**100%**	100%	Manufacturing and trading of sofas, bedding products, other furniture and foam
Man Wah Furniture Headquarter (Wujiang) Co., Ltd.*[(1)] 敏華家具總部(吳江)有限公司[(1)]	The PRC	US$110,000,000	**100%**	100%	Property development and hotel operation
Remaco Machinery Technology (Wujiang) Co., Ltd.*[(1)] 鋭邁科技股份有限公司[(1)]	The PRC	RMB460,652,616	**81.41%**	93.75%	Manufacturing of furniture components
Man Wah (International) Industrial Limited 敏華(國際)實業有限公司	Hong Kong	HK$100	**100%**	100%	Trading of sofas and other furniture and property investment
Man Wah Furniture Manufacturing (Huizhou) Co., Ltd.*[(1)] 敏華家具製造(惠州)有限公司[(1)] ("Man Wah Huizhou")	The PRC	US$102,000,000	**100%**	100%	Manufacturing and trading of sofas

36 SUBSIDIARIES – continued

Details of the Company's principal subsidiaries as at 31 March 2022 and 2021 are as follows: – continued

Name of subsidiary	Place/Country of incorporation or establishment/operations	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Group 31 March 2022	2021	Principal activities
Indirectly owned – continued					
Man Wah Home Furnishing (Huizhou) Co., Ltd.*(1) 敏華家居產業(惠州)有限公司(1)	The PRC	RMB10,000,000	**100%**	100%	Manufacturing and trading of sofas, bedding products, other furniture and foam
Strongest Will International Limited 凌志國際有限公司	Hong Kong	HK$10,000	**90%**	90%	Investment holding
Man Wah Brand Management (Tianjin) Co., Ltd*(1) 敏華品牌管理(天津)有限公司(1)	The PRC	RMB500,000,000	**100%**	100%	Trading of sofas, bedding products, other furniture and foam
Man Wah Home Center (Huizhou) Co., Ltd*(1) 敏華家居商場(惠州)有限公司(1)	The PRC	RMB10,000,000	**100%**	100%	Operation of furniture mall, leasing and management
Suzhou Ju Long Ge Property Management Company Limited*(5) 蘇州聚瓏閣物業管理有限公司(5)	The PRC	RMB500,000	**100%**	100%	Providing property management service
Chongqing Man Wah Furniture Manufacturing Co., Ltd.*(5) 重慶敏華家具製造有限公司(5)	The PRC	RMB300,000,000	**100%**	100%	Manufacturing and trading of sofas, bedding products, other furniture and foam
Man Wah Intelligent Technology (Huizhou) Co., Ltd*(5) 敏華智能科技(惠州)有限公司(5)	The PRC	RMB5,000,000	**100%**	100%	Research and production of smart drive machine and electric regulator
Chongqing Carnival Business Service Co., Ltd*(5) 重慶嘉年名華商務服務有限公司(5)	The PRC	RMB50,000,000	**100%**	100%	Providing business management service, advertising service and design service
Huizhou Man Wah Business Management Service Co., Ltd*(5) 惠州市敏華企業管理服務有限公司(5)	The PRC	RMB1,000,000	**100%**	100%	Providing business management service
Chongqing Man Wah Luohuang Industrial Co., Ltd*(5) 重慶敏華珞璜實業有限公司(5)	The PRC	RMB200,000,000	**100%**	100%	Providing business management service, advertising service and warehouse service

36 SUBSIDIARIES – continued

Details of the Company's principal subsidiaries as at 31 March 2022 and 2021 are as follows: – continued

Name of subsidiary	Place/Country of incorporation or establishment/operations	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Group 31 March 2022	2021	Principal activities
Indirectly owned – continued					
Jiangsu Yulong Intelligent Technology Co., Limited*(5) 江蘇鈺龍智能科技有限公司(5)	The PRC	RMB20,000,000	**100%**	75%	Manufacturing of furniture components
Chongqing Zhitian Meiju Trading Co., Ltd. 重慶志天美居商貿有限公司	The PRC	RMB1,000,000	**90%**	90%	Manufacturing and trading of sofa
Man Wah Lingzhi Furniture (Huizhou) Co., Ltd.(5) 敏華淩志傢俱(惠州)有限公司(5)	The PRC	HK$1,000,000	**90%**	90%	Manufacturing and trading of sofa
Lingzhi Furniture (Suzhou) Co., Ltd.(5) 淩志傢俱(蘇州)有限公司(5)	The PRC	HK$1,000,000	**90%**	90%	Manufacturing and trading of sofa
Tianjin Zhitian Furniture Co., Ltd.(5) 天津志天傢俱有限公司(5)	The PRC	RMB200,000	**90%**	90%	Manufacturing and trading of sofa
Chongqing Zhitian Furniture Co., Ltd.*(5) 重慶志天傢俱有限公司(5)	The PRC	RMB1,000,000	**90%**	90%	Manufacturing and trading of sofa
Chongqing Ruimak Brand Management Co., Ltd.*(5) 重慶鋭瑪克品牌管理有限公司(5)	The PRC	RMB1,000,000	**81.41%**	93.75%	Trading of furniture components
Chongqing Ruipuslin Intelligent Technology Co., Ltd.*(5) 重慶睿普斯林智能科技有限公司(5)	The PRC	RMB10,000,000	**81.41%**	93.75%	Trading of furniture components
Huizhou Ruipuslin Intelligent Technology Co., Ltd.*(5) 惠州市睿普斯林智能科技有限公司(5)	The PRC	RMB1,000,000	**81.41%**	93.75%	Manufacturing of furniture components
Chongqing Minhua Brand Management Co., Ltd.*(5) 重慶敏華品牌管理有限公司(5)	The PRC	RMB50,000,000	**100%**	100%	Trading of sofas, bedding products, other furniture and foam
Shanghai Qingzhu Trading Co., Ltd.*(5) 上海箐築貿易有限公司(5)	The PRC	RMB25,359,501	**66%**	66%	Manufacturing and trading of bedding products, other furniture and foam
Chongqing Bama Business Management Co., Ltd.*(5) 重慶白馬商業管理有限公司(5)	The PRC	RMB3,000,000	**51%**	51%	Advertising and marketing

36 SUBSIDIARIES – continued

Details of the Company's principal subsidiaries as at 31 March 2022 and 2021 are as follows: – continued

Name of subsidiary	Place/Country of incorporation or establishment/operations	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Group 31 March 2022	2021	Principal activities
Indirectly owned – continued					
Minhai Co., Limited[5] 敏海有限責任公司[5]	The PRC	RMB1,000,000,000	**100%**	100%	Trading of sofas, bedding products, other furniture and foam
Timberland Company Limited*	Timberland	US$12,000,000	**100%**	100%	Manufacturing and trading of sofas
Shanxi Minhua Furniture Intelligent Manufacturing Co., Ltd.*[(2), (5)] 陝西敏華家居智造有限公司[(2), (5)]	The PRC	RMB15,000,000	**100%**	100%	Manufacturing and trading of sofas
Huizhou City Pulini Home Furnishing Co., Limited*[(5)] 惠州普麗尼家居有限公司[(5)]	The PRC	RMB8,000,000	**51%**	51%	Manufacturing and trading of furnitures
Home Group Ltd.[(4)]	Cayman Islands	EUR6,000	**50%**[4]	50%[4]	Investment holding
Home Group Holdings Ltd.[(4)]	Hong Kong	HK$1	**50%**[4]	50%[4]	Investment holding
Minhua (Shenzhen) Modern Logistics Service Co., Ltd.* 敏華(深圳)現代物流服務有限公司	The PRC	US$100,000,000	**100%**	100%	Logistic services
Superb Creation Limited[(3)] 高峰創建有限公司[(3)]	Hong Kong	HK$15,000,000	**55%**	–	Trading of sofas
Superb Creation Furniture (Shenzhen) Co. Ltd[(3), (5)] 高峰創建家私(深圳)有限公司[(3), (5)]	The PRC	US$4,000,000	**100%**	–	Manufacturing and trading of sofa
Gold Sands Investment Company Limited[(3)]	Hong Kong	HK$10,000	**48.85%**	–	Manufacturing and trading of furniture components
Lion Rock Group Holdings Limited[(3)]	Hong Kong	HK$10,000	**48.85%**	–	Trading of furniture components
Pacific Shiner Investment Limited[(3)]	Hong Kong	HK$10,000	**48.85%**	–	Trading of furniture components
Shenzhen Style Household Co., LTD*[(3), (5)] 深圳市格調家居有限公司[(3), (5)]	The PRC	RMB32,600,000	**51%**	–	Furniture and smart home products production
Tianjin Style Furniture Co., Ltd.*[(3), (5)] 天津市格調傢俱有限公司[(3), (5)]	The PRC	RMB1,000,000	**51%**	–	Furniture and smart home products production
Chongqing Gesheng Furniture Co., Ltd.*[(3), (5)] 重慶格勝傢俱有限公司[(3), (5)]	The PRC	RMB5,000,000	**51%**	–	Furniture and smart home products production

36 SUBSIDIARIES – continued

Details of the Company's principal subsidiaries as at 31 March 2022 and 2021 are as follows: – continued

Name of subsidiary	Place/Country of incorporation or establishment/operations	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Group 31 March 2022	2021	Principal activities
Changchun Man Wah Intelligent Home Co., LTD*[2], [5] 長春敏華智能家居有限公司[2], [5]	The PRC	RMB500,000,000	**100%**	–	Manufacturing and trading of furniture products
Man Wah Smart Home (Wuhan) Co., LTD*[2], [5] 敏華智能家居（武漢）有限公司[2], [5]	The PRC	RMB100,000,000	**100%**	–	Manufacturing and trading of furniture
Shenzhen Huating Meiju Furniture Co., Ltd.*[5] 深圳市華廷美居傢俱有限公司[5]	The PRC	RMB50,000,000	**51%**	51%	Manufacturing and trading of sofa and bedding products
Suzhou Huating Meiju Furniture Manufacturing Co., Ltd.*[5] 蘇州華廷美居傢俱製造有限公司[5]	The PRC	RMB10,000,000	**51%**	51%	Manufacturing and trading of sofa and bedding products
Tianjin Huating Meiju Furniture Co., Ltd.*[5] 天津華廷美居傢俱有限公司[5]	The PRC	RMB10,000,000	**51%**	51%	Manufacturing and trading of sofa and bedding products
Chongqing Huating Meiju Furniture Manufacturing Co., Ltd.*[5] 重慶華廷美居傢俱製造有限公司[5]	The PRC	RMB10,000,000	**51%**	51%	Manufacturing and trading of sofa and bedding products
Chongqing Huating Meiju Trading Co., Ltd.*[5] 重慶華廷美居商貿有限公司[5]	The PRC	RMB10,000,000	**51%**	51%	Manufacturing and trading of sofa and bedding products
Naku Home (Huizhou) Co., Ltd.*[2], [5] 那庫家居（惠州）有限公司[2], [5]	The PRC	RMB80,000,000	**70%**	–	Manufacturing and trading of furniture

36 SUBSIDIARIES – continued

* English translated name is for identification only.

(1) These companies were established in the PRC in the form of wholly foreign-owned enterprise.

(2) These companies were newly incorporated during the year ended 31 March 2022.

(3) These companies were newly acquired during the year ended 31 March 2022.

(4) According to the Shareholders' Agreement, the Group has the majority voting power in the Board of Directors of Home Group, by which the relevant activities that significantly affect the return of Home Group are determined on a simple majority basis, and accordingly, Home Group is accounted for as a subsidiary of the Group.

(5) These companies were established in the PRC in the form of limited liability enterprise.

The above table only lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any loan capital subsisting at the end of the year or at any time during the year.

(a) Material non-controlling interests

Set out below is summarised financial information for a subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed are before inter-company eliminations.

	Home Group Ltd.	
	2022	2021
	HK$'000	HK$'000
Summarised balance sheet		
Non-current assets	**300,212**	373,358
Current assets	**294,963**	366,293
Non-current liabilities	**47,825**	47,160
Current liabilities	**178,529**	121,075
Total equity	**368,821**	571,416
Summarised statement of comprehensive income		
Revenue	**890,878**	764,072
Profit and total comprehensive income for the year	**8,749**	73,120
Profit attributable to owners of the Company	**3,350**	33,407
Profit attributable to the non-controlling interests	**5,399**	39,713
Summarised cash flows		
Net cash inflow from operating activities	**12,368**	75,451
Net cash outflow from investing activities	**(35,634)**	(25,072)
Net cash (outflow)/inflow from financing activities	**(50,405)**	38,625
Net (decrease)/increase in cash and cash equivalents	**(73,671)**	89,004

37 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2022 HK$'000	2021 HK$'000
ASSETS		
Non-current assets		
Interests in subsidiaries	**3,711,080**	3,711,080
	3,711,080	3,711,080
Current assets		
Other receivables and prepayments	**–**	591
Amounts due from subsidiaries	**–**	743,981
Cash and bank balances	**67**	330
	67	744,902
Current liabilities		
Amounts due to subsidiaries	**1,130**	31
Other payables and accruals	**6,625**	4,136
	7,755	4,167
Net current (liabilities)/assets	**(7,688)**	740,735
Net assets	**3,703,392**	4,451,815
EQUITY		
Equity attributable to owners of the Company		
Share capital	**1,571,225**	1,583,518
Reserves (Note)	**2,132,167**	2,868,297
Total equity	**3,703,392**	4,451,815

37 STATEMENT OF FINANCIAL POSITION OF THE COMPANY – continued

Note: Movement in reserves of the Company are as follows:

	Contributed surplus HK$'000	Shares held under share award scheme HK$'000	Share option reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 2020	–	(448)	26,906	620,347	646,805
Profit and total comprehensive income for the year	–	–	–	689,178	689,178
Issuance of ordinary shares, net of transaction cost	2,302,707	–	–	–	2,302,707
Recognition of equity-settled share-based payments	–	–	7,509	–	7,509
Issue of shares upon exercise of share options	72,224	–	(13,830)	–	58,394
Dividends paid	–	–	–	(836,296)	(836,296)
At 31 March 2021	2,374,931	(448)	20,585	473,229	2,868,297
Profit and total comprehensive income for the year	–	–	–	760,074	760,074
Repurchase of shares	(377,455)	–	–	–	(377,455)
Recognition of equity-settled share-based payments	–	–	12,659	–	12,659
Issue of shares upon exercise of share options	20,830	–	(4,876)	–	15,954
Dividends paid	–	–	–	(1,147,362)	(1,147,362)
At 31 March 2022	2,018,306	(448)	28,368	85,941	2,132,167

38 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES)

(a) Directors' and chief executive's emoluments

Details of the emoluments paid to the directors of the Company for the year are as follows:

Name of directors	Directors' fee HK$'000	Salaries and other allowances HK$'000	Discretionary bonus HK$'000 (Note iv)	Share-based payment HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
For the year ended 31 March 2022						
Executive Directors:						
Mr. Wong Man Li (Chairman and Chief Executive Officer) (Note i)	380	1,524	82	163	18	2,167
Mr. Feng Guohua (Note ii)	370	17,836	1,780	–	76	20,062
Ms. Hui Wai Hing	380	915	62	130	–	1,487
Mr. Alan Marnie	380	4,448	–	–	–	4,828
Mr. Dai Quanfa	380	3,451	145	253	27	4,256
Ms. Wong Ying Ying	380	880	87	69	6	1,422
Independent non-executive Directors:						
Mr. Ong Chor Wei (note iv)	380	–	–	–	–	380
Mr. Chau Shing Yim David	380	–	–	–	–	380
Mr. Kan Chung Nin, Tony	380	–	–	–	–	380
Mr. Ding Yuan	380	–	–	–	–	380
	3,790	29,054	2,156	615	127	35,742

38 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES) – continued

(a) Directors' and chief executive's emoluments – continued

Name of directors	Directors' fee HK$'000	Salaries and other allowances HK$'000	Discretionary bonus HK$'000 (Note iv)	Share-based payment HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
For the year ended 31 March 2021						
Executive Directors:						
Mr. Wong Man Li (Chairman) (Note i)	380	1,420	76	197	18	2,091
Mr. Feng Guohua (Note ii)	156	6,938	273	31	10	7,408
Ms. Hui Wai Hing	380	1,055	87	121	–	1,643
Ms. Yang Huiyan (Note iii)	285	1,443	–	–	6	1,734
Mr. Alan Marnie	380	4,596	–	–	–	4,976
Mr. Dai Quanfa	380	2,040	124	268	22	2,834
Ms. Wong Ying Ying	380	683	13	97	6	1,179
Independent non-executive Directors:						
Mr. Ong Chor Wei (Note iv)	380	–	–	–	–	380
Mr. Chau Shing Yim David	380	–	–	–	–	380
Mr. Kan Chung Nin, Tony	380	–	–	–	–	380
Mr. Ding Yuan	380	–	–	–	–	380
	3,861	18,175	573	714	62	23,385

Notes:

(i) Appointed as a Chief Executive Officer on 21 March 2022.

(ii) Appointed as an executive director and Chief Executive Officer of the Company on 3 November 2020 and resigned on 21 March 2022.

(iii) Resigned as an executive director of the Company on 31 December 2020.

(iv) Resigned as an independent non-executive director on 1 April 2022.

(v) Discretionary bonus are recommended by the Remuneration Committee and approved by the Board of Directors, having regard to the Group's operating result, individual performance and comparable market statistics.

38 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES) – continued

(b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the year (2021: Nil).

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year (2021: Nil).

(d) Consideration provided to third parties for making available directors' services

During the year ended 31 March 2022, the Company did not pay consideration to any third parties for making available directors' services (2021: Nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There is no other loans, quasi-loans and other dealing arrangements in favour of directors, bodies corporate controlled by and entities connected with all directors of the Company as at 31 March 2022 (2021: Nil).

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

39 FINANCIAL GUARANTEES

The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of two to three months upon the completion of guarantee registration; or (ii) the full repayment of mortgaged loan by the purchasers of properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to retain the legal title and take over possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. As at 31 March 2022, the amount of outstanding guarantees for mortgages were approximately HK$17,667,000 (2021: HK$16,557,000). The directors consider that the likelihood of default in payments by purchasers is minimal and as the Group is entitled to retain the ownership of the properties, the valuation of which is significantly higher than the guaranteed amounts, the financial guarantees measured at fair value is immaterial.

40 SUBSEQUENT EVENT

Given the development of Coronavirus Disease 2019 (the "COVID-19"), a series of precautionary and control measures have been and continued to be implemented across mainland China, including certain level of restrictions and controls over the travelling of people and traffic arrangements, quarantine of certain residents, heightening of hygiene and epidemic prevention requirements in factories and offices and encouraged social distancing, etc.

The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date on which this set of financial statements were authorised for issue, the Group was not aware of any material adverse effects on the financial statements as a result of the COVID-19.

Particulars of Major Properties

Location		Existing use	Lease term	Attributable interest of the Group
Investment properties				
1.	All the portion of Ground Floor and whole of 1st Floor (and the flat roof appertaining thereto), Circle Court, Nos. 3 & 5 Java Road, North Point, Hong Kong	Commercial	Medium	100%
2.	Flat B (with A/C Room(s) pertaining thereto which is/are accessible from the flat itself) on 36th Floor of Tower 8, The Palazzo, No. 28 Lok King Street, Shatin, New Territories	Commercial	Medium	100%
3.	Praca Wong Chio L19, Alameda Dr. Carlos D' Assumpção Nºs 411–417, Em Macau	Commercial	Medium	100%
4.	Unit 1904, Tower 1, Huiyang World Trade Plaza, Baiyun Er Road, Danshui Town, Huiyang District, Huizhou City, Guangdong Province, the PRC	Commercial	Medium	100%
5.	Industrial Complex located at Man Wah Industrial Zone No. 189 Industrial District, Henggang Town, Longgang, Shenzhen City, Guangdong Province, the PRC	Industrial	Medium	100%
6.	CHEERS Exhibition Hall Julongge Sales Department, No. 199 Yundong Avenue, Wujiang Economic and Technological Development Zone, Suzhou City, Jiangsu Province, the PRC	Commercial	Medium	100%
7.	Easyhome Daya Bay Store, 500 Shihua Avenue, Huiyang District, Huizhou City, Guangdong Province, the PRC	Commercial	Medium	100%
8.	Industrialna 10, Kvasyliv, Rivne, Ukraine	Industrial	Long	40%

Location		Existing use	Lease term	Attributable interest of the Group
Properties for the Group's own use				
9.	Industrial Complex located at Man Wah Industrial District Western Section of Daya Bay Economic and Technological Development Zone, Huizhou City, Guangdong Province, the PRC	Industrial	Long	100%
10.	32 Shihua Avenue, Western Section of Daya Bay Economic Huizhou City, Guangdong Province, the PRC	Industrial	Long	100%
11.	433 Xinhe Avenue, Western Section of Daya Bay Economic Huizhou City, Guangdong Province, the PRC	Industrial	Long	100%
12.	No. 5555, TongJin Road, Economic Development Zone, Wujiang City, Jiangsu Province, the PRC	Industrial	Long	100%
13.	No. 888. Xingrui Road, Economic Development Zone, Wujiang City, Jiangsu Province, the PRC	Industrial	Long	100%
14.	CHEERS Flagship Store, CBD International Famous Store Street, 21 North Avenue, Hankou District, Wuhan City, Hubei Province, the PRC	Commercial	Long	100%
15.	Praca Wong Chio J19, Alameda Dr. Carlos D' Assumpção Nºs 411–417, Em Macau	Commercial	Medium	100%
16.	Praca Wong Chio K19, Alameda Dr. Carlos D' Assumpção Nºs 411–417, Em Macau	Commercial	Medium	100%
17.	668 N. Main Street, High Point, NC 27260-5018, USA	Commercial	Long	100%

Location	Existing use	Lease term	Attributable interest of the Group
18. 78 Fuyuan Road, Wuqing Development Zone, Tianjin, the PRC	Industrial	Long	100%
19. A08, Mingdian Street, Jinma Kaixuan Home, Intersection of West Fourth Ring, Longhai West Road, Zhong Yuan District, Zhengzhou City, Henan Province, the PRC	Commercial	Long	100%
20. Luohuang Industrial Park, Jiangjin District, Chongqing, the PRC	Industrial	Long	100%
21. Group No. 2 Binh Chanh Quarter, Khanh Binh Ward, Tan Uyen Town, Binh Dicong Province, Vietnam	Industrial	Long	100%
22. Kopli St. 68/Volta St. 1 &/Kopli St. 70, Tallinn, Estonia	Industrial	Long	40%
23. Kolejowa Street 13-100, Nidzica, Poland	Industrial	Long	40%
24. Lesna Street 13-100, Nidzica, Poland	Industrial	Long	40%
25. Silutès pl. 95, Klaipeda, Lithuania	Industrial	Long	40%
26. Kriukai, Darbininku street 14A and 20A, Sakiai, Lithuania	Industrial	Long	40%
27. Industrialna 12, Kvasyliv, Rivne, Ukraine	Industrial	Long	40%

Financial Summary

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March

	2018 HK$'000	2019 HK$'000	2020 HK$'000	2021 HK$'000	**2022 HK$'000**
Revenue and other income	10,391,203	11,679,216	12,558,093	16,945,965	**21,787,920**
Revenue	10,026,573	11,257,792	12,144,299	16,434,071	**21,496,783**
Cost of goods sold	(6,283,633)	(7,420,694)	(7,726,600)	(10,504,964)	**(13,606,188)**
Gross profit	3,742,940	3,837,098	4,417,699	5,929,107	**7,890,595**
Other income	364,630	421,424	413,794	511,894	**291,137**
Other gains/(losses), net	(26,168)	(102,596)	56,724	(93,713)	**(49,350)**
Selling and distribution expenses	(1,693,223)	(1,806,183)	(2,001,747)	(3,118,564)	**(4,189,944)**
Administrative and other expenses	(442,052)	(550,242)	(622,084)	(778,071)	**(1,052,908)**
Share of results of joint ventures	–	(4,129)	805	5,707	**9,651**
Finance costs	(23,542)	(79,345)	(155,947)	(96,046)	**(79,692)**
Profit before income tax	1,922,585	1,716,027	2,109,244	2,360,314	**2,819,489**
Income tax expense	(368,639)	(311,351)	(417,247)	(336,908)	**(502,929)**
Profit for the year	1,553,946	1,404,676	1,691,997	2,023,406	**2,316,560**
Other comprehensive (loss) income:					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of financial statements of foreign operations	522,536	(446,909)	(559,868)	546,805	**386,330**
Items that will not be reclassified subsequently to profit or loss:					
Increase in fair value of property, plant and equipment	3,578	8,373	–	–	**–**
Total comprehensive income for the year	2,080,060	966,140	1,132,129	2,570,211	**2,702,890**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March

	2018 HK$'000	2019 HK$'000	2020 HK$'000	2021 HK$'000	**2022** **HK$'000**
Profit for the year attributable to:					
Owners of the Company	1,535,908	1,363,801	1,638,069	1,924,513	**2,247,491**
Non-controlling interest	18,038	40,875	53,928	98,893	**69,069**
	1,553,946	1,404,676	1,691,997	2,023,406	**2,316,560**
Total comprehensive income (loss) for the year attributable to:					
Owners of the Company	1,999,700	966,559	1,097,813	2,439,729	**2,578,251**
Non-controlling interest	80,360	(419)	34,316	130,482	**124,639**
	2,080,060	966,140	1,132,129	2,570,211	**2,702,890**
Earnings per share					
Basic (HK cents)	40.22	35.62	42.89	50.26	**56.90**
Diluted (HK cents)	40.04	35.60	42.87	50.10	**56.77**
Dividend per share					
Interim dividend (HK cents)	13	6	7	10	**13**
Final dividend (HK cents)	12	6	12	16	**17**
Full year dividend (HK cents)	25	12	19	26	**30**
Dividend Payout Ratio (%)	62.1%	33.7%	44.3%	52.7%	**52.6%**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March

	2018 HK$'000	2019 HK$'000	2020 HK$'000	2021 HK$'000	**2022** **HK$'000**
Non-current assets					
Property, plant and equipment	3,167,900	3,798,748	3,949,987	4,774,294	**6,051,190**
Investment properties	210,853	485,110	455,215	482,067	**495,827**
Right-of-use assets	–	–	2,228,518	2,324,072	**2,931,906**
Lease premium for land	787,109	2,429,180	–	–	**–**
Other intangible assets	245,540	222,033	188,440	166,517	**276,525**
Interest in a joint venture	–	30,859	29,673	55,812	**67,773**
Deferred tax assets	3,590	3,708	12,031	42,678	**41,025**
Deposit paid for a land lease	4,225	3,944	3,692	167,311	**30,070**
Prepayments and deposits paid for acquisition of property, plant and equipment	101,079	70,986	156,023	126,926	**280,882**
Deposits paid for acquisition of subsidiaries	–	–	–	244,585	**–**
Financial assets at fair value through profit or loss	–	–	–	1,894	**1,973**
Goodwill	393,502	525,904	524,048	560,519	**1,003,331**
Total non-current assets	4,913,798	7,570,472	7,547,627	8,946,675	**11,180,502**
Current assets					
Inventories	1,067,133	1,413,563	1,532,993	2,003,605	**2,698,697**
Properties held for sale	–	–	48,227	254,779	**209,623**
Properties under development	383,415	433,471	149,410	164,498	**178,751**
Trade and bills receivables	956,097	1,309,685	1,210,754	1,680,529	**2,245,088**
Other receivables and prepayments	397,030	554,817	470,341	700,841	**775,074**
Lease premium for land	18,326	53,171	–	–	**–**
Financial assets at fair value through profit or loss	–	220,650	204,682	372,750	**386,919**
Held for trading investments	311,754	–	–	–	**–**
Tax recoverable	7,924	12,519	1,941	6,854	**10,986**
Structured deposits	–	–	3,946	–	**–**
Short-term bank deposits	–	–	–	892,066	**5,855**
Restricted bank balances	8,303	139,100	23,636	12,237	**4,045**
Cash and cash equivalents	1,406,959	1,438,339	2,020,245	2,404,027	**2,825,704**
Total current assets	4,556,941	5,575,315	5,666,175	8,492,186	**9,340,742**
Total assets	9,470,739	13,145,787	13,213,802	17,438,861	**20,521,244**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March

	2018 HK$'000	2019 HK$'000	2020 HK$'000	2021 HK$'000	**2022** **HK$'000**
Current liabilities					
Trade and bills payables	753,902	663,432	967,090	971,142	**1,155,911**
Other payables and accruals	748,446	455,651	452,160	746,883	**1,224,626**
Receipt in advance from sales of properties under development	50,011	–	–	–	**–**
Contract liabilities	–	567,740	260,856	363,145	**354,907**
Bank borrowing – current portion	1,316,799	2,892,699	3,277,499	3,588,713	**4,335,016**
Tax payable	72,892	58,379	133,198	185,864	**266,724**
Lease liabilities	–	–	28,755	26,419	**106,493**
Total current liabilities	2,942,050	4,637,901	5,119,558	5,882,166	**7,443,677**
Non-current liabilities					
Lease liabilities	–	–	29,533	20,308	**165,855**
Deferred tax liabilities	56,158	130,086	128,896	128,854	**161,423**
Bank borrowing – non-current portion	23,909	1,660,070	701,786	1,196	**566**
Other Non-current liabilities	4,138	1,667	1,333	1,278	**1,550**
Total non-current liabilities	84,205	1,791,823	861,548	151,636	**329,394**
Total liabilities	3,026,255	6,429,724	5,981,106	6,033,802	**7,773,071**
Capital and reserves					
Share capital	1,531,511	1,529,249	1,518,376	1,583,518	**1,571,225**
Reserves	4,431,706	4,693,988	5,185,771	9,157,814	**10,138,478**
Equity attributable to owners of the Company	5,963,217	6,223,237	6,704,147	10,741,332	**11,709,703**
Non-controlling interest	481,267	492,826	528,549	663,727	**1,038,470**
Total equity	6,444,484	6,716,063	7,232,696	11,405,059	**12,748,173**
Total equity and liabilities	9,470,739	13,145,787	13,213,802	17,438,861	**20,521,244**