MANWAH

MAN WAH HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 01999)

ANNUAL REPORT 2023

Home essential

First Class Experience

Contents

Corporate Information

BOARD OF DIRECTORS

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

Independent non-executive Directors
Mr. Chau Shing Yim, David
Mr. Kan Chung Nin, Tony
Mr. Ding Yuan
Mr. Yang Siu Shun

AUDIT COMMITTEE

Mr. Chau Shing Yim, David *(Chairman)*
Mr. Ding Yuan
Mr. Kan Chung Nin, Tony
Mr. Yang Siu Shun

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 58, 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 30 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 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 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 60, 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 30 years of experience in the furniture industry.

Mr. Alan Marnie, aged 52, 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 49, 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), 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 36, 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 59, 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 30 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 an ex-director of the Hong Kong Securities and Investment Institute and the ex-chairman of China Committee and Corporate Committee. Mr. Chau is the member of Pamela Youde Nethersole Eastern Hospital ("PYNEH") Fund Raising Committee and also ex-member of Hospital Governing Committee and 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), Productive Technologies Company 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 72, LL.B., P.C.LL., SBS, BBS, 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 had been serving as a Committee Member of the National Committee of the Chinese People's Political Consultative Conference for three consecutive terms and he also had been serving as 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 Councilor 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 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 53, 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. 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 is also an independent non-executive director of JS Global Lifestyle Company Limited (stock code: 1691) from August 2022, and of Health and Happiness (H&H) International Holdings Limited (stock code: 1112) from January 2023, both of which are listed on the Stock Exchange. 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 67, 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 14th 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 is also an Independent Non-Executive Director of Xinyi Glass Holdings Limited (stock code: 0868), 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

	FY2023 HK$'000	FY2022 HK$'000	FY2021 HK$'000	FY2020 HK$'000	FY2019 HK$'000
Revenue and other income	**17,788,864**	21,787,920	16,945,965	12,558,093	11,679,216
Gross profit margin	**38.5%**	36.7%	36.1%	36.4%	34.1%
Selling and administrative expense/revenue	**25.1%**	24.4%	23.7%	21.6%	20.9%
Operating profit margin	**13.4%**	12.3%	12.4%	14.8%	13.2%
Profit attributable to the equity owners of the Company	**1,914,914**	2,247,491	1,924,513	1,638,069	1,363,801
Net profit margin	**11.0%**	10.5%	11.7%	13.5%	12.1%
Basic earnings per share (HK cents)	**48.80**	56.90	50.26	42.89	35.62
Diluted earnings per share (HK cents)	**48.77**	56.77	50.10	42.87	35.60
Interim dividend (HK cents)	**15.0**	13.0	10.0	7.0	6.0
Proposed final dividend (HK cents)	**10.0**	17.0	16.0	12.0	6.0
Dividend payout ratio	**51.2%**	52.6%	52.7%	44.3%	33.7%
Inventory turnover days	**70.9**	63.1	61.4	69.6	61.0
Account receivables' turnover days	**40.4**	33.3	32.1	37.9	36.7
Account payables' turnover days	**36.0**	28.5	33.7	38.5	34.9
Total assets	**19,640,488**	20,521,244	17,438,861	13,213,802	13,145,787
Total liabilities	**7,112,718**	7,773,071	6,033,802	5,981,106	6,429,724
Total equity	**12,527,770**	12,748,173	11,405,059	7,232,696	6,716,063
Cash and cash equivalents	**3,738,234**	2,825,704	2,404,027	2,020,245	1,438,339
Short-term bank deposits	**–**	5,855	892,066	–	–
Return on equity[1]	**16.6%**	19.2%	17.9%	24.4%	21.9%
Return on assets[2]	**9.7%**	11.0%	11.0%	12.4%	10.4%

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 2023 ("FY2023", the "Review Period" or the "Current FY").

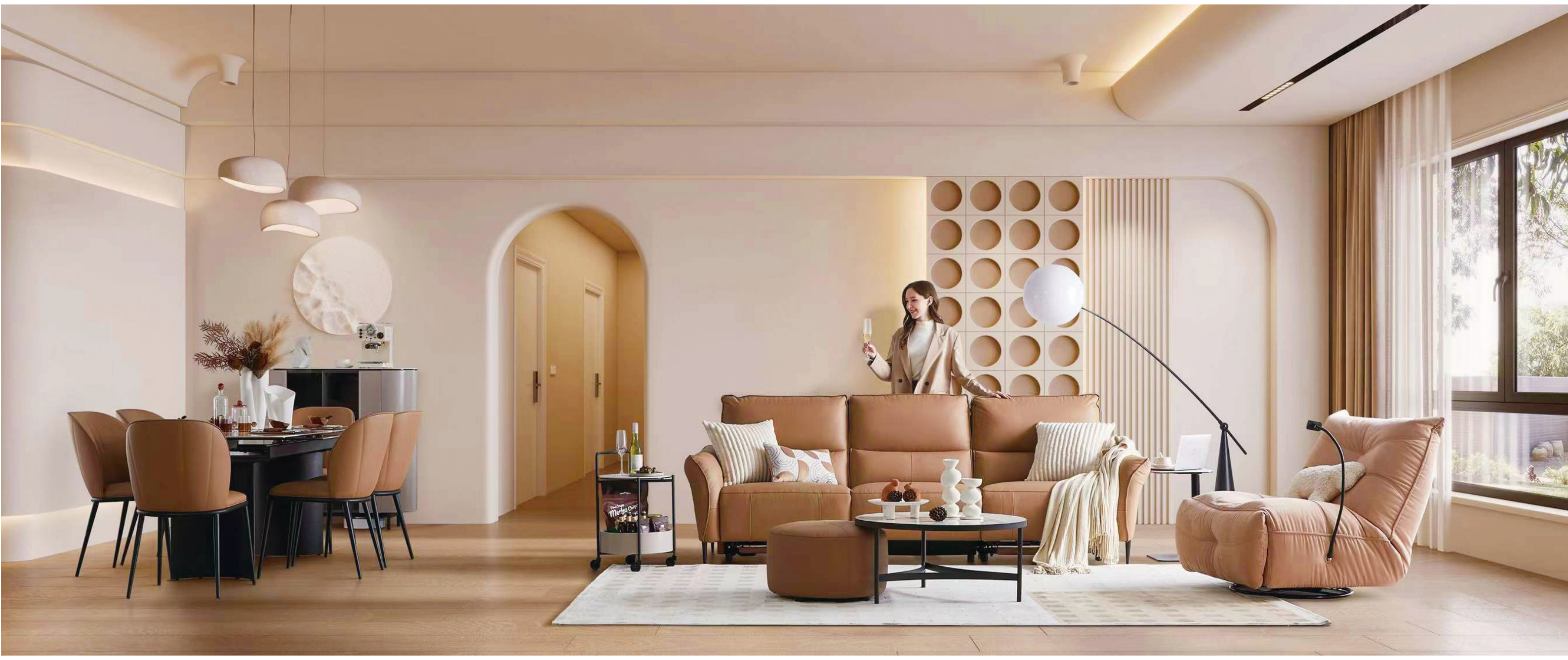
BUSINESS REVIEW

Over the past financial year, our internal and external sales encountered significant challenges as a result of the combined effect of the pandemic, the real estate industry and the inflation in the U.S. economy. As such, the revenue and profit for the financial year were significantly influenced in the short-term. Total revenue of HK$17.78 billion was recorded for the year, representing a year-on-year decrease of 18.4%. Profit attributable to the parent was HK$1.91 billion, representing a year-on-year decrease of 14.8%.

For the export business, the major external sales of Man Wah comes from the U.S. market. In the previous year, given the high inventory level and inflation of commodity prices in the U.S. consumer goods market, the export of sofas encountered two-way consumption constraints in terms of supply and demand. During the first half of the financial year, we recorded a slight increase in revenue from the North America market. Heading into the second half of the financial year, external sales orders suffered a plunge in the backdrop of the external macro environment, which contributed to a year-on-year decrease in export by 24.8% for the year.

To date, the downstream inventory level of the exports has been gradually digested and declined. However, the intensified situation of mild recession for the U.S. economy resulted in a prolonged weak performance in the consumption end for the export business. We will ramp up efforts to explore new customers. In the meantime, we will attempt to develop new types of products for export to hedge against the pressure exhibited by the sluggish demand for exports in the short run.

For the domestic sales market, we recorded a revenue of HK$11.1 billion from principal business in China for the financial year (excluding real estate, mall property and other business revenue), down by 15.9% compared with the corresponding period of last year. Excluding the metal frame business, in RMB term, we recorded a revenue of RMB9.04 billion from principal business in China, down by 8.7% compared with the corresponding period of last year; specifically, down by 3.6% for the first half the financial year and 13.4% for the second half.



In the past year, the macro environment of the domestic sales market has seen many changes. Firstly, the real estate market saw accelerated slowdown, and new and second-hand housing transactions decreased significantly. Going forward, the upholstered furniture consumption market will gradually enter a battleground dominated by existing products, where companies with differentiated good products and high-quality brands are better positioned to win consumers and increase competitiveness. Secondly, sales channels gradually fragmented and diversified. After the pandemic, online shopping became an even more pronounced trend, live streaming sales became the main force of online sales growth, and offline traffic were gradually fragmented, which will test companies' ability to establish an omnichannel presence and acquire traffic. The single large store model is challenged, and multi-channel and multi-model operations are required. Thirdly, the domestic economy was slowing down, and consumers became more cautious with their spending. Last year, due to the pandemic and travel restrictions, consumers tended to spend conservatively and downgrade their consumption.

Last year, in response to changes in the real estate market, we swiftly adapted our sales strategy to concentrate on expanding our presence in the existing market. We launched campaigns like "Upgrade Your Home" (讓家升艙) and "Win a Recliner by Lying Down" (躺平贏單椅) to encourage consumers to choose recliner sofas when buying and replacing sofas, which helped us achieve greater growth in the existing market. Last year, we achieved a sales volume of 890,000 sofa sets in China, representing a slight year-on-year increase. At the same time, with gradually fragmented and diversified channels, we adopted a multi-channel and multi-mode operation by launching experience stores at malls and the CHEERS selected whole sets, which strengthened the stability of our channel layout. During the pandemic, we steadily expanded our offline channels and added 503 new stores.

OUTLOOK

FY2023 was a year of transition as well as a year of continuation and new beginnings. The Chinese economic growth and the consumer industry underwent fundamental changes, and commercial value shifted towards good products and services. We must gain a deep insight into the underlying patterns of industry development and make swift adjustments. In the era dominated by existing products in the future, only by embracing changes and responding appropriately can we achieve optimal growth. According to Euromonitor's sales statistics, leaders of upholstered furniture industry still hold a low market share of approximately 5%, which gives us a great room for growth in the industry. Man Wah will continue to focus on providing differentiated products that are user-friendly, appealing, and competitively priced for consumers. We will place products at the core and leverage our brand and channels to gain more recognition for the CHEERS brand and gradually increase the Company's market share in the long race for upholstered furniture.

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

MARKET AND BUSINESS REVIEW

The global and Chinese economies underwent profound changes amid the three-year COVID-19 pandemic (the "Pandemic"). After the Sino-US trade war and changes in the development of Sino-US relations, China can no longer enjoy the benefits from export volume during the past two decades after its accession to the WTO. The Chinese market also underwent industrial and economic structural adjustments in the three-year Pandemic. Faced with significant changes in the external environment, many enterprises were hard hit by the turmoil, but even more quality enterprises were offered the opportunity to reinforce their foundation and enhance their core competitiveness, and strengthen their ability to operate steadily amid such changes, creating winners in the changing world.

We proactively developed our domestic sales business while riding on our diverse market mix and rapid response to the export crisis from the Sino-US trade war. In three years, the Group's business gradually emerged from export-based OEM to a business model based on branded sales. At present, the share of the Group's branded sales business in China is over 60%. During FY2019–2022, the Group's revenue from its principal business in the Chinese market increased from HK$5,495,260,000 to HK$13,563,935,000, representing an increase of 146.8%; revenue from its principal business in overseas markets increased from HK$5,762,532,000 to HK$7,932,848,000, representing an increase of 37.7%. During the Review Period, China's consumption and export orders were hit to varying degrees due to a confluence of macro-economic factors in China and the United States that affected sales, including the Pandemic and real estate policies in China and inflation in the United States economy.

After 30 years of hardships and breakthroughs in different economic cycles, the Group has gradually boosted its risk resilience, and it can still maintain steady and robust development amid external shocks. Meanwhile, we have continued to seize opportunities to reinforce our foundation, improve product R&D capability and differentiated competitiveness, enrich the Company's product lines, consolidate brand influence, proactively expand the domestic market and strengthen the capacity building of dealers. According to the latest market research report published by Euromonitor International in April 2023, the Group has been the world's top seller of recliner sofas for five consecutive years.

1 China Market

The Chinese market was most severely affected by the Pandemic in the year, making a great impact on the offline business of the Group in the Chinese market, and the operating pressure of dealers heightened significantly. During the Review Period, the Group's revenue from its principal business in the Chinese market was HK$11,092,715,000 (excluding real estate, mall property and other business revenue), representing a decrease of 15.9% over the Last Corresponding Period, which was HK$13,192,807,000.

At the beginning of the financial year, we took the initiative to formulate strategies to relieve the pressure on dealers, strengthen live broadcast training and empowerment of dealers, and attract traffic to offline stores through marketing activities. Meanwhile, amid the Pandemic, we stepped up internal and dealer management enhancement, helped train dealers on the use of the CRM system, achieved visual-based data of dealers and store operations, and helped dealers better understand C-end market demand and achieve single-store growth. The Group also took advantage of the opportunity of the Pandemic to build a large-sized, operation-oriented middle platform, and basically achieved real-time data and visual-based management for products. Faced with the downturn of the real estate industry, we took the lead in adjusting sales strategies in a timely manner, highlighted product differentiation competitiveness and marketing promotion, and achieved growth in the existing huge software market.

In terms of the offline sales channels in the Chinese market, based on the layout of our stores in cities across the country, as well as the current economic and consumer market conditions every year, we steadily and actively developed stores in markets of third-tiered cities or below to further improve the layout of domestic offline channels and manage stores in a more refined and sound manner. As at 31 March 2023, the Group had a total of 6,471 brand stores in China (excluding 1,706 Style, Pulini and Suning stores). During the Review Period, we achieved a net increase of 503 in the number of our brand stores.

In terms of the online sales channels in the Chinese market, the Group had stronger first-mover advantage in Tmall, JD.com and other traditional e-commerce sales platforms as well as live broadcast e-commerce players, and stepped up promotion of the live broadcast sales model. Through short video promotion, live broadcast of our own stores, and in-depth collaboration with leading online streamers, we achieved continued increase in online brand influence and sales conversion.

2 North America Market

The American market is still a main consumer of recliner sofas and continues to occupy an important position and serve as a reference for development in the global recliner sofa market. Inflation in the United States dampened consumer sentiment last year, which, coupled with high pipeline inventory, resulted in weak demand for export orders throughout the year. During the Review Period, the Group's revenue in the North America market decreased significantly compared with that of the Last Corresponding Period. During the Review Period, revenue from principal business in the North America market amounted to HK$4,188,848,000, representing a decrease of approximately 26.1% from HK$5,667,477,000 in the Last Corresponding Period. According to calculations of Euromonitor International based on desk research, visits to retail outlets and industry interviews conducted in April 2023, the Group's sales ranked third among American recliner sofa manufacturers, with a market share of 10.1%.

In order to mitigate the adverse impact on revenue and gross profit due to higher tariffs imposed by the United States government, the Group acquired a plant in Vietnam in June 2018, which was put into operation in 2020. Currently, the Vietnam plant is the main base for exports to the American market. We have gradually acquired mature capability in overseas factory construction, operation and management after several years. To further improve the gross profit margin and product structure for exports, the Group also had some high-end sofas of its own brand produced in factories in China and exported to the United States. In 2021, shipping capacity of ports was tight and sea freight rose sharply, which imposed a heavy burden on the Group's export costs. In January 2022, the Group set up a factory in Mexico to have two factories for overseas supply, reducing the risk of export operations, shortening distribution distance and reducing the risk of shipping.

3 Europe and Other Overseas Markets

During the Review Period, the Group recorded a decrease in revenue in Europe and other overseas markets (excluding Home Group), and revenue from principal business amounted to HK$1,161,066,000, representing a year-on-year decrease of 15.5% from HK$1,374,493,000 for the Last Corresponding Period.

During the Review Period, due to the impact of the Pandemic and the war between Russia and Ukraine, revenue from the principal business of Home Group decreased significantly by 31.2% year-on-year. The Group's production facilities in Ukraine were not materially disrupted during the Review Period. Due to the decline in Home Group's revenue and the unpredictable factors of the war, the Group carefully considered and made a provision for impairment of goodwill of HK$133,753,000 for Home Group in the financial year, and the management will proactively prepare to assume production of the factory in Ukraine based on the dynamics of the war.

FINANCIAL REVIEW

Revenue and Gross Profit Margin

	Revenue (HK$'000)			As a percentage of revenue (%)		Gross profit margin (%)	
	FY2023	FY2022	Change (%)	**FY2023**	FY2022	**FY2023**	FY2022
Business of sofas and ancillary products	**12,298,602**	14,616,557	(15.9)%	**69.1%**	67.1%	**38.5%**	37.3%
Business of bedding and ancillary products	**2,726,781**	3,381,770	(19.4)%	**15.3%**	15.5%	**44.5%**	40.8%
Other products	**1,417,246**	2,236,450	(36.6)%	**8.0%**	10.3%	**22.9%**	24.0%
Home Group business	**612,574**	890,878	(31.2)%	**3.4%**	4.1%	**23.5%**	25.3%
Other business	**295,903**	371,128	(20.3)%	**1.7%**	1.7%	**88.3%**	79.9%
Other income	**437,758**	291,137	50.4%	**2.5%**	1.3%	**–**	–
Total	**17,788,864**	21,787,920	(18.4)%	**100.0%**	100.0%	**38.5%**	36.7%

During FY2023, total revenue (including the income from main businesses and other income) decreased by approximately 18.4% to approximately HK$17,788,864,000 (Last Corresponding Period: approximately HK$21,787,920,000). The overall gross profit margin (excluding the other income) for the current financial year was approximately 38.5% (Last Corresponding Period: approximately 36.7%).

During the Review Period, excluding Home Group business, the Group sold approximately 1,502,000 sets of sofa products (FY2022: approximately 1,896,000 sets), representing a decrease of approximately 20.8% (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$12,298,602,000, representing a decrease of approximately 15.9% as compared to approximately HK$14,616,557,000 in the Last Corresponding Period.

1.1 China market

During the Review Period, revenue from the China market reached approximately HK$7,546,520,000, down by approximately 12.5% from approximately HK$8,627,693,000 in the Last Corresponding Period.

During the Review Period, the Group 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 bringing 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$3,981,267,000, down approximately 26.4% from approximately HK$5,410,362,000 in the Last Corresponding Period. Among the revenue from North America during the Review Period, the revenue from the United States and Canada was approximately HK$3,780,639,000 and HK$192,619,000 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$770,815,000, representing an increase of approximately 33.2% from approximately HK$578,502,000 in the Last Corresponding Period.

2 Bedding and Ancillary Products Business

During the Review Period, revenue from business of bedding and ancillary products was approximately HK$2,726,781,000, representing a decrease of approximately 19.4% as compared to approximately HK$3,381,770,000 in the Last Corresponding Period.

3 Sales of Other Products

During the Review Period, the Group's revenue from sales of other products was approximately HK$1,417,246,000, down approximately 36.6% from approximately HK$2,236,450,000 in the Last Corresponding Period.

4 Business of Home Group

During the Review Period, revenue from Home Group reached approximately HK$612,574,000, down approximately 31.2% compared with approximately HK$890,878,000 in the Last Corresponding Period.

5 Other Business

During the Review Period, revenue from the real estate, hotel, and furniture mall business and service of the Group reached approximately HK$295,903,000, representing a decrease of approximately 20.3% compared with approximately HK$371,128,000 in the Last Corresponding Period.

6 Other Income

During the Review Period, other income of the Group was approximately HK$437,758,000, representing an increase of approximately 50.4% as compared with approximately HK$291,137,000 in the Last Corresponding Period.

Cost of Goods Sold

Breakdown of cost of goods sold

	FY2023 HK$'000	FY2022 HK$'000	Change (%)
Cost of raw materials	**8,268,801**	10,990,545	(24.8)%
Labour costs	**1,779,759**	1,976,527	(10.0)%
Manufacturing overhead	**624,279**	639,116	(2.3)%
Total	**10,672,839**	13,606,188	(21.6)%

Major raw materials	Average unit cost year-on-year change (%)
Leather	-9.5%
Steel products	-17.0%
Wood	-7.7%
Fabric	-7.8%
Chemicals	-17.4%
Packaging paper	-2.4%

Other Gains and Losses

During FY2023, other gains and losses of the Group amounted to losses of approximately HK$241,416,000 (the Last Corresponding Period: losses of approximately HK$49,350,000). The aforesaid losses in the Review Period were mainly attributable to the impairment provision for goodwill and fixed assets.

Selling and Distribution Expenses

Selling and distribution expenses decreased by approximately 20.8% from approximately HK$4,189,944,000 in FY2022 to approximately HK$3,317,923,000 in FY2023. Selling and distribution expenses as a percentage of revenue decreased from approximately 19.5% in FY2022 to approximately 19.1% in FY2023. The decrease was mainly attributable to the following:

(a) Advertising, promotion, and brand building expenses decreased by approximately 15.4% from approximately HK$547,936,000 to approximately HK$463,774,000, and their percentage in revenue increased from approximately 2.5% to approximately 2.7%. Among the expenses, promotion expenses decreased by approximately 4.4% from approximately HK$357,383,000 to approximately HK$341,768,000, and their percentage in revenue increased from approximately 1.7% in FY2022 to approximately 2.0% in FY2023; advertising expenses decreased by approximately 70.4% from approximately HK$176,251,000 to approximately HK$52,180,000, and their percentage in revenue decreased from approximately 0.8% in FY2022 to approximately 0.3% in FY2023;

(b) Salaries, welfare, and commissions of sales staff decreased by approximately 2.1% from approximately HK$802,052,000 to approximately HK$784,873,000, and their percentage in revenue increased from approximately 3.7% in FY2022 to approximately 4.5% in FY2023;

(c) Overseas transportation and port expenses decreased by approximately 39.6% from approximately HK$1,313,829,000 to approximately HK$793,773,000, as a percentage of revenue it decreased from approximately 6.1% last year to approximately 4.6% in FY2023. Domestic transportation expenses decreased by approximately 10.3% from approximately HK$521,921,000 to approximately HK$468,368,000. As a percentage of revenue it increased from approximately 2.4% last year to approximately 2.7% in FY2023;

(d) Customs duties imposed on goods exported to the United States down by approximately 47.4% from approximately HK$173,133,000 to approximately HK$91,042,000. The duties accounted for as a percentage of revenue decreased from approximately 0.8% last year to approximately 0.5% in FY2023;

(e) Network service expenses increased by approximately 24.2% from approximately HK$123,731,000 to approximately HK$153,661,000. As a percentage of revenue it increased from approximately 0.6% last year to approximately 0.9% in FY2023.

Administrative and Other Expenses

Administrative and other expenses decreased by approximately 0.6% from approximately HK$1,052,908,000 in FY2022 to approximately HK$1,046,952,000 in FY2023. As a percentage of revenue, administrative and other expenses were approximately 6.0% (FY2022: approximately 4.9%).

Income Tax Expense

Income tax expense decreased by approximately 1.2% from approximately HK$502,929,000 in FY2022 to approximately HK$496,694,000 in FY2023. The proportion of income tax expense to profit before tax increased from approximately 17.8% in FY2022 to approximately 21.1% in FY2023.

Profit Attributable to Owners of the Company and Net Profit Margin

The profit attributable to owners of the Company decreased by approximately 14.8% from approximately HK$2,247,491,000 in FY2022 to approximately HK$1,914,914,000 in FY2023. The net profit margin of owners of the Group increased from 10.5% in FY2022 to approximately 11.0% in FY2023. The increase in net profit margin attributable to owners of the Company was mainly due to the increase in gross profit margin from approximately 36.7% in FY2022 to approximately 38.5% in FY2023.

Dividends

The Board has proposed a final dividend of HK10 cents per share for FY2023. During FY2023, the Board declared and paid an interim dividend of HK15 cents per share. Total dividends declared for FY2023 accounted for approximately 51.2% of the profit attributable to owners of the Company.

Working Capital

As at 31 March 2023, the Group's cash and bank balances were approximately HK$3,738,234,000 (31 March 2022: approximately HK$2,831,559,000), of which approximately HK$3,540,054,000 was denominated in RMB, approximately HK$136,215,000 was denominated in Euro, approximately HK$42,982,000 was denominated in US$ and approximately HK$870,000 was denominated in HK$ (31 March 2022: approximately HK$2,199,898,000 were denominated in RMB, approximately HK$99,117,000 was denominated in Euro, approximately HK$479,117,000 were denominated in US$ and approximately HK$31,380,000 were denominated in HK$).

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 2023, the Group's short-term borrowings amounted to approximately HK$4,176,079,000 and long-term borrowings amounted to approximately HK$350,000. The Group's major bank borrowings are denominated in HK$, RMB and US$ and carry interest at fixed and variable rates. The fixed rates ranged from 0.65% to 3.90% (FY2022: 0.65% to 3.90%). The variable rates are subject to either (i) the higher of Hong Kong Interbank Offered Rate plus a spread, ranging from 4.04% to 4.71% (FY2022: 1.17% to 2.15%), 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 2.35% to 5.37% (FY2022: 2.10% to 2.80%). The weighted average effective interest rates of the above variable-rate and fixed-rate bank borrowings was 4.40% and 2.74% (FY2022: 1.48% and 2.72%), per annum.

The Group's primary source of working capital is cash flow from operating activities and bank deposits. As at 31 March 2023, the Group's current ratio was approximately 1.2 (31 March 2022: approximately 1.3). As at 31 March 2023, the Group's gearing ratio was approximately 36.1% (31 March 2022: approximately 37.0%), which is defined as total bank borrowings divided by total equity attributable to owners of the Group.

Treasury Management Policy

The treasury management policy of the Group is primarily to utilize surplus cash reserves to invest in low-risk products such as low-risk wealth management products, structured deposit or time deposit, etc. and to generate income without interfering with the Group's business operations or capital expenditures. With the aim of controlling risks to the Group, the Group generally invests in low-risk, short-term (normally with maturity periods not more than one year) and principal protected wealth management products, structured deposit or ordinary time deposit, etc.

Allowance for Inventories

For FY2023, the Group provided an impairment allowance for inventories of approximately HK$12,441,000 (FY2022: approximately HK$1,987,000).

Impairment Loss on Trade Receivables and Bills Receivable

For FY2023, the Group provided impairment loss on trade receivables and bills receivable of approximately HK$14,578,000 (FY2022: approximately HK$19,825,000).

Pledge of Assets

As at 31 March 2023, there was approximately HK$7,394,000 restricted bank balances (31 March 2022: HK$4,045,000). As at 31 March 2023, 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$871,000 (31 March 2022: property, plant and equipment with a book value of approximately HK$1,615,000).

Capital Commitments and Contingent Liabilities

Save as disclosed in note 31 to the consolidated financial statements, the Group did not have any material capital commitments as at 31 March 2023.

As at 31 March 2023, the Group did not have any material contingent liabilities.

As at 31 March 2023, the Group had provision classified as current liabilities related to litigations filed by a former supplier against the Group. No payment has been made. The Group has made a provision of approximately HK$84,528,000, which reflects the management's best estimate after consultation with the legal counsel.

On 11 May 2023, the court issued a judgement in favor of former supplier of US$15,143,000 (equivalent to HK$118,881,000). The Group will lodge an appeal against the judgement.

In cases where the actual future outcomes differ from the estimation, further provision may be required.

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 US$. In addition, the Group's sales in Mainland China and Hong Kong markets are settled in RMB and HK$ respectively. Except for the business of Home Group, the Group's costs are mainly settled in US$, RMB, and HK$. 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 FY2023. 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.

HUMAN RESOURCES

As at 31 March 2023, the Group had 25,832 employees (31 March 2022: 28,685 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 FY2023, the total staff costs for the Group amounted to approximately HK$2,934,144,000 (FY2022: approximately HK$3,238,391,000), of which approximately HK$15,799,000 (FY2022: approximately HK$35,742,000) 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

The Group has always been keenly aware of market changes, carried out diverse channel planning and adhered to the core business strategy of "product + brand". We will strengthen product innovation and R&D, 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 will provide consumers with nicer and more comfortable experience. Our self-produced smart iron frame ranks first globally in terms of sales volume, which has a large number of core patents and possesses functional attributes such as low seats, close alignment with the wall and zero gravity feeling. We have gradually offered a full spectrum of smart iron frames (including American, Italian and German styles), and will continue to constantly strengthen R&D breakthroughs, which can provide strong support for the development and innovation of sofa and mattress products of the Group and enrichment of product lines, achieving independent controllability and differentiated barriers in the Group's products.

The Group will increase investment in aspects including smart manufacturing, digital management and brand influence. Through integrated operation and automated production process, the sofa production process has achieved another breakthrough and innovation, reducing workforce intensity and production costs, and enhancing long-term competitiveness. We will also attach importance to the cultivation of talents and establishment of an institutional echelon, and implement a five-year management trainee scheme to strengthen our youthful vitality. Meanwhile, we will continue to improve our salary and performance policy, rely on adopting performance management as our overall approach and implement an institutional reform strategy. We will stimulate business creativity through appropriate institutional structure adjustments.

Despite the on-going challenges in the external environment of the Chinese market over the past three years, we keep assessing and strengthening the Company's core competitiveness. Overall, the fundamentals of China's economy remain positive. The development of China's upholstered furniture market is still in its early stages, with a low market share of top enterprises and a huge untapped market space. In recent years, functional furniture becomes increasingly favoured by consumers due to the intelligent and convenient user experience it provides. Currently, China's recliner sofa industry is still in a development stage of low penetration rate and high growth potential.

The Group continues to unswervingly implement the strategy of dominating the Chinese market, and strives to provide consumers with differentiated products that are user-friendly, exquisite and affordable. With quality products backed by brands and marketing channels, we aim to significantly enhance the brand influence of "CHEERS" in the field of upholstered furniture, and draw consumers' attention to our recliner sofas, thereby increasing our share in the Chinese market. Given that recliner sofas in the United States and Europe are mainly imported from overseas, the construction and operation of overseas factories will continue to provide important support. The Group will leverage its scalable production capacity, product quality, and cost advantages to continuously expand its market share in Europe and America as demand in overseas markets recovers.

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

During FY2023, the Company repurchased a total of 11,647,600 ordinary shares of the Company at an aggregate purchase price of approximately HK$58,958,729 (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$)
October 2022	11,647,600	5.30	4.83	58,958,729
Total	11,647,600			58,958,729

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

ABOUT THE REPORT

Report Description

Man Wah Holdings Limited ("Man Wah" or the "Company"), together with its subsidiaries (referred to as "the Group" or "we"), is pleased to present the Environmental, Social and Governance Report ("ESG Report" or the "Report") for the financial year 2023. Man Wah adheres to the value concept of performing social responsibility and achieving sustainable development. In accordance with the principles of being objective, standard, and transparent, we systematically disclose our responsibility concepts, practices, and achievements in areas such as the economy, the environment, and society.

Standard Statements

The Report has been prepared with reference to the *Environmental, Social and Governance Reporting Guide* in Appendix 27 of the Listing Rules of the Hong Kong Exchanges and Clearing Limited (the "Exchange").

Reporting Scope and Boundary

Unless otherwise specified, the data presented in the Report cover the period from 1 April 2022 to 31 March 2023 (hereinafter referred to as the "current year" or the "reporting period").

1. STRENGTHEN COMPLIANCE GOVERNANCE

Good corporate governance is an important basis for sound management and sustainable development. The Group integrates ESG into its corporate strategy and operation, establishes a sound ESG governance structure and operation mechanism, implements comprehensive risk control, continuously strengthens compliance operation and clean work, and promotes quality development of the Company.

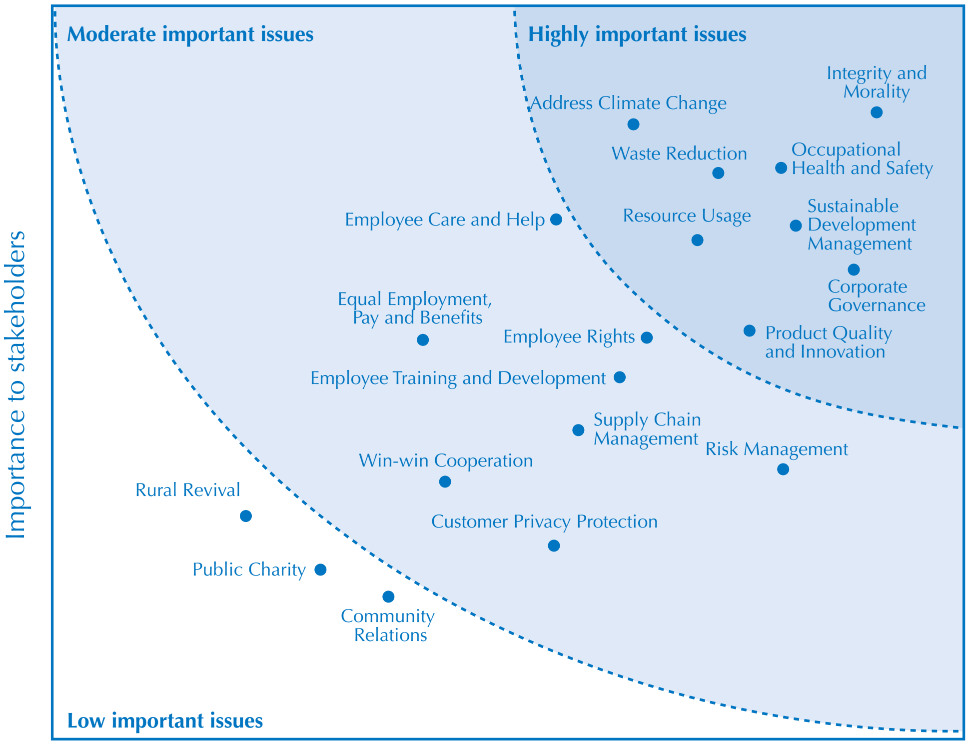
1.1 ESG Governance

Perfect ESG governance not only helps companies supervise ESG matters, but also forms a top-down ESG promotion mechanism. The Group actively promotes the sustainable development of the Company, improves ESG management, sets up an ESG report compilation working group led by the Finance Department, multi-department cooperation and guidance by third-party professional consulting institutions, and establishes a multi-department linkage working mechanism. The Group continues to promote the integration of social responsibility into its finance, human resources, legal affairs, audit, procurement and other functional lines to effectively manage the impact of its own operations on stakeholders.

A. Analysis of Material Issues

We attach importance to the opinions and expectations of all stakeholders. Based on the Hong Kong Stock Exchange's *Environmental, Social and Governance Reporting Guide*, we identify and evaluate material issues through questionnaires, and obtain the ranking of major ESG issues that integrate the Company's directors, management, employees, shareholders and investors, consumers, suppliers and other stakeholders, as an important reference for the disclosure of ESG reports.

Issue identification	Screening assessment	Audit confirmation	Response of the issue
Based on Appendix 27 of the Listing Rules *Environmental, Social and Governance Reporting Guide*, and combined with the Company's business development and the requirements of stakeholders, the Group ESG management question bank was constructed.	Carry out questionnaire surveys of internal and external stakeholders, and screen topics from two dimensions of importance to the Company's business development and stakeholders.	Screened and analysed results are reviewed through two channels, internal and external management and external experts.	For material issues, formulate and implement action plans, and focus on the selected important issues in the Report.



Importance to sustainable development of the Group

B. Stakeholder Communication

We attach great importance to the diverse demands of stakeholders. Through the establishment of various communication channels, we listen to the opinions of various stakeholders on the sustainable development of the Company. Our communication channels with various stakeholders are as follows:

Stakeholders	Expectations and Concerns	Communication and Response
Government and Regulators	Compliance operation Pay taxes according to the law	Institutional inspection Work reporting Policy implementation Site inspection
Environment	Response to the climate change Strengthen energy conservation and emission reduction	Implement environmental policies Environmental information disclosure
Clients	Guarantee product quality Provide quality service Customer privacy protection Protection of intellectual property rights (IPR)	Regular visits Technical seminar Customer service hotline
Suppliers and Partners	Responsible sourcing Fair and transparent Honesty Win-win cooperation	Bidding meeting Supplier training Industry forum
Employee	Protection of legitimate rights and interests Promote employee growth and development Care for the lives of employees	Trade unions and workers' congresses Complaints and Feedback Staff training and development Assistance to difficult employees
Community	Promote rural revival Undertaking charity and philanthropy	Volunteer service Charitable activities Communication interview
Shareholders and Investors	Risk Management Compliant operation Stable returns	Shareholders meeting Performance briefing Investor conference Information disclosure of listed companies Telephone and email communication

1.2 Business Ethics

The Group strictly abides by the *Anti-Monopoly Law of the People's Republic of China*, the *Law of the People's Republic of China for Countering Unfair Competition*, the *Company Law of the People's Republic of China* and other laws and regulations that have a significant impact on the Company, advocates integrity and ethical management, and adheres to business ethics.

A. Risk Internal Control

In terms of risk management, the Company has established a comprehensive risk management system, including establishing an institutional function system for risk management, formulating risk management strategies, regularly conducting major risk assessments, and identifying major risks and assign responsibilities, etc. to prevent and control the potential risks in the business environment and ensure the stable operation of the enterprise.

In terms of internal audit, we have developed *Internal Audit System*, *Internal Audit Process*, *Improvement and Accountability System*, *Audit File Management System*, *Training Management System of Audit Department* and other internal audit systems to continuously improve the quality of internal audit work. The Company has a special internal audit department, which is fully responsible for the internal audit of the Company under the direct leadership of the chairman of the Company, and carries out the audit of the Company's development strategy, operation management, internal control and risk management in strict accordance with audit procedures to ensure the smooth implementation of audit work.

B. *Anti-corruption*

Adhering to the philosophy of "clean and honest work, and zero tolerance for fraud", we continue to improve the anti-corruption management mechanism. We carry out in-depth investigations on clues derived from daily work investigations, instructions on work arrangements, and reports, and transfer cases that amount to crimes to judicial departments for handling. For cases of insufficient amount, we rely on the system of each department of the Company to give different degrees of punishment according to the degree of harm to the interests of the Company. During the reporting period, the Company concluded 5 corruption litigation cases, 1 violation of discipline and regulations, dealt with 90 people in violation of discipline and regulations, and tried its best to safeguard the rights and interests of stakeholders.

In addition, we require suppliers to sign an integrity pledge, which stipulates that partners must comply with anti-corruption and anti-bribery laws and promise not to engage in any form of commercial bribery. During the reporting period, the Supplier Integrity Agreement signing rate was 98%.

C. *Whistleblower Protection*

We have established an extensive and open reporting process, defined the scope of acceptance and handling procedures, and encouraged whistle-blowers to report violations of law and discipline by telephone, email, WeChat, message, visit and other means. Our Department of Discipline and Supervision implements a whistleblower protection system for whistleblowers of fraud clues, keeping the whistleblowers strictly confidential, and non-case personnel have no right to know. If the case fails because of the personnel involved in the case or the informant receives retaliation, immediate dismissal will be imposed upon verification. During the reporting period, the Company received 3 valid reports, and the follow-up feedback rate of valid reports was 100%.

2. PROMOTE GREEN DEVELOPMENT

A beautiful ecological environment is people's great expectation for a better life in the new era. The Group has incorporated the concept of green environmental protection into the Company's operations, forming a green and low-carbon development model, constantly improving the efficiency of resource use, strictly controlling emissions and wastes, and integrating climate change risk identification into daily operations, actively responding to the goals of achieving carbon peak and carbon neutrality, protecting green ecology, and making contributions to the sustainable development of the environment.

2.1 Address Climate Change

Climate change is a common challenge for all mankind. The Group actively implements the *National Climate Change Adaptation Strategy 2035* and carries out climate change risk identification according to the recommendations of Task Force on Climate Related Financial Disclosure (TCFD). We will actively take carbon reduction actions such as energy conservation and emission reduction to mitigate and adapt to global climate change, and improve climate risk prevention strategies.

	Risks	**Opportunities**
Transition Risk	**Policy and Law** • Raise the price of greenhouse gas emissions • Litigation risk • Limit of business permit **Market** • Changes in customer behaviour • Uncertainty about market signals **Reputation** • Brand image damage • Stakeholder concerns • A shift in consumer preferences	**Resource Efficiency** • Reduce water use and consumption • Use recyclable materials **Energy Source** • Use low-emission energy sources • Use new technology
Physical Risk	**Acute Risk** • The increasing risk of climate events **Chronic Risk** • The risk of long-term changes in weather patterns	**Resilience** • Make emergency plans • Regular maintenance of equipment and facilities

In addition, in order to reduce greenhouse gas emissions, the Group continues to strengthen technical breakthrough, the use of rooftop solar photovoltaic power generation system in the plant. During the reporting period, the Group developed two new distributed photovoltaic power generation projects of 1.77 MW and 2.58 MW, which are estimated to generate 1.5 million kWh and 2.5 million kWh, respectively.

FY2023

Direct GHG emissions[1] (Scope 1) **26,059.45** (tonnes of CO_2 equivalent emissions)	Direct intensity of GHG emissions (Scope 1) **1.00** (tonnes of CO_2 equivalent emissions per employee)
Indirect GHG emission[2] (Scope 2) **25,251.50** (tonnes of CO_2 equivalent emissions)	Indirect intensity of GHG emissions (Scope 2) **0.98** (tonnes of CO_2 equivalent emissions per employee)
Total (Scope 1+Scope 2) GHG emissions **51,310.95** (tonnes of CO_2 equivalent emissions)	Total (Scope 1+Scope 2) GHG emissions intensity **1.98** (tonnes of CO_2 equivalent emissions per employee)

2.2 Strengthen Environmental Management

The Group strictly abides by the *Environmental Protection Law of the People's Republic of China* and other national and local environmental laws and regulations, adheres to the concept of green development, constantly improves the internal environmental management system, strictly controls environmental compliance risks, strictly observes the bottom line of ecological environment, and continuously improves the Company's environmental governance and protection capabilities.

A. Environmental Management System

We strictly abide by the ISO14001 standard and national laws and regulations, and continue to improve the environmental management system. We have formulated the *Environmental Management System*, which organically combines environmental management with production management system to ensure the simultaneous achievement of safety, economic and environmental goals.

Improve the network of environmental management organs

Our environmental management work is directly led by the general manager of the Company. As the functional department of environmental management, the safety and environmental protection department is specifically responsible for the operation of the Company's sewage system and environmental protection work. The factory director is the first person responsible for environmental protection and is responsible to the general manager of the Company. The on-site management personnel of the factory is responsible for the environmental protection work of the unit. The head of each operation team is responsible for the environmental protection of the team and is responsible to the factory director. Each operator is responsible to the team leader for the implementation of environmental protection work.

1 Scope 1 is direct emissions, which refers to greenhouse gases produced by the burning of various energy activities, such as natural gas, raw coal and biofuels, such as those emitted from boilers and chimneys, air conditioning facilities and company vehicles

2 Scope 2 is indirect emissions, which refers to greenhouse gas emissions caused by the use of purchased electricity or steam

Carry out risk identification and respond to emergencies

We establish a list of operation activities and a list of equipment and facilities, and carry out identification of dangerous and harmful factors regularly every year. After the risk is established, we will make a preliminary assessment of the identified risks according to the LEC risk assessment method, establish a risk assessment record, fill the evaluation results into the risk assessment form and report to the safety and environmental protection department. The safety and environmental protection department will sort out the risk assessment form of each department, and supplement and improve it by on-site observation, comprehensive analysis and conversation, so as to form a risk list of the whole plant. Those assessed as major risks are included in the list of major risks. According to the risk list, the staff of all posts strictly follow the operating procedures, rules and regulations, and contingency plans to carry out risk control. For major risks, relevant departments adopt management plans to reduce the risks or meet the requirements of laws and regulations.

Strengthen environmental monitoring and supervision

We regularly supervise the production status of the factory, sum up the existing environmental problems, timely rectify and rectify the corresponding deviations, supervise and inspect the rectification results, and put forward suggestions for possible technical transformation.

Environmental management system certification

We vigorously promote enterprises to obtain environmental management certification, clean production and other work, and constantly enhance the Company's environmental management level. During the reporting period, the Company obtained ISO14001, Attestation of Chinese environment mark and other environmental management system certification.

Environmental management system certification

B. Environmental Education Publicity

We actively promote environmental protection education and technical training, strengthen environmental protection efforts, improve the environmental protection awareness of the Company's employees. During the reporting period, we conducted on-site environmental management training for employees in the Sponge Factory, and conducted training on the *Solid Waste Law* and the *Hazardous Waste Management Practices* to all departments of the Company in July 2022.

2.3 Improve Resource Efficiency

The Group strictly abides by the *Water Law of the People's Republic of China*, *Energy Law of the People's Republic of China*, *Energy Conservation Law of the People's Republic of China* and other relevant laws and regulations, formulates the *Hydropower Energy Conservation and Environmental Protection Management System*, attaches great importance to the use of resources, constantly enhances the production management mode, improves the use of resources, and pursues less resource consumption and greater economic and social benefits. It will help build a resource-conserving and environment-friendly society.

A. Resource Management

In terms of water resources management, we deeply understand that protecting water resources is the common responsibility of the whole society, and make water resources conservation an important position in the development of enterprises. In strict accordance with the water resources management system, we have adopted a series of measures for water use in production and life, regulated water use, and rationally developed, used and recycled water resources to protect them. In the process of production and operation, the water used by the Company is all from municipal tap water, and no significant risk of water shortage has been found in obtaining suitable water sources.

Water-saving measures

- Eliminate all drip, leakage and other phenomena in production and daily life
- Strengthen the daily maintenance and management of water equipment
- Timely detection and solution of water waste problems

We have been aiming to reduce our water usage, and in the current reporting period, our total water consumption was 882,813.16 tonnes, a decrease of 23.1% compared with 1,147,308 tonnes in the previous reporting period.

FY2023

Water resource usage
882,813.16 tonnes

Water intensity
34.18 tonnes per person

In terms of packaging materials, we mainly use cartons, plastic bags and sponge debris as packaging materials. In order to reduce the impact on the environment, we use packaging materials rationally and efficiently. During the reporting period, about 19,240 tonnes of packaging materials of different types were used. In addition, we also make technical improvements to our products. We upgrade the wood-plastic bedside panel and replace the material from secondary processed wood to recyclable material. It not only reduces the materials cost and the difficulty of assembling, but also reduces the impact on the natural environment.

Measures to reduce packaging materials

- Study and design the selection of environment friendly materials
- Promote the lightweight of packaging materials
- Promote green recycling of packaging materials and advocate recycling of packaging materials

B. Energy Management

In order to regulate energy use, we have formulated the *Management System for Energy Conservation and Environmental Protection of Water and Electricity*, established a complete energy consumption management process, set up a full-time energy consumption manager to conduct 24/7 special inspection, immediately notify the site to deal with any problems, review and correct them, and produce spot inspection records, so as to improve energy efficiency, control production costs and achieve continuous control purposes.

Energy-saving measures

- Use energy-saving equipment
- Elimination of backward production capacity and backward energy-using equipment and production processes
- Improve energy conservation technology

We actively carry out energy-saving training and publicity. Every year, we arrange personnel to participate in energy-saving publicity meetings hosted by Huizhou Economy and Information Technology Bureau and Daya Bay Energy Conservation Supervision Centre, and Huizhou Metrology Association holds energy metering administrator training from time to time. In addition, we actively educate our employees about the importance of energy conservation through signage, energy efficiency meetings, internal publicity networks, bulletin boards and banner signs.

In the future, we will set energy efficiency targets based on how much energy we use to boost energy efficiency.

FY2023

Natural gas consumption
6,248,616.32 cubic meters

Diesel consumption
4,560,852.45 litres

Gasoline consumption
100.00 litres

Purchased electricity consumption
44,277,575.00 kWh

New energy vehicles consumption
0 kWh

2.4 Strict Emission Management

The Group strictly controls the discharge of pollutants in the production process, abides by and adheres to the *Law of the People's Republic of China on the Prevention and Control of Air Pollution*, *Law of the People's Republic of China on the Prevention and Control of Water Pollution*, *Law of the People's Republic of China on the Prevention and Control of Solid Waste Environment* and other laws and regulations. We formulate the *General Solid Waste Management*, *General Industrial Solid Waste Storage*, *Disposal Site Pollution Control Standards*, *Hazardous Waste Management Process* and other internal systems, implement standard management mode of pollutant treatment, set management goals, and take corresponding environmental measures, so as to strictly control the impact of emissions on the environment.

A. *Sewage Management*

In terms of sewage treatment, we have strictly implemented the *Comprehensive Sewage Discharge Standards*, strengthened sewage treatment, reduced sewage discharge, and continued to do a good job in sewage reuse and production wastewater treatment. In addition, we strictly inspect the water level of the stormwater well, whether there is overflow at the gate of the stormwater main outlet, strengthen the inspection and management of the sewage well lifting pump and other measures to properly manage the sewage, so as to avoid the occurrence of sewage direct discharge or overflow, causing the water quality at the main discharge outlet to exceed the standard.

B. *Waste Gas Management*

In order to ensure the air quality in the workplace, we strictly implement the *Comprehensive Emission Standards for Air Pollution*, which stipulates that the sub-plant producing organic waste gas must install waste gas treatment devices to ensure that the organic waste gas can be effectively collected and treated, and the sub-plant producing dust must install cloth bag pulse dust removal devices, so as to effectively reduce the concentration of dust and reduce the emission of waste gas.

FY2023

Nitrogen oxide emissions	Sulphur oxide emissions	Particulate matter emissions	VOC emissions
7.46 tonnes	**0.12** tonnes	**200.23** tonnes	**1.11** tonnes

C. *Waste Management*

We clearly define the standards of general waste and hazardous waste, stipulate the operational processes of waste generation control, storage management and treatment, regulate waste management, fully guarantee the strict classification of hazardous waste and general waste in the process of production and operation, and properly dispose of them without causing negative impact on the environment.

	Waste sources and management methods
General solid waste	Our solid waste comes from waste office paper, wrapping paper, sponge scraps, construction waste, household waste, etc. We supervise and manage the whole process of classification, collection, storage, treatment, transportation, use and disposal. Recyclable waste is handled by suppliers, scrap stations and sanitation offices.
Hazardous waste	Our hazardous waste comes from waste oil, waste batteries, waste toner cartridges, waste light tubes and so on. We manage the whole process of its collection, temporary storage and transfer, and strictly implement the *Hazardous Waste Storage Pollution Control Standard* (GB18597-2001) at the storage site. When the amount of dangerous waste at the temporary storage point reaches a certain level, the department of safety and environmental protection will contact qualified entrusted units for processing.

During the reporting period, we set hazardous waste management objectives and adopted the following measures to achieve these objectives:

Hazardous waste management objectives

Indicator	Environmental objective	Action plan
Hazardous solid waste	• Reduce total hazardous waste by 20% in 2023 • Reduce the harmfulness of hazardous waste	• Reduce the amount of cleaning solvent, cleaning frequency of foaming mechanism, and regulate the cleaning operation standard • Change the original 200L barrels into storage tanks for storing foam raw materials • In purchasing related chemicals, recycling by suppliers is adopted • Use soft sponge instead of sponge for some parts of the products developed

FY2023

Produced 155.31 tonnes of hazardous waste including:

737.00 pieces of cartridge **674.00** pieces of toner cartridge **2,165.00** lamps

Produced 17,923.56 tonnes of non-hazardous waste

3. CREATE GOOD LIFE

Providing the highest quality home products and services to billions of consumers worldwide is our commitment and an essential cornerstone of our continued growth. With the development of globalisation and digitalisation, we actively embrace change, improving production efficiency and product quality. Moreover, by better understanding market trends and customer needs, we grasp the direction of industry development. Finally, we actively acquire valuable industry experience and advice, work hand in hand with suppliers to continuously enhance our core competitiveness, and provide customers with better and more intimate services.

3.1 Excellent Quality and Service

As a global leading furniture manufacturer, the Group has been committed to creating high-quality products and services for consumers. The Company strictly complies with the requirements of the *Product Quality Law of the People's Republic of China, Patent Law of the People's Republic of China*, *Copyright Law of the People's Republic of China*, *Trademark Law of the People's Republic of China*, and other relevant laws and regulations of countries and regions where it operates. Man Wah has established a quality policy on continuous improvement of product and service quality to meet customer demands, and established a comprehensive quality management system.

A. Create Innovative Products

Since its establishment, the Group has been continuously innovating and iterating its products. After successfully building brand images for CHEERS, First Class CHEERS, Nicoletti, and Morewell, the Company has expanded into business such as smart homes, massage chairs, sofa sets, mattresses, and bespoke home furnishings, and gradually moved towards the direction of whole-house tailoring.

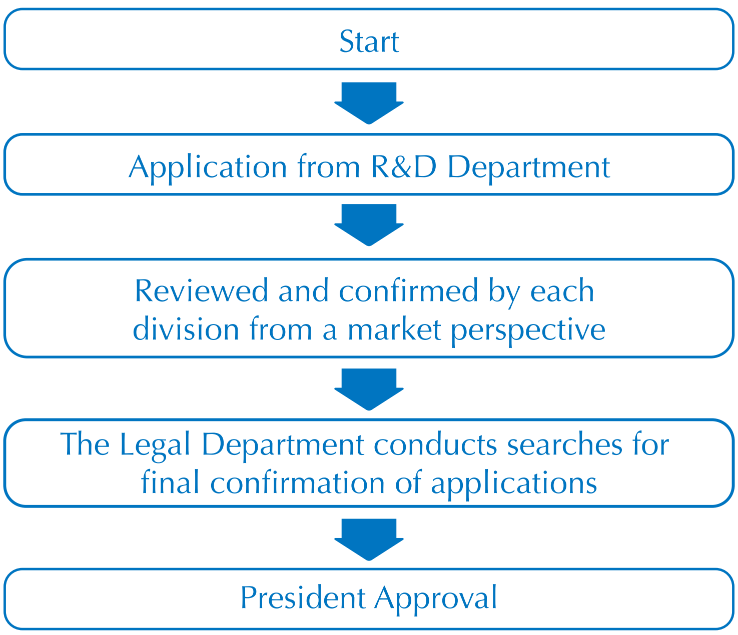
Man Wah is committed to building a scientific research platform and paying attention to the application, protection and rights protection of intellectual property. We have developed processes for trademark applications, design patent applications and utility/invention patent applications. We have established a dedicated position of Intellectual Property Manager (IPR) in the Legal Department to oversee the Group's intellectual property work. We maintain long-term cooperation with external professional intellectual property lawyers to protect the Company's trade secrets and copyrights. In addition, we have long invested a large amount of personnel and funds to combat trademark and patent infringement such as "brand squatting" and counterfeit trademarks. During the reporting period, the Company did not have any significant or important incidents of intellectual property compliance management.

As at 31 March 2023

36
Invention patent applications, of which 9 have been granted

113
Utility patent applications, of which 113 have been granted

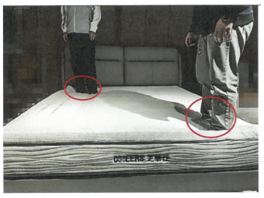
2,060
Design patent applications, of which 1,619 have been granted



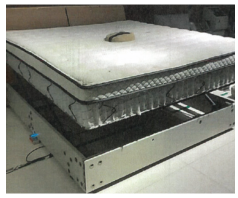
Design Patent Application Process

Case: Innovative creation of "Wood-Plastic Bed Frame Structure"

From June to December 2022, the Company invested approximately HK$11,364,000 and employed 20 R&D personnel to carry out the modular transformation project of the bedside board. To solve many problems in wood production and assembly, we used wood-plastic components instead of traditional plywood and wood structure. The project successfully tested the bed board connection bracket triangle code, bed wood-plastic structure, wood-plastic bed sideboard fatigue resistance, etc. The final wood-plastic bed sideboard skeleton structure has the advantages of simple structure, fewer parts, and lower cost, and it is suitable for automatic assembly and large-scale industrial promotion.



Static pressure test, impact test on skeleton



Fatigue life testing of functional frames, motors, structures

B. *Stick to Quality Products*

We adhere to standard and regulated management processes, establish a sound quality management structure, and clarify the job responsibilities of each department. By continuously enhancing and upgrading technology, we improve production efficiency and product quality.

Currently, we have passed three management system certifications: ISO9001 Quality Management System Certification (valid from 11 June 2020 to 1 June 2023), Shenzhen Quality Standard System Certification (valid from 27 September 2021 to 26 September 2024), and Advanced Certified Enterprises Authorised by the customs (passed certification on 30 October 2019, valid for 5 years). Based on these certifications, we have established a quality management system process and management system that covers the entire process from product development, process design to supplier management.

TÜV NORD

证 书

管理体系根据

GB/T 19001-2016/ ISO 9001: 2015

依据 TÜV NORD CERT 之规定，特此证明

敏华家具制造(惠州)有限公司

中国广东省惠州市大亚湾区西区龙山一路 68 号敏华工业城 /516083

统一社会信用代码：91441300773071396M

另有地点，请参考附件

已在下列领域建立并应用了管理系统

设计及制造沙发；制造床和床垫

证书编号. 44 100 082353

审核报告编号. 2.5-2077/2020

有效期起始日 2020-06-11

证书有效期至 2023-06-01

初次认证日期 2008-06-27

之验证机构

at TÜV NORD CERT GmbH

签发日期：2020-06-11

ISO9001 Quality Management System Certification

深圳标准认证证书

证书编号：2021-CQC-SZSA08008-007

敏华家具制造（深圳）有限公司

注册地址：深圳市龙岗区横岗街道红棉路189工业区敏华工业城

生产企业：敏华家具制造（惠州）有限公司

生产地址：广东省惠州市大亚湾区西区龙山一路68号敏华工业城

产品名称：普通沙发

产品型号/规格：C-1313 C-1362 C-1355

产品符合通过深圳标准先进性评价的产品标准：T/SPEMF 0002-2021

产品标准通过的深圳标准先进性评价细则：SSAE-A08-008:2021《普通沙发》

认证模式：产品抽样检验+初始工厂检查+获证后监督

认证活动依据 SSC A08-008:2021《深圳标准认证实施规则-普通沙发》实施

发证日期：2021/09/27 有效期至：2024/09/26

发证机构：中国质量认证中心

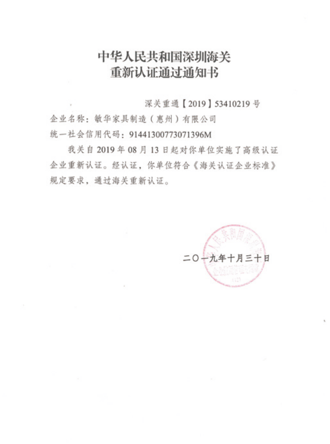
机构地址：北京市丰台区南四环西路188号9区

机构网址：http://www.cqc.com.cn

（盖章）

签发人：（签字）

Shenzhen Quality Standard System Certification



中华人民共和国深圳海关
重新认证通过通知书

深关重通【2019】53410219 号

企业名称：敏华家具制造（惠州）有限公司

统一社会信用代码：91441300773071396M

我关自 2019 年 08 月 13 日起对你单位实施了高级认证企业重新认证。经认证，你单位符合《海关认证企业标准》规定要求，通过海关重新认证。

二〇一九年十月三十日

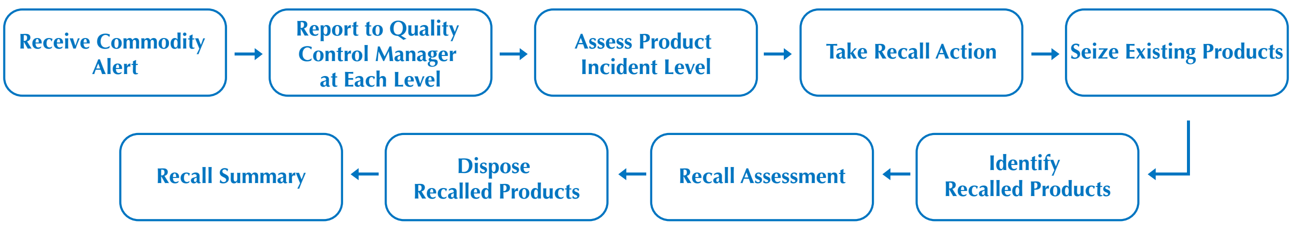
Advanced Certified Enterprises Authorised by the Customs

Product quality testing and inspection

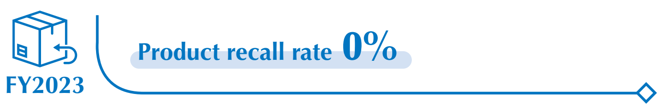
The Group conducts comprehensive product quality inspections and tests multiple times. Our raw materials, such as surface leather, fabric, glue, plywood, motors/switches/transformers and finished products have all passed third-party testing. We conduct various tests in every process, including receiving raw materials, developing new samples, production, finished product outbound and container loading to ensure product quality control.

Product recalls

To ensure that the Company can respond promptly to any quality incidents related to our products, we have established and continuously improved our *Product Recall Procedures*. We have clearly defined the responsible parties and actions in the event of a recall, and have classified products subject to recall into three categories based on their nature. We also divided product recall levels into levels one and two based on the number of products put on the market, and have provided instructions for each level of recall. In addition, we conduct an annual product recall drill involving relevant departments to ensure that any unsafe products can be recalled quickly and completely in case of a recall requirement.



Product Recall Procedure of the Group



The Group regularly conducts training sessions for all staff members on quality plans and implementation strategies. These sessions involve risk assessments for both pre-production and production processes, and the development of the *Identification and Traceability Control Procedures*. This includes a detailed explanation of the identification methods, traceability processes and identification procedures for products, ensuring all-around product safety.

Traceability Process of the Group

C. *Protect Customers Rights*

The Group adheres to the business philosophy of "quality first, customer foremost", and takes it as its responsibility to meet customer needs. Man Wah continuously improves product quality and service standards, provides customers with a better experience and service and enhances customer satisfaction.

Strengthen Information Security

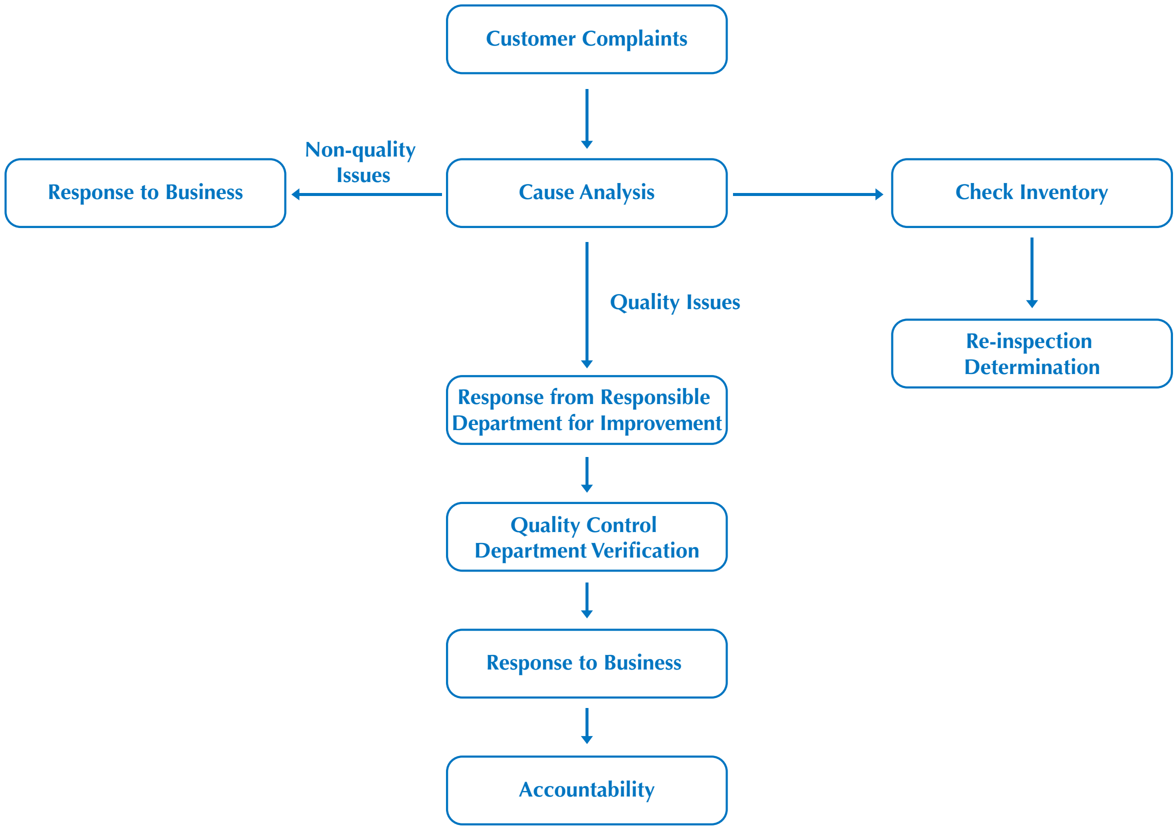
The Group has developed the *Information Security Management Manual* and the *Office Network and Terminal Security Management Measures* to establish mechanisms for reporting, responding to, and handling information security incidents, and to strengthen the security management of the Group's office network and desktop terminals. During the reporting period, we did not receive any relevant complaints or feedback regarding the violation of customer privacy. However, a network security incident involving a man-in-the-middle attack occurred. In response to this incident, we quickly implemented a series of timely and effective remedial measures, such as encrypted storage, access control and security audits. As a result, we have minimised the impact of the event on the Company.

ISO27001 Information Security Management System Certification

Information Security Training on External Audit of Non-conformity Rectification

Customer Complaint Handling

The Group attaches great importance to customer complaint events. We have developed a *Customer Complaint Handling Process* which provides a detailed description of the responsible department and response steps in the event of a customer complaint. Also, we establish a monthly review system, which is arranged by General Manager of the Manufacturing Centre and the Quality Management Department every month to gather the heads of the procurement, production, business, research and development, and transportation departments to analyse and improve customer complaint issues.



Customer complaint handling flowchart

3.2 Promote Mutual Benefits

The Group has always been dedicated to performing its social responsibilities. We continuously broaden our horizons, understand the latest trends and opportunities in the industry, and strive to build an integrated platform for the value chain of smart home products. We also work to promote the technological innovation and management level of our suppliers, facilitate their common development, and promote the upgrading of Chinese home furnishing brands.

A. Growing together with suppliers

Our suppliers are widely distributed in mainland China and many countries and regions outside of China. We continue to improve our supplier management system, track the whole process in terms of supplier access, monitoring and capacity enhancement, require suppliers to sign the *Supplier Social Responsibility Pledge*, and sign the *Integrity Pledge*, *Supplier Service Confidentiality Agreement* and *Intellectual Property Declaration* with our suppliers to create a healthy and sustainable supply chain.

FY2023	Total number of suppliers	China (including Hong Kong) suppliers	Overseas suppliers
	2,430	**2,199**	**231**

Supplier access

We require our suppliers to have relevant qualifications and certifications. We also conduct on-site assessments on potential suppliers' industry status, production and technical capabilities, quality systems and other aspects to promote environmental protection products and services. Only those who pass the assessment are eligible to become our suppliers.

Supplier monitoring

Supervisory authorities should conduct supervision and inspections of supplier services, record and evaluate the content and quality of services.

Supplier capacity enhancement

We comply with the amfori BSCI Code of Conduct[3], which requires our suppliers to comply with the provisions on environmental protection, intellectual property rights, human rights, and assist them in achieving constructive goals. We conduct training to support suppliers in meeting the principles of the amfori BSCI Code of Conduct.

3 The BSCI is an international organ for social responsibility that has developed a framework aimed at regulating supplier behaviour. It requires suppliers to comply with a range of social responsibility and environmental protection standards, including human rights, labour rights, anti-corruption, environmental protection, intellectual property protection and customer privacy protection.

B. Synergistic Development

As a promoter and innovator in the furniture manufacturing industry, the Group actively keeps up with the latest technology and market trends. We share the current development status of the industry with many industry professionals through attending industry conferences, conducting field exchanges and other methods, thus improving our own competitiveness and innovation ability while promoting the development of the industry.

Case: Participation in China International Furniture Expo

From 18 to 21 March 2022, the Group participated in the four-day China International Furniture Expo at the China Import and Export Fair Complex, which improved the satisfaction and awareness of the CHEERS brand, expanded the Group's talent resources, and promoted innovation and development in the industry.

Employees and customers

Consumers consulting our staff

4. FOCUS ON EMPLOYEE GROWTH

Excellent employees can bring outstanding performance and results to the Company, helping the Company develop and innovate. The Group attaches importance to safeguarding the rights and interests of employees, strengthening their training and development, providing them with safe and comfortable working conditions and various welfare benefits, and establishing a good employee relationship and management mechanism to attract, motivate and retain excellent employees.

4.1 Protect Employee Rights

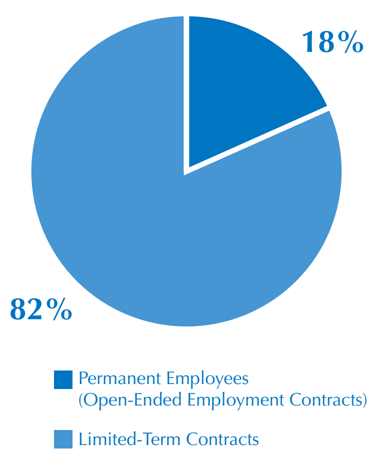
The Group actively establishes and improves the protection system for employees' rights and interests. We safeguard staff equality and diversity, improve our staff motivation mechanism and carry out staff communication and care for our staff. In this way, we enhance employee satisfaction and create a harmonious and stable working atmosphere for all employees.

A. Promote Diversity and Equality

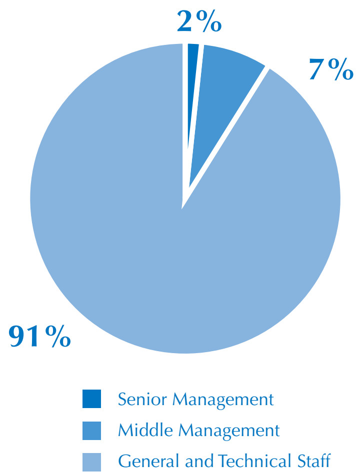
The Group strictly adheres to relevant laws and regulations such as the *Labour Law of the People's Republic of China*, *Labour Contract Law of the People's Republic of China* and *Social Insurance Law of the People's Republic of China*. We have formulated an *Employee Handbook* to provide employees with institutional protection in areas such as fair employment, performance appraisal and promotion, and salary and benefits. We adopt the principle of fair treatment and equal treatment, and resolutely oppose any discrimination based on gender, age, cultural background, religion and other aspects. We strictly prohibit the use of child labour and any form of forced labour, and oppose any form of harassment and abuse. During the reporting period, we did not engage in any illegal use of child labour or forced labour, and did not receive any complaints of discrimination.

Up to 31 March 2023, the total number of employees in the Group was 25,832, with a turnover rate of 21%. Employee statistics by gender, age, job level, and contract type are as follows:

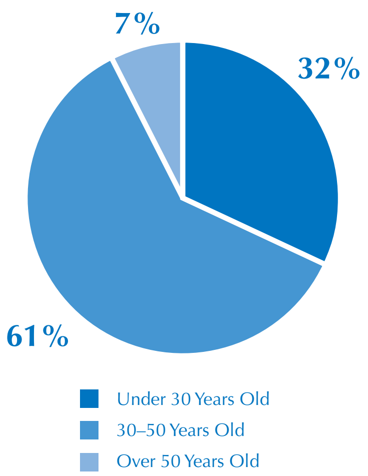
Number of Employees (By Contract Type)



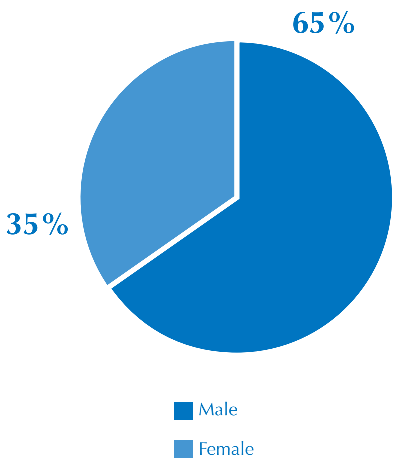
Number of Employees (By Rank)



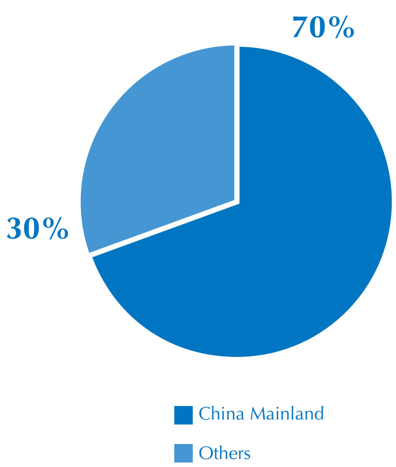
Number of Employees (By Age)



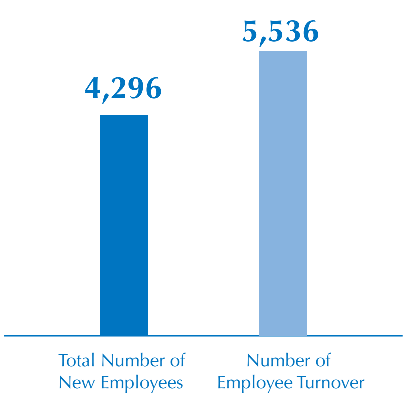
Number of Employees (By Gender)



Number of Employees (By Region)



Employee Turnover



B. Improve Incentive Mechanisms

The Group strives to continuously improve its internal incentive mechanisms to encourage employees to unleash their full potential, improve work quality and efficiency. We have developed a comprehensive monthly quantitative performance evaluation and share option schemes for managers or above. The system calculates key performance indicators ("KPIs") for employees and management at different levels based on actual data, reducing the subjective judgment in evaluations, and ensuring that the reward system for managers or above is based on objective numerical indicators.

C. Employee Communication and Care

The Group focuses on employee well-being, listen to their needs and care about their lives. The Group has always been committed to helping employees solve practical life problems, actively giving back to employees for their hard work and doing its best to share the economic burden with employees. We support the enrolment of children through points-based systems, hold "Golden House in Books" and various award-winning recreational activities. Through a series of initiatives such as hosting employee birthday parties, employee clubs and employee care days, we offer care and benefits to employees and their families, so that every employee has a greater sense of happiness and belonging.

Case: "Golden House in Books" helps employees' children fulfil their university dreams

On 7 November 2022, the 13th batch of "Golden House in Books" scholarship distribution ceremony was held at Man Wah Group's headquarters, and 91 employees from four factories across the country received the scholarship on behalf of their children through online video. Since the establishment of the "Golden House in Books" project in 2010, approximately HK$8,700,000 in scholarships have been awarded to 484 employees' children.

The 13th batch of "Golden House in Books" scholarship distribution ceremony for Man Wah headquarters and branches

4.2 Help Employees Develop

We have established qualification standards and an excellent staff learning points system to provide a standard basis for staff promotion and career development, based on the Company's business needs and staff development wishes for promotion, salary adjustment, job transfer and training.

In addition to regular job training and management training, the Company also offers special talent training courses, academic education courses and professional manager training courses. In addition, since 2006, we have cooperated with world-renowned educational institutions such as Harvard, University of Chicago, Peking University and Tsinghua University to establish the Advanced Business Management Studies Scheme. For reserve cadres, we have arranged the Man Wah Elite Eagle Training Camp to provide professional and systematic training for participating employees.

FY2023

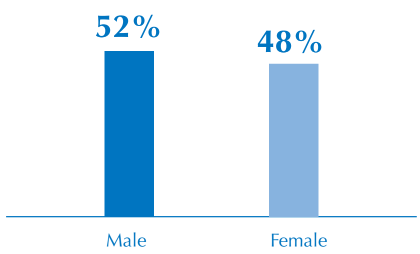
Staff trained
8,475 participants

Total training investment
HK$9,703,000

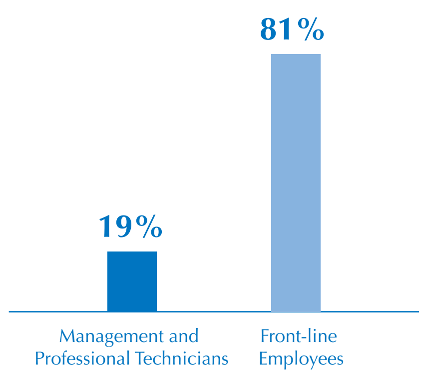
Staff training hours
632,403 hours

Training hours per person
534.36 hours

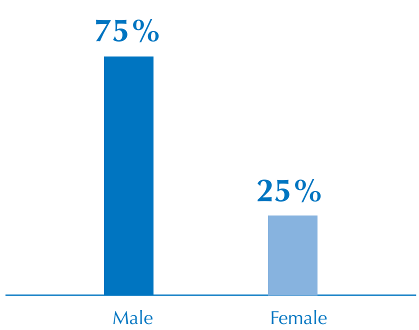
Percentage of Trained Employees (By Gender)



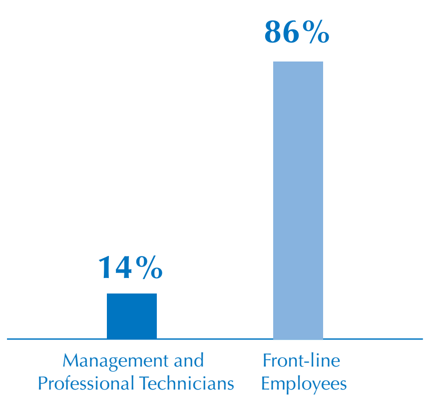
Percentage of Trained Employees (By Employee Category)



Percentage of Employee Training Hours (By Gender)



Percentage of Employee training hours (By Employee Category)



Case: Training on Excellent Leadership – The Weapon of Extraordinary Influence

On 21 April 2022, the Company held a training on Excellent Leadership – The Weapon of Extraordinary Influence. Through Q&A sessions, personality tests, games, and awarding certificates and bonuses, participating employees gained an understanding of their own shortcomings and learned the 18 modules of leadership training. This training improved employees' ability to apply theoretical knowledge to practical actions, enhanced their leadership skills, and also helped improve production efficiency and reduce production costs.

Conducting leadership training

4.3 Employee Health and Safety

The health and safety of employees directly affect the productivity and competitiveness of a company. We have established a comprehensive occupational health and safety system, formulated and implemented occupational health policies and measures, and taken strict safety precautions to ensure that employees work in a healthy and safe environment.

A. Ensure Physical and Mental Health

The Group values the health and safety of its employees. We have formulated various occupational disease prevention and control systems, such as the *System for the Provision and Use of Labour Protection Equipment* and *System for Promotion, Education and Training on Occupational Disease Prevention and Control*. We regularly analyse, test and evaluate occupational disease hazards, provide corresponding safety protection measures for each position and ensure a safe working environment. We also conduct regular physical examinations and occupational health training for employees, conduct a series of cultural and sports activities such as employee psychological counselling training and New Year performances, and renovate the outdoor basketball court in the living area to ensure the physical and mental health of our employees. During the Review Period, 399 safety training sessions were conducted, involving a total of 38,556 participants.

Case: The Group carefully planned a series of celebrations for International Women's Day

On the afternoon of 8 March 2023, the Group's Trade Union and Human Resources Department jointly held the "Show Your Elegance and Forge Ahead on a New Journey" 2023 Man Wah Holdings Award Ceremony for Female Staff of Discipline in Posts. The event included the awarding of certificates and prizes to the award-winning employees, a lawyer's on-site explanation of women's rights protection laws, and female employees handicraft DIY. Through this event, female employees of the Group were able to relax and enjoy themselves from their fulfilling work and life, liven up the cultural atmosphere, and enhance emotional communication among colleagues.

Certificates and prizes presented to award-winning employees

B. Ensure Safe Production

The Group is continuously building a solid safety net for preventing work-related injuries and safeguarding the occupational health of each worker. The Company strictly complies with relevant laws and regulations such as the *People's Republic of China Production Safety Law* and the *Regulations on the Reporting and Investigation of Production Safety Accidents*, and has established internal safety management systems such as the *Safe Production Assessment, Rewards and Punishment Management Regulations* and *Safety and Occupational Hazard Warning Sign Management Regulations*. The Company places a high importance on safe production work and carries out its responsibilities diligently to promote all aspects of safe production.

The Group implements the safe production policy of "safety first, prevention-oriented, comprehensive management". We established a safety committee, designated department heads as the first person in charge of EHS, formulated safety management systems and regularly conducted safety inspections, emergency drills, safety training, safety risk identification, assessment and control. In addition, we actively promote, conduct training and spread knowledge on work injury prevention, safe production policies and regulations, and strengthen the Company's safe production, thereby improving the safe production environment and awareness of our employees. The Company has 21 safety management personnel who have passed relevant safety training and assessments. No major production safety accidents occurred during the reporting period.

FY2023

Emergency drills of various types conducted
22 times

Regular and unscheduled safety inspections conducted
390 times

Correction rate of hidden dangers conducted
99.6%

Conducted **399** safety training sessions with 38,556 participants

Investment in safe production
HK$9,611,000

Work-related fatalities
0

Lost days due to work injuries
60,222.88 hours

Ratio of lost days due to work injuries
0.09%

Huizhou city safe production standardisation level III standard enterprise

Certificate of level III enterprise in safe production standardisation

Case: The Group Holds Safety Training on Preventing Work-related Injuries and Ensuring Safety

On 22 and 25 November 2022, the Company successfully held a themed training on Preventing Work-related Injuries and Ensuring Safety, with a total of 204 participants.

The training covered four aspects: work injury prevention, work injury insurance policies, enterprise safety management and case analysis, providing in-depth and easy-to-understand interpretations of national laws and regulations, enterprise safe production management, definitions of work injury and work injury insurance, and the significance and role of work injury insurance. Through this training, participating employees deeply understood the importance of safety, and eliminated the reckless mentality to take risks among employees. Safety knowledge was effectively disseminated among the employees.

Themed training on Preventing Work-related Injuries and Ensuring Safety

5. BUILD HARMONIOUS SOCIETY

As an important part of society, the Group actively takes on social responsibilities while pursuing commercial interests, promoting social stability and prosperity through practical actions, and advancing social progress and development.

5.1 Enthusiastic in Charity and Philanthropy

We are committed to contributing to charity and philanthropy causes in society to enhance the sense of corporate social responsibility, establish the image and brand value of the enterprise, and promote social harmony and stability. Throughout the years, we have rendered financial assistance to various charity and Philanthropy causes such as education and rural revival.

FY2023

The Company donated a total of HK$9,110,000 for mainly including:

Tianjin Wuqing District Red Cross Society for charity purposes
HK$2,273,000

Xianyang Charity Association
HK$2,273,000

Chongqing Jiangjin District Charity Association
HK$2,273,000

Horgos, Xinjiang for rural revival and education
HK$2,273,000

5.2 Integrated Development of Enterprises and Academia

On 13 July 2022, the Group announced its *2022–2025 Production-Education Integration Plan* for Man Wah Furniture Manufacturing (Huizhou) Co., Ltd. By hosting job fairs and building a platform for academia-enterprise communication and cooperation, we can leverage our respective strengths to achieve an organic combination and enhancement of academia-enterprise resources, mutual penetration, two-way access and resource sharing. This has created a new model for the practical implementation of scientific research results and promoted common development.

Case: Build an Academia-Enterprise Cooperative Employment Base with the Art College of Heilongjiang University

On the afternoon of 24 March 2022, representatives from the Group and the Art College of Heilongjiang University signed an Employment Internship Base Agreement and unveiled the Heilongjiang University Employment Internship Base. This unveiling ceremony opened the curtain for multi-level, multi-form and multi-field academia-enterprise cooperation under new circumstances, allowing students to integrate into an enterprise in advance and accumulate new reserve workforce and scientific research development strength for the Company. This promotes high-quality and win-win academia-enterprise development.

Signing and Unveiling Ceremony of Academia-Enterprise Cooperative Employment Base

Case: Donate Funds to Build the Man Wah Building in a Renowned School, Help Train Talent for Global Economic Think Tanks

On 7 October 2022, the Man Wah Building, an office building donated by the Group to the Switzerland campus of China Europe International Business School (CEIBS), was successfully completed and put into use. The Group will deepen its cooperation with CEIBS to jointly promote innovation, transformation and globalization of the Chinese economy.

APPENDIX

(1) ESG Key Performance Indicators

Topic	Indicator	Unit	FY2023
Environmental Data			
Water consumption	Water usage	t	882,813.16
	Intensity of water consumption per person	t/person	34.18
	Reclaimed water usage	t	0.00
Energy	Purchased electricity	kWh	44,277,575.00
	Natural gas	m^3	6,248,616.32
	Gasoline	L	100.00
	Diesel	L	4,560,852.45
	New energy vehicles electricity consumption	kWh	0.00
Packaging	Total packaging material used in finished products	t	19,240.00
Materials	Office paper	kg	182,066.20
Greenhouse gas (GHG) emissions	GHG emissions (Scope 1)	tCO_2e	26,059.45
	Intensity of GHG emissions (Scope 1)	tCO_2e/person	1.00
	GHG emissions (Scope 2)	tCO_2e	25,251.50
	Intensity of GHG emissions (Scope 2)	tCO_2e/person	0.98
	GHG emissions	tCO_2e	51,310.95
	Intensity of GHG emissions	tCO_2e/person	1.98
Air emissions	Nitrogen oxides (NO_x)	t	7.46
	Sulphur oxides (SO_x)	t	0.12
	Particulate matter (PM)	t	200.23
	VOC emissions	t	1.11
Wastes	Hazardous wastes	t	155.31
	Cartridge	piece	737.00
	Toner cartridge	piece	674.00
	Light tube	piece	2,165.00
	Non-hazardous wastes	t	17,923.56

Topic	Indicator	Unit	FY2023
Social Data			
Employment and diversity	Total number of employees	person	25,832.00
	Employees – by contract type		
	Employees on the job	person	25,832.00
	Permanent employees (open-ended employment contracts)	person	4,674.00
	Limited-term contracts	person	21,087.00
	Dispatched labour	person	71.00
	By rank		
	Senior management	person	435.00
	Middle-level management	person	1,876.00
	General and technical employees	person	23,521.00
	By age		
	30 or below	person	8,323.00
	30–50	person	15,613.00
	50 or above	person	1,897.00
	By gender		
	Male employees	person	16,885.00
	Female employees	person	8,947.00
	By geographical location		
	Domestic	person	17,981.00
	Overseas	person	7,851.00
Staff recruitment and retention	Total number of new employees	person	4,296.00
	Employee turnover	person	5,536.00
	Employee turnover rate	%	21.00
Health and safety	Lost days due to work injury	hour	60,222.88
	Ratio of lost days due to work injury	%	0.09
	Work-related fatalities in the past three years	person	0.00
	Work-related fatality rate	%	0.00

Topic	Indicator	Unit	FY2023
Training	Number of participants in employee training	participant	8,475.00
	Total investment in training	HK$'000	9,703.00
	Percentage of male employees trained	%	52.00
	Percentage of female employees trained	%	48.00
	Percentage of management and professional technicians trained	%	19.00
	Percentage of front-line employees	%	81.00
	Total training hours of employees	hour	632,403.00
	Percentage of training hours of male employees	%	75.00
	Percentage of training hours of female employees	%	25.00
	Percentage of training hours of management and professional technicians	%	14.00
	Percentage of training hours of front-line employee	%	86.00
	Training hours per person	hour	534.36
Anti-corruption	Corruption cases concluded in FY2023	case	5.00
	Valid whistle-blowing received in FY2023	case	3.00
	Whistle-blowing response rate	%	100.00
	Number of persons involving violations of discipline and regulations handled	person	90.00
	Violations of discipline and regulations handled	case	1.00
	Total number of employees receiving anti-corruption training	person	3.00

Topic	Indicator	Unit	FY2023
Supply chain management	Total number of suppliers	supplier	2,430.00
	Including: China (Hong Kong inclusive)	supplier	2,199.00
	Overseas	supplier	231.00
	Integrity agreement signing rate of suppliers	%	98.00
	Supplier training	supplier	10.00
	IPRs infringement or being infringed	case	0.00
Product recall	Times of product recalls in the year	time	0.00
	Number of product recalls in the year (number involved/sales as a percentage of total sales/ percentage of sales)	%	0.00
Emergency and hidden danger	Number of emergency drills conducted	time	22.00
	Number of regular and unscheduled safety checks	time	390.00
	Number of hidden dangers checked	case	4,581.00
	Hidden danger correction rate	%	99.60
Safety training	Times of safety training	time	399.00
	Attendance for safety training	attendance	38,556.00
	Amount of investment in safe production	HK$'000	9,611.00
Customer privacy	Number of significant third-party privacy breaches in FY2023	case	0.00
	Number of significant data security/ cybersecurity incidents in FY2023	case	1.00
Charity activity	Total amount of charity donation	HK$'000	9,110.00

(2) Indicator Index

The Company has complied with the "mandatory disclosure requirements" and "comply or explain" provisions set out in the Environmental, Social and Governance Reporting Guide, Appendix 27 of the Listing Rules. The following table provides an overview of the Company's compliance with the guide.

Aspect	Indicator Number	Indicator Content	Report Section
Aspect A1: Emissions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Address Climate Change Strict Emission Management
	KPI A1.1	The types of emissions and respective emissions data.	Strict Emission Management
	KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Address Climate Change
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Strict Emission Management
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Strict Emission Management
	KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	Strict Emission Management
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Strict Emission Management

Aspect	Indicator Number	Indicator Content	Report Section
Aspect A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Improve Resource Efficiency
	KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Improve Resource Efficiency
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Improve Resource Efficiency
	KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Improve Resource Efficiency
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Improve Resource Efficiency
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Improve Resource Efficiency
Aspect A3: The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	Improve Resource Efficiency
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Improve Resource Efficiency
Aspect A4: Climate Change	General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Addressing Climate Change
	KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Addressing Climate Change

Aspect	Indicator Number	Indicator Content	Report Section
Aspect B1: Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Protect Employee Rights
	KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Protect Employee Rights
	KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Protect Employee Rights
Aspect B2: Health and Safety	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Employee Health and Safety
	KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Employee Health and Safety
	KPI B2.2	Lost days due to work injury.	Employee Health and Safety
	KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Employee Health and Safety
Aspect B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Help Employees Develop
	KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Help Employees Develop
	KPI B3.2	The average training hours completed per employee by gender and employee category.	Help Employees Develop

Aspect	Indicator Number	Indicator Content	Report Section
Aspect B4: Labour Standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Protect Employee Rights
	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Protect Employee Rights
	KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Protect Employee Rights
Aspect B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	Promote Mutual Benefits
	KPI B5.1	Number of suppliers by geographical region.	Promote Mutual Benefits
	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Promote Mutual Benefits
	KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Promote Mutual Benefits
	KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Promote Mutual Benefits

Aspect	Indicator Number	Indicator Content	Report Section
Aspect B6: Product Responsibility	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Excellent Quality and Service
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Excellent Quality and Service
	KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Excellent Quality and Service
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Excellent Quality and Service
	KPI B6.4	Description of quality assurance process and recall procedures.	Excellent Quality and Service
	KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Excellent Quality and Service

Aspect	Indicator Number	Indicator Content	Report Section
Aspect B7: Anti-corruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Business Ethics
	KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Business Ethics
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Business Ethics
	KPI B7.3	Description of anti-corruption training provided to directors and staff.	Business Ethics
Aspect B8: Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Build Harmonious Society
	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Build Harmonious Society
	KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Build Harmonious Society

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 2023 ("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. 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 the 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 30 June 2022, 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	1/1
Ms. Hui Wai Hing	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. Kan Chung Nin, Tony	1/1
Mr. Ding Yuan	1/1
Mr. Yang Siu Shun	1/1

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 or/and 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 the CEO)*	✔
Ms. Hui Wai Hing	✔
Mr. Alan Marnie	✔
Mr. Dai Quanfa	✔
Ms. Wong Ying Ying	✔
Independent non-executive Directors	
Mr. Chau Shing Yim, David	✔
Mr. Kan Chung Nin, Tony	✔
Mr. Ding Yuan	✔
Mr. Yang Siu Shun	✔

BOARD OF DIRECTORS

As at 31 March 2023, 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 the CEO)*	4/4
Ms. Hui Wai Hing	4/4
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. Kan Chung Nin, Tony	4/4
Mr. Ding Yuan	4/4
Mr. Yang Siu Shun	4/4

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. Yang Siu Shun have 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 95 to 97 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 2023, the Audit Committee consisted of four INEDs, namely, Mr. Chau Shing Yim, David, Mr. Ding Yuan and Mr. Kan Chung Nin, Tony and Mr. Yang Siu Shun. 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 2023, 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.

As of the date of this annual report, the Board has two female Directors out of nine Directors. The gender ratio is the same for the senior management as it is for the Board, since executive Directors are considered as the senior management. The Board will maintain at the least the current level of female representation on the Board, and in any event not less than the requirements under the Listing Rules. The Board is committed to further enhance gender diversity as and when suitable candidates are identified. The Board would ensure that an appropriate balance of gender diversity is achieved with reference to stakeholders' expectation and international and local recommended best practices. Similar considerations shall also be applied for selecting potential candidate of the senior management team from time to time. All the executive Directors of the board have direct experiences in the Group's core markets, with various ethnic backgrounds and reflecting the Group's values and purposes. Two of the independent non-executive Directors have appropriate professional qualifications and/or extensive accounting or related financial management expertise. One independent non-executive Director has an extensive legal background and one independent non-executive Director has extensive experiences in teaching and researching financial accounting, financial statement analysis, corporate governance and mergers and acquisitions.

The Board is determined to ensure an appropriate balance of gender diversity is achieved with reference to stakeholders' expectation and international and local recommended best practices, with the ultimate goal of bringing the Board to gender diversity.

As of 31 March 2023, 35% of our colleagues are female. For details, please refer to our ESG Report. The Board considers that the gender ratio of the workforce of the Group, including the Senior Management, is appropriate for the operations of the Group and will strive to maintain this ratio.

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 2023, 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 determine, with delegated responsibility, the remuneration packages of individual executive directors and senior management **OR** make recommendations to the Board on the remuneration packages of individual executive directors and senior management.

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;

(iii) to approve the terms of an executive Director's service contract; and

(iv) to review and approve matters relating to share schemes under Chapter 17 of the Listing Rules.

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.

During the year, there were no material matters relating to the share option schemes of the Company which required review or approval by the Remuneration Committee.

Details of the remuneration of the Directors of the Company for the Review Period are set out in note 37 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 recognizes 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.

Having considered the implementation and effectiveness of the channels of communication and engagement in place, the Board is satisfied that the Shareholders' Communication Policy has been properly implemented during the year and is effective.

CONSTITUTIONAL DOCUMENTS

There was no change in the Company's constitutional documents during the Review Year.

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 2023 with a term from 1 April 2023 until 31 March 2024.

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	2,900
Review of interim financial information	900
Non-audit services	773
	4,573

Non-audit services mainly include tax consultancy services.

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 35 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 98 to 99 of this annual report.

An interim dividend of HK15.0 cents per Share amounting to approximately HK$587,661,000 was paid to the shareholders of the Company ("Shareholders") during the Review Period. The Directors recommend the payment of a final dividend of HK10 cents per Share to the Shareholders on the register of members on Monday, 10 July 2023, amounting to approximately HK$392,095,000.

PROPERTY, PLANT AND EQUIPMENT

During the Review Period, the Group revalued all of its investment properties as at 31 March 2023. The fair value of investment properties is the same as at 31 March 2022.

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:

	2023	2022
	HK$'000	HK$'000
Contributed surplus	**1,989,259**	2,018,306
Retained earnings	**9,963**	85,941
	1,999,222	2,104,247

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
Ms. Hui Wai Hing
Mr. Alan Marnie
Mr. Dai Quanfa
Ms. Wong Ying Ying

Independent Non-executive Directors:
Mr. Chau Shing Yim, David
Mr. Kan Chung Nin, Tony
Mr. Ding Yuan
Mr. Yang Siu Shun

In accordance with clause 99 of the Company's bye-laws, Mr. Wong Man Li, Ms. Hui Wai Hing and Mr. Chau Shing Yan, David will retire by rotation. Mr. Wong Man Li, Ms. Hui Wai Hing and Mr. Chau Shing Yan, David, all being eligible, will offer themselves for re-election at the forthcoming annual general meeting to be held on Friday, 30 June 2023.

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 2023, 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	2,400,782,400[2]	61.23%
	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	2,403,872,400[3]	61.31%
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%
Mr. Yang Siu Shun	Beneficial owner	30,000[7]	0.001%
	Spouse	20,000[7]	0.001%

Notes:

1. The percentage of the Company's issued share capital is based on the 3,920,949,600 Shares issued as at 31 March 2023.

2. These 2,400,782,400 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 2,400,782,400 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 2,396,800 Shares and the 149,600 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 2,403,872,400 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 890,800 Shares held by Mr. Dai and 157,600 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 2,068,400 Shares held by Ms. Wong and 153,200 underlying shares upon the exercise of share options granted to Ms. Wong under the Share Option Schemes.

7. 30,000 Shares are beneficially held by Mr. Yang Siu Shun and Mr. Yang is also deemed, under Part XV of the SFO, to be interested in the 20,000 Shares in which the spouse of Mr. Yang, has a long position.

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 2023, 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 2023 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 2023, 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	2,400,782,400	61.23%

Note:

1. The percentage of the Company's issued share capital is based on the 3,920,949,600 Shares issued as at 31 March 2023.

Save as disclosed above, as at 31 March 2023, 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 369,847,720 shares, representing approximately 9.4% of the issued shares of the Company as at the date of this report.

As at 1 April 2022, the available unissued shares under the mandate limit of the Share Option Scheme is 367,938,120 shares.

There was no options granted under the Share Option Scheme during the year.

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 1.4.2022	Granted during the Review Period	Cancelled during the Review Period	Lapsed during the Review Period	Exercised during the reviewing period	Outstanding at 31.3.2023
Mr. Wong Man Li	12.2.2018	12.2.2018–11.2.2022	12.2.2022–11.2.2024	7.18	40,400	–	–	–	–	40,400
	28.1.2019	28.1.2019–27.1.2022	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
Ms. Hui Wai Hing	13.1.2017	13.1.2017–12.1.2021	13.1.2021–12.1.2023	5.17	68,800	–	–	–	(68,800)	–
	12.2.2018	12.2.2018–11.2.2021	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

Grantee	Date of grant[2]	Vesting period	Exercisable period	Exercise price per share	Number of Share Options[1] Outstanding at 1.4.2022	Granted during the Review Period	Cancelled during the Review Period	Lapsed during the Review Period	Exercised during the reviewing period	Outstanding at 31.3.2023
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	–	–	–	–	22,800
		16.2.2022–15.2.2025	16.2.2025–15.2.2027	11.1	22,800	–	–	–	–	22,800
		16.2.2022–15.2.2026	16.2.2026–15.2.2028	11.1	22,000	–	–	–	–	22,000
Ms. Wong Ying Ying	13.1.2017	13.1.2017–12.1.2021	13.1.2021–12.1.2023	5.17	31,200	–	–	–	(31,200)	–
	12.2.2018	12.2.2018–11.2.2021	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

						Number of Share Options[1]				
Grantee	Date of grant[2]	Vesting period	Exercisable period	Exercise price per share	Outstanding at 1.4.2022	Granted during the Review Period	Cancelled during the Review Period	Lapsed during the Review Period	Exercised during the reviewing period	Outstanding at 31.3.2023
Employees working	13.1.2017	13.1.2017–12.1.2021	13.1.2021–12.1.2023	5.17	55,200	–	–	(2,800)	(52,400)	–
under employment	12.2.2018	12.2.2018–11.2.2021	12.2.2021–11.2.2023	7.18	108,400	–	–	(21,200)	(87,200)	–
contracts that are		12.2.2018–11.2.2022	12.2.2022–11.2.2024	7.18	724,000	–	–	(59,200)	(236,800)	428,000
regarded as	28.1.2019	28.1.2019–27.1.2021	28.1.2021–27.1.2023	3.91	201,200	–	–	(67,600)	(133,600)	–
"continuous contracts"		28.1.2019–27.1.2022	28.1.2022–27.1.2024	3.91	2,095,200	–	–	(189,200)	(1,301,200)	604,800
for the purposes of the		28.1.2019–27.1.2023	28.1.2023–27.1.2025	3.91	2,941,200	–	–	(283,600)	(1,427,200)	1,230,400
Employment										
Ordinance	17.1.2020	17.1.2020–16.1.2022	17.1.2022–16.1.2024	6.53	1,470,400	–	–	(262,400)	(442,800)	765,200
(Chapter 57 of the laws		17.1.2020–16.1.2023	17.1.2023–16.1.2025	6.53	1,779,200	–	–	(300,400)	(363,600)	1,115,200
of Hong Kong)"		17.1.2020–16.1.2024	17.1.2024–16.1.2026	6.53	1,546,000	–	–	(285,200)		1,260,800
	3.2.2021	3.2.2021–2.2.2023	3.2.2023–2.2.2025	1,978	1,436,400	–	–	(134,000)	–	1,302,400
		3.2.2021–2.2.2024	3.2.2024–2.2.2026	1,978	1,377,600	–	–	(122,000)	–	1,255,600
		3.2.2021–2.2.2025	3.2.2025–2.2.2027	1,978	1,118,400	–	–	(88,000)	–	1,030,400
	16.2.2022	16.2.2022–15.2.2024	16.2.2024–15.2.2026	1.11	2,770,000	–	–	(549,200)	–	2,220,800
		16.2.2022–15.2.2025	16.2.2025–15.2.2027	1.11	2,713,600	–	–	(539,200)	–	2,174,400
		16.2.2022–15.2.2026	16.2.2026–15.2.2028	1.11	2,260,400	–	–	(477,200)	–	1,783,200
					23,847,600	–	–	(3,381,200)	(4,534,400)	15,932,000
Exercisable options	before 31 March 2023									5,858,000

Notes:

1. Number of Shares in the Company over which options granted under the 2010 Share Option Scheme and the 2020 Share Option Scheme 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 9 February 2018 was HK$6.88, (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$14.44. The gross proceeds received from issuance of shares upon the exercise of Share Options during the Review Period was approximately HK$21,556,644.

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 2023, 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 32 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 32 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 2023 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 8.9% and 14.5% of the total revenue and purchases for the year, respectively. The Group's largest customer accounted for around 3.2% of the total revenue for the year. The Group's largest supplier accounted for around 5.2% 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$9,110,000 (FY2022: HK$36,586,000).

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 FY2023, the Company repurchased a total of 11,647,600 ordinary shares of the Company at an aggregate purchase price of approximately HK$58,958,729 (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	Lowest	Aggregate purchase price
		HK$	HK$	(Approx. HK$)
October 2022	11,647,600	5.30	4.83	58,958,729
Total	11,647,600			58,958,729

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 30 June 2022, 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 81 to 86 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. Ding Yuan has been appointed as an independent non-executive director of Health and Happiness (H&H) International Holdings Limited with effect from 1 January 2023.

Save as disclosed above, there is no other information required to be disclosed under Rule 13.51B(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
15 May 2023

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 98 to 188, comprise:

- the consolidated statement of financial position as at 31 March 2023;
- 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 2023, 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 judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters identified in our audit are summarised as follows:

- Impairment assessment of goodwill

- Impairment assessment of trade receivables and bills receivable

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 judgement and estimates involved in the goodwill assessment by management of the Group.

The carrying amount of goodwill as at 31 March 2023 was approximately HK$816,174,000 (2022: HK$1,003,331,000). The goodwill impairment assessment involved significant management judgement 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.

The Group recognised the provision for impairment of goodwill of approximately HK$133,753,000 (2022: Nil) relating to the manufacture and distribution of sofas by Home Group business for the year ended 31 March 2023. Refer to Note 17 to the consolidated financial statements for details.

Based on the results of the impairment assessments conducted, the Group determined that, other than the abovementioned impairment charge of approximately HK$133,753,000 (2022: Nil), there is no impairment of other goodwill. This judgement is based on recoverable amounts, being the higher of the fair value less costs of disposal and value in use, exceeding the book amounts of the respective business units including goodwill and other operating assets.

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 used in 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 affect the outcomes 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 judgement and estimates involved in the impairment assessment of goodwill to be supportable by 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. We identified impairment assessment of trade receivables and bills receivable as a key audit matter due to the involvement of significant management judgement and estimates in evaluating the expected credit losses ("ECL") of the Group's trade receivables and bills receivable at the end of the reporting period. As at 31 March 2023, the Group's gross trade receivables and bills receivable amounted to approximately HK$1,633,574,000 (2022: HK$2,269,774,000) and the provision for ECL of trade receivables and bills receivable amounted to approximately HK$35,264,000 (2022: HK$24,686,000). Management of the Group estimated the lifetime 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$14,578,000 (2022: HK$19,825,000) of provision for impairment of trade receivables and bills receivable during the year ended 31 March 2023.	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 2023, 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 judgement and estimates involved in the impairment assessment of trade receivables and bills receivable 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 judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

- 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, 15 May 2023

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2023

	Notes	2023 HK$'000	2022 HK$'000
Revenue and other income		**17,788,864**	21,787,920
Revenue	5	**17,351,106**	21,496,783
Cost of goods sold	8	**(10,672,839)**	(13,606,188)
Gross profit		**6,678,267**	7,890,595
Other income	6	**437,758**	291,137
Other losses, net	7	**(241,416)**	(49,350)
Selling and distribution expenses	8	**(3,317,923)**	(4,189,944)
Administrative and other expenses	8	**(1,046,952)**	(1,052,908)
Operating profit		**2,509,734**	2,889,530
Finance costs	9	**(164,857)**	(79,692)
Share of results of joint ventures		**9,995**	9,651
Profit before income tax		**2,354,872**	2,819,489
Income tax expense	11	**(496,694)**	(502,929)
Profit for the year		**1,858,178**	2,316,560
Other comprehensive (loss)/income:			
Item that may be subsequently reclassified to profit or loss			
Currency translation differences		**(793,431)**	386,330
Item that will not be reclassified to profit or loss			
Currency translation differences		**(44,764)**	–
Other comprehensive (loss)/income for the year		**(838,195)**	386,330
Total comprehensive income for the year		**1,019,983**	2,702,890

	Note	2023 HK$'000	2022 HK$'000
Profit/(loss) for the year attributable to:			
Owners of the Company		**1,914,914**	2,247,491
Non-controlling interests		**(56,736)**	69,069
		1,858,178	2,316,560
Total comprehensive income/(loss) for the year attributable to:			
Owners of the Company		**1,121,483**	2,578,251
Non-controlling interests		**(101,500)**	124,639
		1,019,983	2,702,890
Earnings per share attributable to owners of the Company			
– Basic (HK cents per share)	12	**48.80**	56.90
– Diluted (HK cents per share)	12	**48.77**	56.77

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 2023

	Notes	2023 HK$'000	2022 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**6,743,332**	6,051,190
Investment properties	15	**464,734**	495,827
Right-of-use assets	16	**2,657,316**	2,931,906
Goodwill	17	**816,174**	1,003,331
Other intangible assets	17	**215,914**	276,525
Interests in joint ventures	18	**72,912**	67,773
Financial assets at fair value through profit or loss	23	**1,826**	1,973
Deferred tax assets	19	**29,174**	41,025
Deposit paid for a land lease		**3,860**	30,070
Prepayments and deposits paid for acquisition of property, plant and equipment		**220,612**	280,882
		11,225,854	11,180,502
Current assets			
Inventories	20	**1,449,689**	2,698,697
Properties held for sale		**151,716**	209,623
Properties under development	21	**167,681**	178,751
Trade receivables and bills receivable	22	**1,598,310**	2,245,088
Other receivables and prepayments	22	**943,908**	775,074
Financial assets at fair value through profit or loss	23	**343,608**	386,919
Tax recoverable		**14,094**	10,986
Restricted bank balances	24	**7,394**	4,045
Cash and bank balances	24	**3,738,234**	2,831,559
		8,414,634	9,340,742
Total assets		**19,640,488**	20,521,244
EQUITY			
Equity attributable to owners of the Company			
Share capital	28	**1,568,380**	1,571,225
Reserves		**9,988,397**	10,138,478
		11,556,777	11,709,703
Non-controlling interests		**970,993**	1,038,470
Total equity		**12,527,770**	12,748,173

	Notes	2023 HK$'000	2022 HK$'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	16	**143,752**	165,855
Bank borrowings – non-current portion	27	**350**	566
Deferred tax liabilities	19	**151,843**	161,423
Other non-current liabilities		**30,753**	1,550
		326,698	329,394
Current liabilities			
Trade payables and bills payable	25	**950,941**	1,155,911
Other payables and accruals	25	**974,682**	1,224,626
Lease liabilities	16	**79,243**	106,493
Contract liabilities	26	**363,867**	354,907
Bank borrowings – current portion	27	**4,176,079**	4,335,016
Tax payable		**241,208**	266,724
		6,786,020	7,443,677
Total liabilities		**7,112,718**	7,773,071
Total equity and liabilities		**19,640,488**	20,521,244

The consolidated financial statements on pages 98 to 188 were approved by the Board of Directors on 15 May 2023 and were signed on its behalf.

WONG YING YING	**WONG MAN LI**
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 2023

	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 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
Comprehensive income/(loss)													
Profit/(loss) for the year	–	–	–	–	–	–	–	–	–	1,914,914	1,914,914	(56,736)	1,858,178
Other comprehensive loss													
Currency translation differences	–	–	–	–	–	(793,431)	–	–	–	–	(793,431)	(44,764)	(838,195)
Total comprehensive income/(loss)	–	–	–	–	–	(793,431)	–	–	–	1,914,914	1,121,483	(101,500)	1,019,983
Transactions with owners													
Repurchase of shares (Note 28)	(4,659)	(54,300)	–	–	–	–	–	–	–	–	(58,959)	–	(58,959)
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	11,640	11,640
Capital contribution by non-controlling equity holders	–	–	–	–	–	–	–	–	–	–	–	70,272	70,272
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	–	18,722	–	18,722	–	18,722
Issuance of shares upon exercise of share options	1,814	25,253	–	–	–	–	–	–	(5,701)	–	21,366	–	21,366
Transfer to PRC statutory reserves	–	–	–	–	189,192	–	–	–	–	(189,192)	–	–	–
Dividends paid to equity holders of the Company (Note 13)	–	–	–	–	–	–	–	–	–	(1,255,538)	(1,255,538)	–	(1,255,538)
Dividends paid to non-controlling equity holders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(47,889)	(47,889)
Total transactions with owners	(2,845)	(29,047)	–	–	189,192	–	–	–	13,021	(1,444,730)	(1,274,409)	34,023	(1,240,386)
Balance at 31 March 2023	1,568,380	1,989,259	(16,132)	(113,194)	990,496	(799,940)	37,099	(448)	41,389	7,859,868	11,556,777	970,993	12,527,770

	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	–	–	–	–	–	–	–	–	–	–	–	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

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 2023

	Notes	2023 HK$'000	2022 HK$'000
Cash flows from operating activities			
Cash generated from operations	34(a)	**4,609,963**	2,755,054
Interest paid		**(153,362)**	(70,706)
Interest received		**114,388**	71,161
Income tax paid, net		**(511,973)**	(431,852)
Net cash generated from operating activities		**4,059,016**	2,323,657
Cash flows from investing activities			
Investment in structured deposits		**(459,715)**	(22,463,400)
Proceeds on disposal of structured deposits		**458,658**	22,497,983
Payment for acquisition of property, plant and equipment		**(1,555,212)**	(1,737,726)
Withdrawal of restricted bank balances		**4,045**	13,827
Placement of restricted bank balances		**(7,394)**	(5,635)
Purchase of other intangible assets		**(5,545)**	(4,708)
Prepayment for right-of-use assets		**–**	(217,940)
Proceeds from disposal of property, plant and equipment		**107,357**	55,424
Placement of short-term bank deposits		**(118,856)**	(5,855)
Withdrawal of short term bank deposits		**5,855**	892,066
Acquisition of subsidiaries, net of cash acquired		**(90,212)**	(110,776)
Cash outflow on disposal of a subsidiary		**–**	(12,640)
Net cash used in investing activities		**(1,661,019)**	(1,099,380)
Cash flows from financing activities			
Dividends paid to equity holders of the Company	13	**(1,255,538)**	(1,147,362)
Dividends paid to non-controlling equity holders of subsidiaries		**(47,889)**	(66,428)
Repurchase of shares		**(58,959)**	(391,088)
Repayment of borrowings		**(2,113,142)**	(1,542,380)
New borrowings raised		**2,160,710**	2,260,433
Capital contribution from non-controlling equity holders		**70,272**	112,000
Proceeds from issuance of shares upon exercise of share options		**21,366**	17,294
Principal elements of lease payments		**(111,556)**	(86,656)
Net cash used in financing activities		**(1,334,736)**	(844,187)
Net increase in cash and cash equivalents		**1,063,261**	380,090
Cash and cash equivalents at beginning of the year		**2,825,704**	2,404,027
Effect of foreign exchange rate changes		**(269,587)**	41,587
Cash and cash equivalents at end of the year		**3,619,378**	2,825,704

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 judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement 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 adopted the following revised framework and amendments to standards which are relevant to the Group's operations and are mandatory for the financial year beginning on 1 April 2022.

IAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before Intended Use
IAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract
Annual improvement project (Amendments)	Annual Improvements to IFRS Standards 2018–2020
IFRS 3 (Amendments)	Reference to the Conceptual Framework
IFRS 16 (Amendments) (March 2021)	Covid-19 Related Rent Concessions beyond 30 June 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

2.1 Basis of preparation – continued

(i) New and amended standards adopted by the Group – continued

The adoption of the above revised framework and amendments to standards did not have any significant financial impact on these consolidated financial statements.

(ii) New standards, amendments to standards and interpretations not yet adopted

The following are new standard, amendments to standards and interpretations that have been published and are mandatory for the Group's accounting periods beginning on or after 1 April 2023 or later periods, but have not been early adopted by the Group.

IAS 1 (Amendments)	Non-current Liabilities with Covenants[2]
IAS 1 (Amendments)	Classification of Liabilities as Current or Non-current[2]
IFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback[2]
IFRS 17 (New Standard)	Insurance Contracts[1]
IAS 1 and IFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies[1]
IAS 8 (Amendments)	Definition of Accounting Estimates[1]
IAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
IFRS 10 and IAS 28 (Amendments)	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

(1) Effective for the accounting period beginning on or after 1 January 2023

(2) Effective for the accounting period beginning on or after 1 January 2024

(3) Effective date to be determined

The Group is in the process of assessing potential impact of the above new standards and amendments that are relevant to the Group upon initial application. It is not yet in a position to state whether these standards, interpretations, and amendments will have a significant impact on the Group's results of operations and financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

2.2 Principles of consolidation and equity accounting – continued

(b) Joint arrangements – continued

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.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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.

2.6 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".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

2.6 Foreign currency translation – continued

(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.

2.7 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

2.7 Property, plant and equipment – continued

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.

2.8 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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.

2.11 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) Trademarks, technology knowhow and customer relationship

Separately acquired trademarks are shown at historical cost. Trademarks, technology knowhow and customer relationships 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

2.11 Intangible assets – continued

(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.

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:

Trademarks	7%–12.5%
Technology knowhow	10%
Customer relationship	9%–20%

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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.

2.13 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

2.13 Investments and other financial assets – continued

(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.

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.

2.14 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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.

2.19 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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.

2.22 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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 (loss)/income or directly in equity. In this case, the tax is also recognised in other comprehensive (loss)/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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

2.23 Current and deferred income tax – continued

(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.

(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.

(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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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.

2.27 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

2.27 Revenue recognition – continued

(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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

2.28 Leases – continued

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

2.28 Leases – continued

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.

2.30 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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 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.

3 FINANCIAL RISK MANAGEMENT – continued

3.1 Financial risk factors – continued

(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

	2023	2022
	HK$'000	HK$'000
US$	**770,986**	1,651,009
RMB	**246,043**	6,038
Euro ("EUR")	**29,379**	66,049
HK$	**21,000**	20,855
Other currencies	**1,357**	22,567

3 FINANCIAL RISK MANAGEMENT – continued

3.1 Financial risk factors – continued

(a) Market risk – continued

(i) Foreign exchange risk – continued

Liabilities

	2023 **HK$'000**	2022 HK$'000
US$	**529,617**	625,302
RMB	**456,538**	3,229
EUR	**1,307**	13,722
HK$	**501,245**	500,202
Other currencies	**2,133**	15,362

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 2023, 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$'000
2023		
If US$ strengthens/weakens against the functional currencies	+5%/-5%	16,855 higher/lower
If RMB strengthens/weakens against the functional currencies	+5%/-5%	9,263 lower/higher
If HK$ strengthens/weakens against the functional currencies	+5%/-5%	17,722 lower/higher
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

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 and bank balances had been 50 basis points (2022: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2023 would increase/decrease by HK$13,257,000 (2022: HK$10,599,000). 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 (2022: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2023 would decrease/increase by HK$13,716,000 (2022: HK$9,047,000). 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 2023 and 2022, 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 80% (2022: 94%) of the Group's bank balance is deposited into five (2022: five) banks. The directors of the Company anticipated that the related credit risk is limited because the banks are with good reputations.

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. 8% (2022: 6%) and 24% (2022: 24%) 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 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 receivable and bills receivable 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$14,578,000 for impairment for trade receivables and bills receivable during the year ended 31 March 2023 (2022: HK$19,825,000) for these debtors. Trade receivables and bills receivable of HK$35,264,000 has been provided for as at 31 March 2023 (2022: HK$24,686,000).

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

As at 31 March 2023 and 2022, there were counterparties with significant doubt on collection of receivables and the management consider the receivables to have experienced a significant increase in credit risk and defined the receivables as default. The balance of these receivables as at 31 March 2023 and 2022 were HK$31,404,000 and HK$9,958,000 and the loss allowance in respect of these receivables were HK$31,404,000 and HK$9,958,000 respectively. Please refer to Note 22 for details.

For the remaining 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 rate of the remaining other financial assets at amortised cost to be immaterial under the 12 months ECL method. Thus, no provision for impairment for the remaining other financial assets at amortised cost is provided as at 31 March 2023 (2022: Nil).

(c) 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

(c) 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 2023						
Non-derivative financial liabilities						
Trade and other payables		1,626,654	–	–	1,626,654	1,626,654
Bank borrowings – variable rate	4.40	3,350,239	–	–	3,350,239	3,279,586
Bank borrowings – fixed rate	2.74	914,127	294	67	914,488	896,843
Lease liabilities		130,829	55,213	99,727	285,769	222,995
		6,021,849	55,507	99,794	6,177,150	6,026,078

	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

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 2023 and 2022, 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 2023 and 2022, 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 judgement in applying the Group's accounting policies.

Estimates and judgements 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 2023, the carrying amount of goodwill is HK$816,174,000 (2022: HK$1,003,331,000).

(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 judgements in applying accounting policies

The followings are the critical judgements, 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 2023, the Group provided for deferred tax liabilities of approximately HK$34,413,000 (2022: HK$34,413,000) 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$589,934,000 (2022: HK$383,615,000) 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) Provision for slow-moving inventories

The Group estimates the provision for inventory based on inventory ageing profiles and made specific and general provision for slow-moving inventories. Provision for inventory is recorded where events or changes in circumstances indicate that the carrying cost of inventories will not be fully realised. The quantification of inventory provision requires the use of estimates and judgement. Where the outcomes are different from the original estimates, such differences will impact the carrying value of inventories and provision for inventory in the years in which such estimates have been changed.

(vi) Fair value of investment properties

The valuation of investment properties requires management's input of various assumptions and factors relevant to the valuation. The assumptions adopted in the property valuations are based on the market conditions existing at the end of the reporting period, with reference to current market rental and the appropriate capitalisation rate or current market selling prices. The information about the fair value of investment properties are disclosed in Note 15.

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")
Bedding and ancillary products	–	manufacture and distribution of bedding and ancillary products
Other products	–	manufacture and distribution of chairs and other products to commercial clients, 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, share of results of joint ventures, 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, finance costs, provision for impairment of goodwill, provision for impairment of property, plant and equipment and unallocated expenses.

5 SEGMENT INFORMATION – continued

There is change in operating and reportable segment. The segment of bedding and ancillary products represented manufacture and distribution of bedding and ancillary products and segment of other products represented manufacture and distribution of chairs and other products to commercial clients, smart furniture spare parts and metal mechanism for recliners, income from sales of scrap metal (2022: the segment of other products represented manufacture and distribution of chairs and other products to commercial clients, mattress, smart furniture spare parts and metal mechanism for recliners, income from sales of scrap metal etc.). The comparative information has been revised in conformity with the current presentation accordingly.

Segment revenues and results

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

For the year ended 31 March 2023

	Sofas and ancillary products HK$'000	Bedding and ancillary products HK$'000 (Note)	Other products HK$'000 (Note)	Other business HK$'000	Home Group business HK$'000	Total HK$'000
Revenue						
External sales	12,298,602	2,726,781	1,417,246	295,903	612,574	17,351,106
Results						
Segment results	1,840,574	640,121	51,857	175,041	(40,389)	2,667,204
Other income						437,758
Share of results of joint ventures						9,995
Exchange gains, net						60,221
Losses from changes in fair value of financial assets at FVPL						(15,801)
Finance costs						(164,857)
Provision for impairment of goodwill						(133,753)
Provision for impairment of intangible assets						(125)
Provision for impairment of property, plant and equipment						(52,534)
Unallocated expenses						(453,236)
Profit before income tax						2,354,872

5 SEGMENT INFORMATION – continued

Segment revenues and results – continued

For the year ended 31 March 2022

	Sofas and ancillary products HK$'000	Bedding and ancillary products HK$'000 (Note)	Other products HK$'000 (Note)	Other business HK$'000	Home Group business HK$'000	Total HK$'000
Revenue						
External sales	14,616,557	3,381,770	2,236,450	371,128	890,878	21,496,783
Results						
Segment results	2,148,018	699,658	202,940	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)
Losses from changes 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

Other information

Amounts included in the measure of segment result:

For the year ended 31 March 2023

	Sofas and ancillary products HK$'000	Bedding and ancillary products HK$'000 (Note)	Other products HK$'000 (Note)	Other business HK$'000	Home Group business HK$'000	Total HK$'000
Loss/(gain) on disposal of property, plant and equipment	**59,119**	**321**	**280**	**(103)**	**(17)**	**59,600**
Depreciation and amortisation	**455,051**	**65,523**	**99,743**	**29,844**	**34,354**	**684,515**
Provision for impairment of trade receivables and bills receivable	**2,978**	**1,003**	**9,219**	**–**	**1,378**	**14,578**
Provision for impairment of inventories	**9,798**	**435**	**–**	**–**	**2,208**	**12,441**

Amounts included in the measure of segment result:

For the year ended 31 March 2022

	Sofas and ancillary products HK$'000	Bedding and ancillary products HK$'000 (Note)	Other products HK$'000 (Note)	Other business HK$'000	Home Group business HK$'000	Total HK$'000
Loss/(gain) on disposal of property, plant and equipment	3,124	260	1,439	–	(127)	4,696
Depreciation and amortisation	494,895	48,695	62,872	41,959	36,112	684,533
Provision for impairment of trade receivables and bills receivable	377	–	19,727	–	(279)	19,825
Provision for/(reversal of) impairment of inventories	2,709	–	–	–	(722)	1,987

5 SEGMENT INFORMATION – continued

Geographical information

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

	2023 HK$'000	2022 HK$'000
PRC (including Hong Kong and Macau)	**11,388,618**	13,563,935
North America	**4,188,848**	5,667,477
Europe	**1,149,321**	1,580,265
Others	**624,319**	685,106
	17,351,106	21,496,783

Note: Others mainly included Australia, Singapore, 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:

	2023 HK$'000	2022 HK$'000
PRC (including Hong Kong and Macau)	**9,606,098**	9,128,977
Europe	**350,795**	517,468
Vietnam	**1,236,923**	1,407,038
Others	**2,864**	85,994
	11,196,680	11,139,477

During the year, none of the Group's customers individually contributed more than 10% of the Group's revenue (2022: none).

5 SEGMENT INFORMATION – continued

Disaggregation of revenue from contracts with customers

Segments	Sofas and ancillary products HK$'000	Bedding and ancillary products HK$'000 (Note)	Other products HK$'000 (Note)	Other business HK$'000	Home Group business HK$'000	Total HK$'000
	For the year ended 31 March 2023					
Types of goods or service						
Manufacture and distribution of goods recognised at a point in time						
Sofas and ancillary products	12,298,602	–	–	–	612,574	12,911,176
Bedding and ancillary products	–	2,726,781	–	–	–	2,726,781
Customization and chair	–	–	21,320	–	–	21,320
Metal frame and smart furniture spare parts	–		1,395,926	–	–	1,395,926
Residential properties	–	–	–	25,151	–	25,151
	12,298,602	2,726,781	1,417,246	25,151	612,574	17,080,354
Service income – recognised over time	–	–	–	270,752	–	270,752
Total	12,298,602	2,726,781	1,417,246	295,903	612,574	17,351,106
Geographical markets						
North America	3,981,267	–	207,581	–	–	4,188,848
PRC (including Hong Kong and Macau)	7,546,520	2,726,781	819,414	295,903	–	11,388,618
Europe	231,674	–	305,073	–	612,574	1,149,321
Others	539,141	–	85,178	–	–	624,319
Total	12,298,602	2,726,781	1,417,246	295,903	612,574	17,351,106

5 SEGMENT INFORMATION – continued

Disaggregation of revenue from contracts with customers – continued

	For the year ended 31 March 2022					
Segments	Sofas and ancillary products HK$'000	Bedding and ancillary products HK$'000 (Note)	Other products HK$'000 (Note)	Other business HK$'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	14,616,557	–	–	–	890,878	15,507,435
Bedding and ancillary products	–	3,381,770	–	–	–	3,381,770
Customization and chair	–	–	16,720	–	–	16,720
Metal frame and smart furniture spare parts	–	–	2,219,730	–	–	2,219,730
Residential properties	–	–	–	128,733	–	128,733
	14,616,557	3,381,770	2,236,450	128,733	890,878	21,254,388
Service income – recognised over time	–	–	–	242,395	–	242,395
Total	14,616,557	3,381,770	2,236,450	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	3,381,770	1,183,344	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	3,381,770	2,236,450	371,128	890,878	21,496,783

Note: The comparative information has been revised in conformity with the current presentation.

6 OTHER INCOME

	2023 HK$'000	2022 HK$'000
Income from sales of scrap metal	**44,422**	30,936
Income on structure deposits	**5,926**	21,086
Interest income	**114,388**	71,161
Government subsidies (Note)	**264,338**	161,704
Others	**8,684**	6,250
	437,758	291,137

Note: The government subsidies recognised in other income of HK$264,338,000 (2022: HK$161,704,000) mainly represented the subsidies on PRC taxes paid, photovoltaic power generation, export credit insurance expenses, research and development cost, reallocation of factories paid by PRC government and employment support scheme paid by Hong Kong Government during the year.

7 OTHER LOSSES, NET

	2023 HK$'000	2022 HK$'000
Exchange gains/(losses), net	**60,221**	(360)
Fair value losses on investment properties	**–**	(300)
Losses on disposal of property, plant and equipment	**(59,600)**	(4,696)
Provision for impairment of trade receivables and bills receivable	**(14,578)**	(19,825)
Provision for impairment of other receivables	**(31,358)**	(9,958)
Losses from changes in fair value of financial assets at FVPL	**(15,801)**	(504)
Provision for impairment of goodwill	**(133,753)**	–
Provision for impairment of intangible assets	**(125)**	–
Provision for impairment of property, plant and equipment	**(52,534)**	–
Gain on termination of lease	**6,112**	–
Others	**–**	(13,707)
	(241,416)	(49,350)

8 OPERATING PROFIT

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

	2023 **HK$'000**	2022 HK$'000
Cost of inventories	**8,502,750**	11,229,027
Auditor's remuneration		
– audit services	**3,800**	3,800
– non-audit services	**773**	2,807
Amortisation of intangible assets (Note 17)	**52,341**	54,382
Depreciation of property, plant and equipment (Note 14)	**525,088**	530,839
Depreciation of right-of-use assets (Note 16)	**107,086**	99,312
Employee benefit expenses (including directors' emoluments) (Note 10)	**2,934,144**	3,238,391
Short-term lease payment	**31,792**	58,635
Provision for impairment of inventories	**12,441**	1,987
Legal and professional fee	**193,461**	64,796

9 FINANCE COSTS

	2023 **HK$'000**	2022 HK$'000
Interest on bank borrowing	**153,267**	69,226
Interest on lease liabilities	**11,495**	8,986
Others	**95**	1,480
	164,857	79,692

10 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2023 HK$'000	2022 HK$'000
Salaries and other allowances	**2,818,200**	3,134,600
Retirement benefit scheme contribution	**97,222**	91,132
Equity-settled share-based payments expense	**18,722**	12,659
	2,934,144	3,238,391

(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 Group has also participated in employee pension schemes organised and governed by the relevant local authorities for its employees in the overseas countries/regions.

The total contributions incurred in connection with the above for the year ended 31 March 2023 were approximately HK$97,222,000 (2022: HK$91,132,000). During the years ended 31 March 2023 and 2022, there is no forfeited contributions utilised and available at the year-end to reduce future contributions.

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

(b) Five highest paid individuals

For the year ended 31 March 2023, the five individuals whose emoluments were the highest in the Group included 2 director (2022: 1 director), whose emoluments were reflected in the analysis presented in Note 37(a). The emoluments paid/payable to the remaining 3 (2022: 4) individuals during the year ended 31 March 2023 were as follows:

	2023 HK$'000	2022 HK$'000
Salaries and other allowances	**17,873**	22,808
Discretionary bonus	**10,098**	8,613
Retirement benefit scheme contribution	**25**	46
Share-based payment expense	**–**	2,610
	27,996	34,077

Their emoluments were within the following bands:

	2023 HK$'000	2022 HK$'000
HK$4,000,001 to HK$4,500,000	**1**	–
HK$6,500,001 to HK$7,000,000	**–**	1
HK$8,000,001 to HK$8,500,000	**–**	1
HK$8,500,001 to HK$9,000,000	**–**	1
HK$10,000,001 to HK$10,500,000	**–**	1
HK$10,500,001 to HK$11,000,000	**1**	–
HK$13,000,001 to HK$13,500,000	**1**	–
	3	4

During the year ended 31 March 2023, no emoluments had been paid by the Group to the five highest-paid individuals as an inducement to join or upon joining the Group or as a compensation for loss of office (2022: Nil).

11 INCOME TAX EXPENSE

	2023 **HK$'000**	2022 HK$'000
Current income tax:		
PRC Corporate Income Tax ("PRC CIT")	**393,657**	368,289
PRC Withholding Income Tax	**35,089**	46,191
PRC Land Appreciation Tax ("PRC LAT")	**797**	5,653
Macau Complementary Tax	**27,035**	60,361
U.S. Federal and State Corporate Income Taxes ("U.S. CIT")	**1,698**	2,444
Others	**24,919**	19,250
Under-provision in prior years	**12,302**	3,159
	495,497	505,347
Deferred income tax charge/(credit) (Note 19)	**1,197**	(2,418)
	496,694	502,929

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% (2022: 21%) and state income tax calculated from 0% to 9% (2022: 0% to 9%) on the estimated assessable profits of the subsidiary of the Company which was incorporated in the U.S..

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

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:

	2023 **HK$'000**	2022 HK$'000
Profit before income tax	**2,354,872**	2,819,489
Less: Share of profit of investments accounted for using the equity method	**(9,995)**	(9,651)
	2,344,877	2,809,838
Tax calculated at the PRC CIT rate of 25% (2022: 25%)	**586,219**	702,459
Effect of different tax rates of subsidiaries operating in other jurisdictions and preferential tax rate	**(129,093)**	(217,580)
Income not subject to tax	**(102,245)**	(93,493)
Expenses not deductible for tax purposes	**45,241**	14,285
Tax losses for which no deferred income tax asset was recognised	**76,662**	45,803
Utilisation of tax losses previously not recognised	**(20,253)**	(2,135)
Provision for PRC Withholding Income Tax	**35,089**	46,191
Provision for PRC LAT	**797**	5,653
Tax effect of PRC LAT	**(199)**	(1,413)
Research and development enhanced deduction	**(7,826)**	–
Under-provision in prior years	**12,302**	3,159
	496,694	502,929

The weighted average applicable tax rate was 21.1% (2022: 17.8%). The increase is mainly due to the legal claim expenses is not deductible for tax purposes and the tax losses is not recognised for deferred income tax asset.

12 EARNINGS PER SHARE

Profit per share is computed as follows:

	2023	2022
Basic		
Profit attributable to equity owners of the Company for the year (HK$'000)	**1,914,914**	2,247,491
Weighted average outstanding ordinary share, in thousands	**3,924,077**	3,950,168
Basic earnings per share for the year in HK cents	**48.80**	56.90
Diluted		
Profit attributable to equity owners of the Company for the year (HK$'000)	**1,914,914**	2,247,491
Weighted average outstanding ordinary share, in thousands	**3,924,077**	3,950,168
Effect of dilutive potential ordinary shares on exercise of share options	**2,003**	8,519
Weighted average outstanding ordinary shares after assuming dilution, in thousands	**3,926,080**	3,958,687
Diluted earnings per share for the year in HK cents	**48.77**	56.77

13 DIVIDENDS

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

	2023 HK$'000	2022 HK$'000
Final dividend for 2022 of HK$0.17 (2022: HK$0.16 for 2021) per share	**667,877**	633,588
Interim dividend for 2023 of HK$0.15 (2022: HK$0.13 for 2022) per share	**587,661**	513,774
	1,255,538	1,147,362

A final dividend of HK$0.10 per share in respect of the year ended 31 March 2023, amounting to approximately HK$392,095,000 to be paid to the shareholders of the Company whose names appear on the Company's register of members on Monday, 10 July 2023, has been proposed by the board of directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

14 PROPERTY, PLANT AND EQUIPMENT

	Freehold land in Mexico	Freehold land in Europe	Buildings outside the PRC	Buildings in the PRC	Leasehold improvements	Plant and machinery	Furniture, fittings and office equipment	Motor vehicles	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost										
At 1 April 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	–	–	–	–	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
Exchange adjustments	140	(559)	(20,591)	(180,476)	(25,319)	(92,842)	56,588	(30,383)	(94,535)	(387,977)
Additions	95,660	–	3,150	34,279	44,645	155,581	217,351	12,584	1,112,767	1,676,017
Acquisition of a subsidiary	–	–	–	–	2,457	14,439	1,457	94	–	18,447
Transfer from construction in progress	–	–	7,714	656,533	16,715	13,249	41,576	1,730	(737,517)	–
Transfer from properties held for sales	–	–	–	17,722	–	–	–	–	–	17,722
Disposals/written off	–	–	(40,616)	–	(102,695)	(85,648)	(108,591)	(45,600)	–	(383,150)
At 31 March 2023	95,800	27,994	998,157	3,025,933	370,888	1,580,913	1,220,436	403,282	1,455,876	9,179,279
Accumulated depreciation and impairment										
At 1 April 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
Exchange adjustments	–	–	(674)	(23,149)	(14,833)	(30,874)	(30,413)	(12,569)	–	(112,512)
Charge for the year	–	–	21,780	68,743	74,768	167,290	140,805	51,702	–	525,088
Eliminated on disposals/written off	–	–	(18,058)	–	(74,817)	(41,236)	(68,269)	(13,813)	–	(216,193)
Impairment	–	–	–	–	1,281	12,988	185	–	38,080	52,534
At 31 March 2023	–	–	111,463	367,055	228,206	865,829	603,368	221,946	38,080	2,435,947
Carrying values										
At 31 March 2023	95,800	27,994	886,694	2,658,878	142,682	715,084	617,068	181,336	1,417,796	6,743,332
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

Note: During the year ended 31 March 2023, depreciation of right-of-use assets of HK$40,426,000 (2022: HK$41,857,000) was capitalised as cost of construction in progress.

15 INVESTMENT PROPERTIES

	HK$'000
At 1 April 2021	482,067
Exchange adjustments	14,060
Fair value losses	(300)
At 31 March 2022	495,827
Exchange adjustments	(31,093)
At 31 March 2023	464,734

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$411,613,000 (2022: HK$441,646,000) 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$53,121,000 (2022: 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.

15 INVESTMENT PROPERTIES – continued

The carrying value of investment properties shown above comprises:

	2023 HK$'000	2022 HK$'000
Investment properties on lands under medium-term lease:		
– in Hong Kong	**49,600**	49,100
– in Macau	**5,800**	6,300
– in PRC	**356,213**	386,246
	411,613	441,646
Investment properties on freehold land in Ukraine	**53,121**	54,181
	464,734	495,827

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 LEASE

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:

	2023	2022
	HK$'000	HK$'000
Right-of-use assets		
Land use rights*	**2,434,662**	2,674,411
Retail stores	**38,168**	18,269
Office premises	**40,150**	16,043
Warehouses	**144,336**	223,183
	2,657,316	2,931,906
Lease liabilities		
Current	**79,243**	106,493
Non-current	**143,752**	165,855
	222,995	272,348

* 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 2023 were approximately HK$148,482,000 (2022: HK$654,890,000), including HK$Nil addition due to business acquisitions (2022: HK$156,582,000).

16 LEASE – continued

(ii) Amounts recognised in the consolidated statement of comprehensive income

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

	2023 HK$'000	2022 HK$'000
Depreciation charge of right-of-use assets		
Land use rights	**15,425**	17,331
Retail stores	**22,796**	14,722
Office premises	**14,924**	15,087
Warehouses	**53,941**	52,172
	107,086	99,312
Interest expense (include in finance costs)	**11,495**	8,986
Expenses relation to short-term leases (including in administrative and selling expenses)	**31,792**	58,635

The total cash outflow for leases for the year ended 31 March 2023 was HK$111,556,000 (2022: HK$86,656,000).

During the year ended 31 March 2023, depreciation of right-of-use assets of HK$40,426,000 (2022: HK$41,857,000) was capitalised as cost of construction in progress.

17 GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill HK$'000	Trademarks HK$'000	Technology knowhow HK$'000	Customer relationship HK$'000	Total HK$'000
Cost					
At 1 April 2021	560,519	39,961	134,986	122,664	858,130
Additions	–	4,708	–	–	4,708
Acquired on acquisition of subsidiaries	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
Additions	–	5,545	–	–	5,545
Acquired on acquisition of a subsidiary	–	1,142	–	–	1,142
Disposal	–	(208)	–	–	(208)
Exchange adjustments	(50,200)	(10,007)	(2,519)	(10,041)	(72,767)
At 31 March 2023	953,131	133,982	126,243	182,215	1,395,571
Accumulated impairment					
At 1 April 2021 and 31 March 2022	–	–	–	–	–
Impairment	133,753	125	–	–	133,878
Exchange adjustments	3,204	–	–	–	3,204
At 31 March 2023	136,957	125	–	–	137,082
Accumulated amortisation					
At 1 April 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
Exchange adjustments	–	(2,541)	(1,272)	(4,130)	(7,943)
Charge for the year	–	19,778	12,575	19,988	52,341
At 31 March 2023	–	45,208	78,903	102,290	226,401
Carrying value					
At 31 March 2023	816,174	88,649	47,340	79,925	1,032,088
At 31 March 2022	1,003,331	109,539	61,162	105,824	1,279,856

17 GOODWILL AND OTHER INTANGIBLE ASSETS – continued

For the purposes of impairment testing, goodwill has been allocated to an individual CGU in 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") and 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 2023, the directors of the Company determine that except for provision for impairment of HK$133,753,000 for Home Group CGU, there are no impairment provision of other CGUs.

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

Year ended 31 March 2023

	Opening HK$'000	**Addition HK$'000**	**Impairment HK$'000**	**Exchange difference HK$'000**	**Closing HK$'000**
Home Group	**136,957**	**–**	**(133,753)**	**(3,204)**	**–**
Jiangsu Yulong	**241,823**	**–**	**–**	**(17,985)**	**223,838**
Beyond Excel Group	**157,397**	**–**	**–**	**399**	**157,796**
Shanghai Qingzhu	**21,384**	**–**	**–**	**(1,591)**	**19,793**
Huizhou Pulini	**13,835**	**–**	**–**	**(1,029)**	**12,806**
Lion Rock Group	**259,012**	**–**	**–**	**(17,134)**	**241,878**
Shenzhen Style	**172,923**	**–**	**–**	**(12,860)**	**160,063**
	1,003,331	**–**	**(133,753)**	**(53,404)**	**816,174**

Year ended 31 March 2022

	Opening HK$'000	Addition HK$'000	Impairment HK$'000	Exchange difference HK$'000	Closing HK$'000
Home Group	138,208	–	–	(1,251)	136,957
Jiangsu Yulong	232,230	–	–	9,593	241,823
Beyond Excel Group	156,260	–	–	1,137	157,397
Shanghai Qingzhu	20,535	–	–	849	21,384
Huizhou Pulini	13,286	–	–	549	13,835
Lion Rock Group	–	248,737	–	10,275	259,012
Shenzhen Style	–	166,064	–	6,859	172,923
	560,519	414,801	–	28,011	1,003,331

17 GOODWILL AND OTHER INTANGIBLE ASSETS – continued

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.

The key assumptions are as follow:

	2023			2022		
	Pre-tax discount rate	**Terminal growth rate**	**Compound revenue annual growth rate**	Pre-tax discount rate	Terminal growth rate	Compound revenue annual growth rate
Home Group	**22%**	**2%**	**24%**	20%	1%	1%
Jiangsu Yulong	**20%**	**3%**	**5%**	18%	3%	5%
Beyond Excel Group	**22%**	**3%**	**5%**	20%	3%	5%
Shanghai Qingzhu	**20%**	**3%**	**8%**	18%	3%	10%
Huizhou Pulini	**20%**	**3%**	**10%**	18%	3%	10%
Lion Rock Group	**20%**	**3%**	**8%**	18%	3%	10%
Shenzhen Style	**17%**	**3%**	**15%**	15%	3%	17%

The terminal 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 profit margin, such estimation is based on the past performance and management's expectations for the market development.

Except for Home Group CGU, 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.

For the year ended 31 March 2023, the impairment charge of HK$133,753,000 arose in the manufacture and distribution of sofas by Home Group business in Europe. The impairment charge was recorded within "Other losses, net" in the consolidated statement of comprehensive income. Due to continuous impact of war between Ukraine and Russia, the Group reviewed whether there was any indication that its businesses may be impaired at 31 March 2023. Goodwill related to the Home Group business in Europe were tested for impairment at 31 March 2023, by comparing the carrying amount of this business, including the goodwill, with its recoverable amount. As a result, the Group recognised an impairment charge of HK$133,753,000 against goodwill, primarily resulted from the lowered expectation on revenue and gross profit margin and higher pre-tax discount rate due to uncertainty of global economy. No class of asset other than goodwill was impaired. The recoverable amount of this business was determined based on value-in-use calculations, as it was higher than fair value less costs of disposal calculations. The calculations used cash flow projections based on the latest financial budget covering a five-year period and business plan approved by management which had been updated to reflect the aforesaid changes in market conditions during the year.

18 INTERESTS IN JOINT VENTURES

	2023 HK$'000	2022 HK$'000
Opening balance as at 1 April	**67,773**	55,812
Share of profit	**9,995**	9,651
Exchange adjustments	**(4,856)**	2,310
	72,912	67,773

As at 31 March 2023 and 2022, 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 held by the Group 2023	2022	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
上海濠裝網絡科技有限公司	Limited liability	The PRC	**45%**	45%	Promotion and marketing

19 DEFERRED TAXATION

	2023 HK$'000	2022 HK$'000
Deferred tax assets	**(29,174)**	(41,025)
Deferred tax liabilities	**151,843**	161,423
	122,669	120,398

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$'000	Accelerated tax depreciation HK$'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 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	–	–	–	–	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
Exchange adjustments	–	(49)	(1,875)	–	(2,254)	5,252	1,074
(Credit)/charge to profit or loss	–	(5,230)	–	–	(5,503)	11,930	1,197
At 31 March 2023	34,413	(1,389)	27,548	–	82,333	(20,236)	122,669

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

The Group recognised deferred income tax assets of HK$20,236,000 (2022: HK$37,418,000) in respect of tax losses amounting to approximately HK$80,944,000 (2022: HK$149,672,000) which could be carried forward to offset future taxable income.

The Group had remaining unused tax losses of HK$589,934,000 (2022: HK$383,615,000) as at 31 March 2023 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 (2022: HK$34,413,000) 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$8,150,990,000 (2022: HK$6,403,575,000) as at 31 March 2023 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.

20 INVENTORIES

	2023	2022
	HK$'000	HK$'000
Raw materials	**449,577**	958,371
Work-in-progress	**426,198**	672,570
Finished goods	**573,914**	1,067,756
	1,449,689	2,698,697

21 PROPERTIES UNDER DEVELOPMENT

	HK$'000
At 1 April 2021	164,498
Additions	7,340
Exchange adjustments	6,913
At 31 March 2022	178,751
Additions	2,213
Exchange adjustments	(13,283)
At 31 March 2023	167,681

The balance as at 31 March 2023 and 2022 is the land and development cost of properties under development located at Chongqing, the PRC, which are expected to be completed within one year from 31 March 2023.

22 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2023 HK$'000	2022 HK$'000
Trade receivables and bills receivable	**1,633,574**	2,269,774
Less: provision for impairment of trade receivables and bills receivable	**(35,264)**	(24,686)
Trade receivables and bills receivable, net	**1,598,310**	2,245,088
Other receivables and prepayments		
Valued added taxes recoverable	**214,504**	186,827
Deposits	**99,769**	80,473
Prepayments to suppliers	**290,500**	360,597
Loan receivable (Note)	**228,269**	–
Sundry receivables	**142,270**	157,135
Less: provision for impairment of other receivables	**(31,404)**	(9,958)
	943,908	775,074

Note: The effective interest rate of loan receivable was 5% per annum and with maturity dates of 30 June 2023.

As at 31 March 2023, the carrying amount of loan receivable amounting to HK$228,269,000 (2022: Nil) are secured by collaterals including shares of a listed company and a private company (2022: Nil).

As at 31 March 2023, total bills receivable amounted to HK$22,099,000 (2022: HK$34,146,000). All bills receivable by the Group are with a maturity period of less than six months.

The Group generally allows a credit period of 30 to 90 days for customers. The aging analysis of the Group's trade 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:

	2023 HK$'000	2022 HK$'000
0–90 days	**1,535,390**	2,164,387
91–180 days	**41,788**	64,419
Over 180 days	**21,132**	16,282
	1,598,310	2,245,088

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

	2023 HK$'000	2022 HK$'000
1 April	**24,686**	6,697
Net loss allowance for trade receivables	**14,578**	19,825
Amounts written off as uncollectible	**(3,252)**	(2,289)
Exchange adjustments	**(748)**	453
31 March	**35,264**	24,686

Movement in provision for impairment of other receivables

	2023 HK$'000	2022 HK$'000
1 April	**9,958**	–
Net loss allowance for other receivables	**31,358**	9,958
Amounts written off as uncollectible	**(9,958)**	–
Exchange adjustments	**46**	–
31 March	**31,404**	9,958

23 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 HK$'000	2022 HK$'000
Non-current asset		
Unlisted equity investment	**1,826**	1,973
Current assets		
Listed debentures (Note)	**343,608**	386,919

Note: The investments are mainly listed debentures carrying interest at fixed rate of 6.88% per annum and with maturity date of 26 November 2023.

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 RESTRICTED BANK BALANCES AND CASH AND BANK BALANCES

	2023	2022
	HK$'000	HK$'000
Short-term bank deposits (Note (i))	**118,856**	5,855
Restricted bank balances (Note (ii))	**7,394**	4,045
Cash and cash equivalents (Note (iii))	**3,619,378**	2,825,704
	3,745,628	2,835,604

Notes:

(i) The effective annual interest rate and maturities of short-term bank deposits at 31 March 2023 and 2022 are as follows:

	2023	2022
	HK$'000	HK$'000
Effective annual interest rate	**3.42%**	0.33%
Maturities	**183 days to 365 days**	183 days to 365 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% (2022: 0% to 0.3%) per annum.

(iii) Bank balances carry interest at prevailing deposit rates ranging from -0.3% to 5.7% per annum (2022: -0.5% to 3% per annum).

For the year ended 31 March 2023, 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 2023 are set out in Note 3.1.

25 TRADE AND OTHER PAYABLES AND ACCRUALS

	2023 HK$'000	2022 HK$'000
Trade payables and bills payable		
Trade payables and bills payable	**950,941**	1,155,911
Other payables and accruals		
Accruals	**546,996**	711,012
Provision for legal claim (Note)	**84,528**	–
Payables for acquisition of property, plant and equipment	**29,161**	20,874
Others payable	**313,997**	492,740
	974,682	1,224,626

Note: As at 31 March 2023, the Group had provision classified as current liabilities related to litigations filed by a former supplier against the Group. No payment has been made and the recognised provision reflects the management's best estimate after consultation with the legal counsel.

On 11 May 2023, the court issued a judgement in favor of the former supplier of US$15,143,000 (equivalent to HK$118,881,000). The Group will lodge an appeal against the judgement.

In cases where the actual future outcomes differ from the estimation, further provision may be required.

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:

	2023 HK$'000	2022 HK$'000
0–90 days	**950,475**	1,154,833
91–180 days	**152**	917
Over 180 days	**314**	161
	950,941	1,155,911

26 CONTRACT LIABILITIES

	2023 HK$'000	2022 HK$'000
Sales of sofas	**361,586**	350,134
Sales of properties under development	**2,281**	4,773
	363,867	354,907

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 2023, in relation to contract liabilities at 1 April 2022, was HK$354,907,000 (2022: HK$363,145,000).

27 BANK BORROWINGS

	2023 HK$'000	2022 HK$'000
Secured (Note)	**888**	1,280
Unsecured	**4,175,541**	4,334,302
	4,176,429	4,335,582
The carrying amounts of the above borrowings are repayable:		
Within one year	**4,176,079**	4,335,016
Within a period of more than one year but not exceeding two years	**282**	566
Within a period of more than two years but not exceeding five years	**68**	–
	4,176,429	4,335,582
Less: Amounts due within one year shown under current liabilities	**(4,176,079)**	(4,335,016)
Amounts shown under non-current liabilities	**350**	566

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% (2022: 0.65% to 3.90%). The variable rates are subject to either (i) the higher of Hong Kong Interbank Offered Rate plus a spread, ranging from 4.04% to 4.71% (2022: 1.17% to 2.15%), 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 2.35% to 5.37% (2022: 2.10% to 2.80%). The weighted average effective interest rate of the above variable-rate and fixed-rate bank borrowings was 4.40% and 2.74%, respectively (2022: 1.48% and 2.72%) per annum.

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

	2023 **HK$'000**	2022 HK$'000
Property, plant and equipment	**871**	1,615

28 SHARE CAPITAL

	Number of shares In thousands	**Amounts** HK$'000
Authorised:		
Ordinary shares:		
At 1 April 2021, 31 March 2022 and 31 March 2023 – HK$0.40 each	5,000,000	2,000,000
Issued and fully paid:		
At 1 April 2021	3,958,795	1,583,518
Share repurchase (Note (a))	(34,084)	(13,633)
Exercise of share options	3,351	1,340
At 31 March 2022	3,928,062	1,571,225
Share repurchase (Note (b))	(11,647)	(4,659)
Exercise of share options	4,535	1,814
At 31 March 2023	3,920,950	1,568,380

28 SHARE CAPITAL – continued

Notes:

(a) 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$15.30 per share. All shares repurchased have been cancelled during the year ended 31 March 2022.

(b) During the year ended 31 March 2023, 11,647,000 ordinary shares of the Company of HK$0.40 each were repurchased at a price ranging from HK$4.83 to HK$5.30 per share. All shares repurchased have been cancelled during the year ended 31 March 2023.

29 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 – 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.

Details of outstanding share options granted by the Company as at 31 March 2023 and 2022 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 – 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 1.4.2021	Granted during the year	Lapsed/ forfeited during the year	Exercised	Outstanding at 31.3.2022	Granted during the year	Lapsed/ forfeited during the year	Exercised	Outstanding at 31.3.2023
Directors										
13.1.2017	13.1.2017 – 12.1.2020	174,400	–	–	(174,400)	–	–	–	–	–
	13.1.2017 – 12.1.2021	173,200	–	–	(73,200)	100,000	–	–	(100,000)	–
12.2.2018	12.2.2018 – 11.2.2020	96,400	–	–	(96,400)	–	–	–	–	–
	12.2.2018 – 11.2.2021	96,400	–	–	(40,400)	56,000	–	–	(56,000)	–
	12.2.2018 – 11.1.2022	136,800	–	–	–	136,800	–	–	(42,000)	94,800
28.1.2019	28.1.2019 – 27.1.2021	83,200	–	–	(60,400)	22,800	–	–	(22,800)	–
	28.1.2019 – 27.1.2022	178,400	–	–	–	178,400	–	–	(95,200)	83,200
	28.1.2019 – 27.1.2023	178,000	–	–	–	178,000	–	–	(95,200)	82,800
17.1.2020	17.1.2022 – 16.1.2024	94,000	–	–	–	94,000	–	–	(39,200)	54,800
	17.1.2023 – 16.1.2025	94,000	–	–	–	94,000	–	–	(39,200)	54,800
	17.1.2024 – 16.1.2026	92,400	–	–	–	92,400	–	–	–	92,400
3.2.2021	3.2.2021 – 2.2.2023	79,200	–	(37,600)	–	41,600	–	–	–	41,600
	3.2.2021 – 2.2.2024	79,200	–	(37,600)	–	41,600	–	–	–	41,600
	3.2.2021 – 2.2.2025	77,200	–	(37,200)	–	40,000	–	–	–	40,000
16.2.2022	16.2.2022 – 16.2.2024	–	336,000	(277,200)	–	58,800	–	–	–	58,800
	16.2.2022 – 16.2.2025	–	336,000	(277,200)	–	58,800	–	–	–	58,800
	16.2.2022 – 16.2.2026	–	333,600	(276,400)	–	57,200	–	–	–	57,200
		1,632,800	1,005,600	(943,200)	(444,800)	1,250,400	–	–	(489,600)	760,800

29 SHARE OPTION SCHEMES – continued

		Number of share options								
Date of grant	Vesting period	Outstanding at 1.4.2021	Granted during the year	Lapsed/ forfeited the year	Exercised	Outstanding at 31.3.2022	Granted during the year	Lapsed/ forfeited the year	Exercised	Outstanding at 31.3.2023
Employees										
13.1.2017	13.1.2017 – 12.1.2020	16,400	–	(400)	(16,000)	–	–	–	–	–
	13.1.2017 – 12.1.2021	194,400	–	(2,000)	(137,200)	55,200	–	(2,800)	(52,400)	–
12.2.2018	12.2.2018 – 11.2.2020	100,800	–	(8,800)	(92,000)	–	–	–	–	–
	12.2.2018 – 11.2.2021	484,400	–	(3,600)	(372,400)	108,400	–	(21,200)	(87,200)	–
	12.2.2018 – 11.2.2022	996,400	–	(46,000)	(226,400)	724,000	–	(59,200)	(236,800)	428,000
28.1.2019	28.1.2019 – 27.1.2021	879,600	–	(6,400)	(672,000)	201,200	–	(67,600)	(133,600)	–
	28.1.2019 – 27.1.2022	3,275,200	–	(163,600)	(1,016,400)	2,095,200	–	(189,200)	(1,301,200)	604,800
	28.1.2019 – 27.1.2023	3,114,800	–	(173,600)	–	2,941,200	–	(283,600)	(1,427,200)	1,230,400
17.1.2020	17.1.2022–16.1.2024	1,924,400	–	(80,000)	(374,000)	1,470,400	–	(262,400)	(442,800)	765,200
	17.1.2023 – 16.1.2025	1,874,800	–	(95,600)	–	1,779,200	–	(300,400)	(363,600)	1,115,200
	17.1.2024 – 16.1.2026	1,621,600	–	(75,600)	–	1,546,000	–	(285,200)	–	1,260,800
3.2.2021	3.2.2021 – 2.2.2023	1,513,200	–	(76,800)	–	1,436,400	–	(134,000)	–	1,302,400
	3.2.2021 – 2.2.2024	1,445,200	–	(67,600)	–	1,377,600	–	(122,000)	–	1,255,600
	3.2.2021 – 2.2.2025	1,163,600	–	(45,200)	–	1,118,400	–	(88,000)	–	1,030,400
16.2.2022	16.2.2022 – 16.2.2024	–	2,816,400	(46,400)	–	2,770,000	–	(549,200)	–	2,220,800
	16.2.2022 – 16.2.2025	–	2,757,200	(43,600)	–	2,713,600	–	(539,200)	–	2,174,400
	16.2.2022 – 16.2.2026	–	2,291,200	(30,800)	–	2,260,400	–	(477,200)	–	1,783,200
		18,604,800	7,864,800	(966,000)	(2,906,400)	22,597,200	–	(3,381,200)	(4,044,800)	15,171,200
		20,237,600	8,870,400	(1,909,200)	(3,351,200)	23,847,600	–	(3,381,200)	(4,534,400)	15,932,000
Exercisable at the end of the reporting period		2,164,400				5,242,400				5,858,000

29 SHARE OPTION SCHEMES – continued

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 is HK$37,118,000. The closing price of the Company's shares at the date of grant were HK$10.98.

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 2023 and 2022 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$18,722,000 (2022: HK$12,659,000) in relation to the share options granted by the Company.

30 LEASE COMMITMENTS

The Group as lessor

As at 31 March 2023 and 2022, the Group had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

	2023 **HK$'000**	2022 HK$'000
Within one year	**46,230**	32,661
In the second to fifth year inclusive	**90,903**	23,671
Over five years	**40,310**	2,198
	177,443	58,530

31 CAPITAL COMMITMENTS

	2023 HK$'000	2022 HK$'000
Capital expenditure contracted but not provided for in the consolidated financial statements in respect of		
– acquisition and construction of property, plant and equipment	**409,563**	306,116
– construction of production plant	**558,073**	1,037,613
	967,636	1,343,729
Other commitments of		
– construction of properties under development	**2,182**	5,603
Subtotal	**2,182**	5,603
Total	**969,818**	1,349,332

32 RELATED PARTY DISCLOSURES

(a) Senior management

(i) Related party transactions

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

	2023 HK$'000	2022 HK$'000
Rental expense paid to fellow subsidiaries (Note)	**6,774**	2,916

(ii) Related party balance

	2023 HK$'000	2022 HK$'000
Amount due from fellow subsidiaries (Note)	**5,250**	–

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.

(iii) 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 37(a).

33 FINANCIAL INSTRUMENTS

	2023 HK$'000	2022 HK$'000
Financial assets		
Financial assets at amortised cost		
– Trade, bills and other receivables	**2,037,214**	2,472,738
– Short-term bank deposits	**118,856**	5,855
– Restricted bank balances	**7,394**	4,045
– Cash and cash equivalents	**3,619,378**	2,825,704
Financial assets at fair value through profit or loss	**345,434**	388,892
	6,128,276	5,697,234
Financial liabilities		
Financial liabilities at amortised cost		
– Trade, bills and other payables	**1,626,654**	2,040,311
– Lease liabilities	**222,995**	272,348
– Bank borrowings	**4,176,429**	4,335,582
	6,026,078	6,648,241

34 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

	Note	2023 HK$'000	2022 HK$'000
Profit before income tax		**2,354,872**	2,819,489
Adjustments for:			
Amortisation of intangible assets	8	**52,341**	54,382
Depreciation of property, plant and equipment	8	**525,088**	530,839
Depreciation of right-of-use assets	8	**107,086**	99,312
Equity-settled share-based payments expense		**18,722**	12,659
Losses from changes in fair value of financial assets at FVPL		**15,801**	504
Fair value losses on investment properties		**–**	300
Finance costs	9	**164,857**	79,692
Provision for impairment of inventories		**12,441**	1,987
Provision for impairment of trade receivables and bills receivable		**14,578**	19,825
Interest income		**(114,388)**	(71,161)
Income on structured deposits		**(5,926)**	(21,086)
Provision for impairment of goodwill		**133,753**	–
Provision for impairment of intangible assets		**125**	–
Provision for impairment of property, plant and equipment		**52,534**	–
Provision for impairment of other receivable		**31,358**	–
Loss on disposal of property, plant and equipment		**59,600**	4,696
Losses from disposal of a subsidiary		**–**	9,358
Gain on termination of lease		**(6,112)**	–
Share of results of joint ventures		**(9,995)**	(9,651)
Changes in working capital:			
Decrease/(increase) in inventories		**988,170**	(376,686)
Decrease/(increase) in trade receivables and bills receivable		**616,522**	(422,927)
(Increase)/decrease in other receivables and prepayments		**(182,857)**	34,809
Decrease in trade payables and bills payable		**(124,774)**	(2,097)
Decrease in other payables and accruals		**(163,797)**	(26,397)
Increase/(decrease) in contract liabilities		**18,563**	(30,521)
Increase in other non–current liabilities		**29,203**	272
(Increase)/decrease in properties under development		**(2,213)**	54,796
Decrease/(increase) in properties held for sale		**24,411**	(7,340)
Net cash generated from operations		**4,609,963**	2,755,054

34 NOTES TO THE STATEMENT OF CASH FLOWS – continued

(b) Non-cash investing and financing activities

- Utilisation of deposits of HK$221,062,000 (2022: HK$147,561,000) for acquisition of property, plant and equipment

(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	2023 HK$'000	2022 HK$'000
Bank borrowings	**4,176,429**	4,335,582
Lease liabilities	**222,995**	272,348
Net debt	**4,399,424**	4,607,930

	Bank borrowings HK$'000	Lease liabilities HK$'000	Total HK$'000
At 1 April 2021	3,589,909	46,727	3,636,636
Commencement of lease	–	138,506	138,506
Interest on lease liabilities	–	8,986	8,986
Acquisition of subsidiaries	–	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
At 1 April 2022	4,335,582	272,348	4,607,930
Commencement of lease	–	148,482	148,482
Interest on lease liabilities	–	11,495	11,495
Financing cash flows	47,568	(111,556)	(63,988)
Lease termination	–	(97,774)	(97,774)
Foreign exchange translation	(206,721)	–	(206,721)
At 31 March 2023	4,176,429	222,995	4,399,424

(d) In the consolidated statement of cash flow, proceeds from disposal of property, plant and equipment comprise:

	2023 HK$'000	2022 HK$'000
Net book amount (Note 14)	**166,957**	60,120
Losses on disposal of property, plant and equipment (Note 7)	**(59,600)**	(4,696)
Proceeds from disposal of property, plant and equipment	**107,357**	55,424

35 SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 March 2023 and 2022 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 2023	2022	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.*[(5)] 敏華實業(吳江)有限公司[(5)]	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.* 鋭邁科技股份有限公司	The PRC	RMB460,652,616	**81.41%**	81.41%	Manufacturing of furniture components
Remaco Machinery Technology (Vietnam) Co., Ltd.* 鋭邁機械科技(越南)有限公司	Republic of Vietnam	US$4,800,000	**81.41%**	81.41%	Manufacturing of furniture components
Chongqing Chenyu Long Brand Management Co., Ltd.*[(5)] 重慶晨鈺瓏品牌管理有限公司[(5)]	The PRC	RMB1,000,000	**81.41%**	81.41%	Trading 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

35 SUBSIDIARIES – continued

Details of the Company's principal subsidiaries as at 31 March 2023 and 2022 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 2023	2022	Principal activities
Indirectly owned – continued					
Man Wah Furniture Manufacturing (Huizhou) Co., Ltd.*(1) 敏華家具製造(惠州)有限公司 ("Man Wah Huizhou")(1)	The PRC	US$102,000,000	**100%**	100%	Manufacturing and trading of sofas
Man Wah Home Furnishing (Huizhou) Co., Ltd.*(5) 敏華家居產業(惠州)有限公司(5)	The PRC	RMB10,000,000	**100%**	100%	Manufacturing and trading of sofas, bedding products, other furniture and foam
Strongest Will International Limited 淩志國際有限公司	Hong Kong	HK$10,000	**90%**	90%	Investment holding
Man Wah Brand Management (Tianjin) Co., Ltd*(5) 敏華品牌管理(天津)有限公司(5)	The PRC	RMB500,000,000	**100%**	100%	Trading of sofas, bedding products, other furniture and foam
Man Wah Home Center (Huizhou) Co., Ltd*(5) 敏華家居商場(惠州)有限公司(5)	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	The PRC	RMB5,000,000	**100%**	100%	Research and production of smart drive machine and electric regulator
Chongqing Carnival Business Service Co., Ltd* 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

35 SUBSIDIARIES – continued

Details of the Company's principal subsidiaries as at 31 March 2023 and 2022 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 2023	2022	Principal activities
Indirectly owned – continued					
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
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	**81.41%**	81.41%	Manufacturing of furniture components
Chongqing Zhitian Meiju Trading Co., Ltd.[5] 重慶志天美居商貿有限公司[5]	The PRC	RMB1,000,000	**90%**	90%	Providing business management service, advertising service and design service
Man Wah Lingzhi Furniture (Huizhou) Co., Ltd.[1] 敏華淩志傢俱（惠州）有限公司[1]	The PRC	HK$1,000,000	**90%**	90%	Manufacturing and trading of sofa
Lingzhi Furniture (Suzhou) Co., Ltd.[1] 淩志傢俱（蘇州）有限公司[1]	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%**	81.41%	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%**	81.41%	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%**	81.41%	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	RMB5,000,000	**100%**	100%	Trading of sofa, bedding products, other furniture and foam

35 SUBSIDIARIES – continued

Details of the Company's principal subsidiaries as at 31 March 2023 and 2022 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 2023	2022	Principal activities
Indirectly owned – continued					
Shanghai Qingzhu Trading Co., Ltd.*(5) 上海箐築貿易有限公司(5)	The PRC	RMB25,349,501	**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
Man Wah Internet Retail (Huizhou) Co., Ltd.(5) 敏華互聯網零售(惠州)有限公司(5)	The PRC	RMB500,000,000	**100%**	100%	Internet sales of furniture
Minhai Co., Limited(5) 敏海有限責任公司(5)	The PRC	RMB10,000,000	**100%**	100%	Trading of sofas, bedding products, other furniture and foam
Timberland Company Limited*	Republic of Vietnam	US$12,000,000	**100%**	100%	Manufacturing and trading of sofas
Shanxi Minhua Furniture Intelligent Manufacturing Co., Ltd.*(5) 陝西敏華家居智造有限公司(5)	The PRC	RMB150,000,000	**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 furniture
Suzhou City Pulini Home Furnishing Co., Limited*(5) 蘇州普麗尼家居有限公司(5)	The PRC	RMB10,000,000	**51%**	51%	Manufacturing and trading of furniture
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 高峰創建有限公司	Hong Kong	HK$155,000,000	**55%**	55%	Trading of sofas
Superb Creation Furniture (Shenzhen) Co., Ltd(5) 高峰創建家私(深圳)有限公司(5)	The PRC	US$4,000,000	**55%**	55%	Manufacturing and trading of sofa

35 SUBSIDIARIES – continued

Details of the Company's principal subsidiaries as at 31 March 2023 and 2022 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 2023	2022	Principal activities
Indirectly owned – continued					
Man Wah Superb Creation Intelligent Technology (Huizhou) Co., Ltd[2] 敏華高峰智能科技(惠州)有限公司[2]	The PRC	RMB10,000,000	**55%**	–	Manufacturing and trading of furniture
Gold Sands Investment Company Limited	Hong Kong	HK$10,000	**48.85%**	48.85%	Manufacturing and trading of furniture components
Lion Rock Group Holdings Limited	Hong Kong	HK$10,000	**48.85%**	48.85%	Trading of furniture component
Pacific Shiner Investment Limited	Hong Kong	HK$10,000	**48.85%**	48.85%	Trading of furniture components
Shenzhen Style Household Co., Ltd*[5] 深圳市格調家居有限公司[5]	The PRC	RMB32,600,000	**51%**	51%	Furniture and smart home products production
Tianjin Style Furniture Co., Ltd.*[5] 天津市格調傢俱有限公司[5]	The PRC	RMB5,000,000	**51%**	51%	Furniture and smart home products production
Chongqing Gesheng Furniture Co., Ltd.*[5] 重慶格勝傢俱有限公司[5]	The PRC	RMB5,000,000	**51%**	51%	Furniture and smart home products production
Chongqing Style Mercure Business Co., Ltd.*[5] 重慶格調美居商貿有限公司[5]	The PRC	RMB1,000,000	**51%**	51%	Providing business management service, advertising service and design service
Changchun Man Wah Intelligent Home Co., Ltd*[5] 長春敏華智能家居有限公司[5]	The PRC	RMB500,000,000	**100%**	100%	Manufacturing and trading of furniture products
Man Wah Smart Home (Wuhan) Co., Ltd*[5] 敏華智能家居(武漢)有限公司[5]	The PRC	US$100,000,000	**100%**	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

35 SUBSIDIARIES – continued

Details of the Company's principal subsidiaries as at 31 March 2023 and 2022 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 2023	2022	Principal activities
Indirectly owned – continued					
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%	Providing business management service, advertising service and design service
Shenzhen Yinyi Wulian Home Technology Co., Ltd.[3),(5] 深圳引意物聯家居科技有限公司[3),(5]	The PRC	RMB44,444,444	**55%**	–	Manufacturing and trading of furniture
Xinjiang Minhua Business Service Co.[2),(5] 新疆敏華商務服務有限公司[2),(5]	The PRC	RMB10,000,000	**100%**	–	Providing business management service, advertising service and design service
Shenzhen Xingju Network Technology Co., Ltd.[5] 深圳市星居網絡科技有限公司[5]	The PRC	RMB40,000,000	**51%**	51%	Interior design
Man Wah Aymon Sleep Technology (Huizhou) Co., Ltd.[5] 敏華愛蒙睡眠科技(惠州)有限公司[5]	The PRC	RMB20,000,000	**70%**	70%	Manufacturing and trading of furniture

* 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 2023.

3 These companies were newly acquired during the year ended 31 March 2023

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.

35 SUBSIDIARIES – continued

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.	
	2023	2022
	HK$'000	HK$'000
Summarised balance sheet		
Non-current assets	**359,123**	300,212
Current assets	**339,457**	294,963
Non-current liabilities	**76,654**	47,825
Current liabilities	**116,197**	178,529
Total equity	**505,729**	368,821
Summarised statement of comprehensive income		
Revenue	**612,574**	890,878
Total comprehensive (loss)/income for the year	**(165,944)**	8,749
(Loss)/profit attributable to owners of the Company	**(145,095)**	3,350
(Loss)/profit attributable to the non-controlling interests	**(20,849)**	5,399
Summarised cash flows		
Net cash inflow from operating activities	**51,728**	12,368
Net cash outflow from investing activities	**(10,360)**	(35,634)
Net cash inflow/(outflow) from financing activities	**5,099**	(50,405)
Net increase/(decrease) in cash and cash equivalents	**46,467**	(73,671)

36 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2023 HK$'000	2022 HK$'000
ASSETS		
Non-current assets		
Interests in subsidiaries	**3,711,080**	3,711,080
	3,711,080	3,711,080
Current assets		
Cash and bank balances	**–**	67
	–	67
Current liabilities		
Amounts due to subsidiaries	**96,267**	1,130
Other payables and accruals	**6,270**	6,625
	102,537	7,755
Net current liabilities	**(102,537)**	(7,688)
Net assets	**3,608,543**	3,703,392
EQUITY		
Equity attributable to owners of the Company		
Share capital	**1,568,380**	1,571,225
Reserves (Note)	**2,040,163**	2,132,167
Total equity	**3,608,543**	3,703,392

36 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 2021	2,374,931	(448)	20,585	473,229	2,868,297
Profit and total comprehensive income for the year	–	–	–	760,074	760,074
Issuance of ordinary shares, net of transaction cost	(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
Profit and total comprehensive income for the year	–	–	–	1,179,560	1,179,560
Issuance of ordinary shares, net of transaction cost	(54,300)	–	–	–	(54,300)
Recognition of equity-settled share-based payments	–	–	18,722	–	18,722
Issue of shares upon exercise of share options	25,253	–	(5,701)	–	19,552
Dividends paid	–	–	–	(1,255,538)	(1,255,538)
At 31 March 2023	1,989,259	(448)	41,389	9,963	2,040,163

37 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:

For the year ended 31 March 2023

Name of directors	Directors' fee HK$'000	Salaries and other allowances HK$'000	Discretionary bonus HK$'000 (Note v)	Share-based payment HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive Directors:						
Mr. Wong Man Li *(Chairman and Chief Executive Officer)* (Note i)	380	1,484	126	147	18	2,155
Ms. Hui Wai Hing	380	–	–	126	–	506
Mr. Alan Marnie	380	5,067	–	–	–	5,447
Mr. Dai Quanfa	380	3,794	213	250	28	4,665
Ms. Wong Ying Ying	380	754	77	90	5	1,306
Independent non-executive Directors:						
Mr. Yang Siu Shun (Note iv)	430	–	–	–	–	430
Mr. Chau Shing Yim David	430	–	–	–	–	430
Mr. Kan Chung Nin, Tony	430	–	–	–	–	430
Mr. Ding Yuan	430	–	–	–	–	430
	3,620	11,099	416	613	51	15,799

37 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

For the year ended 31 March 2022

Name of directors	Directors' fee HK$'000	Salaries and other allowances HK$'000	Discretionary bonus HK$'000 (Note v)	Share-based payment HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
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 iii)	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

Notes:

(i) Appointed as a Chief Executive Officer on 21 March 2022.

(ii) Resigned as an executive director and Chief Executive Officer on 21 March 2022.

(iii) Resigned as an independent non-executive director on 1 April 2022.

(iv) Appointed 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.

37 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 (2022: Nil).

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year (2022: Nil).

(d) Consideration provided to third parties for making available directors' services

During the year ended 31 March 2023, the Company did not pay consideration to any third parties for making available directors' services (2022: 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 2023 (2022: 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.

During the year ended 31 March 2023, no emoluments had been paid by the Group to the Directors as an inducement to join or upon joining the Group or as a compensation for loss of office (2022: Nil).

38 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 2023, the amount of outstanding guarantees for mortgages were approximately HK$Nil (2022: HK$17,667,000). 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.

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.	No. 1111. Xingrui Road, Economic Development Zone, Wujiang City, Jiangsu Province, the PRC	Industrial	Long	100%
15.	No. 199 Yundong Avenue, Wujiang Economic and Technological Development Zone, Suzhou City, Jiangsu Province, the PRC	Commercial	Long	100%
16.	CHEERS Flagship Store, CBD International Famous Store Street, 21 North Avenue, Hankou District, Wuhan City, Hubei Province, the PRC	Commercial	Long	100%

Location	Existing use	Lease term	Attributable interest of the Group
17. 78 Fuyuan Road, Wuqing Development Zone, Tianjin, the PRC	Industrial	Long	100%
18. 82 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. No. 808, Park Avenue, Luohuang Town, Jiangjin District, Chongqing, the PRC	Industrial	Long	100%
21. Praca Wong Chio J19, Alameda Dr. Carlos D' Assumpção Nºs 411–417, Em Macau	Commercial	Medium	100%
22. Praca Wong Chio K19, Alameda Dr. Carlos D' Assumpção Nºs 411–417, Em Macau	Commercial	Medium	100%
23. Group No. 2 Binh Chanh Quarter, Khanh Binh Ward, Tan Uyen Town, Binh Dicong Province, Vietnam	Industrial	Long	100%
24. Kopli St. 68/Volta St. 1 &/Kopli St. 70, Tallinn, Estonia	Industrial	Long	40%
25. Kolejowa Street 13–100, Nidzica, Poland	Industrial	Long	40%
26. Lesna Street 13–100, Nidzica, Poland	Industrial	Long	40%
27. Silutès pl. 95, Klaipeda, Lithuania	Industrial	Long	40%

Particulars of Major Properties

Location		Existing use	Lease term	Attributable interest of the Group
28.	Kriukai, Darbininku street 14A and 20A, Sakiai, Lithuania	Industrial	Long	40%
29.	Industrialna 12, Kvasyliv, Rivne, Ukraine	Industrial	Long	40%

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March

	2019 HK$'000	2020 HK$'000	2021 HK$'000	2022 HK$'000	**2023** **HK$'000**
Revenue and other income	11,679,216	12,558,093	16,945,965	21,787,920	**17,788,864**
Revenue	11,257,792	12,144,299	16,434,071	21,496,783	**17,351,106**
Cost of goods sold	(7,420,694)	(7,726,600)	(10,504,964)	(13,606,188)	**(10,672,839)**
Gross profit	3,837,098	4,417,699	5,929,107	7,890,595	**6,678,267**
Other income	421,424	413,794	511,894	291,137	**437,758**
Other (losses)/gains, net	(102,596)	56,724	(93,713)	(49,350)	**(241,416)**
Selling and distribution expenses	(1,806,183)	(2,001,747)	(3,118,564)	(4,189,944)	**(3,317,923)**
Administrative and other expenses	(550,242)	(622,084)	(778,071)	(1,052,908)	**(1,046,952)**
Share of results of joint ventures	(4,129)	805	5,707	9,651	**9,995**
Finance costs	(79,345)	(155,947)	(96,046)	(79,692)	**(164,857)**
Profit before income tax	1,716,027	2,109,244	2,360,314	2,819,489	**2,354,872**
Income tax expense	(311,351)	(417,247)	(336,908)	(502,929)	**(496,694)**
Profit for the year	1,404,676	1,691,997	2,023,406	2,316,560	**1,858,178**
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	(446,909)	(559,868)	546,805	386,330	**(838,195)**
Items that will not be reclassified subsequently to profit or loss:					
Increase in fair value of property, plant and equipment	8,373	–	–	–	**–**
Total comprehensive income for the year	966,140	1,132,129	2,570,211	2,702,890	**1,019,983**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March

	2019 HK$'000	2020 HK$'000	2021 HK$'000	2022 HK$'000	**2023** **HK$'000**
Profit for the year attributable to:					
Owners of the Company	1,363,801	1,638,069	1,924,513	2,247,491	**1,914,914**
Non-controlling interest	40,875	53,928	98,893	69,069	**(56,736)**
	1,404,676	1,691,997	2,023,406	2,316,560	**1,858,178**
Total comprehensive income/(loss) for the year attributable to:					
Owners of the Company	966,559	1,097,813	2,439,729	2,578,251	**1,121,483**
Non-controlling interest	(419)	34,316	130,482	124,639	**(101,500)**
	966,140	1,132,129	2,570,211	2,702,890	**1,019,983**
Earnings per share					
Basic (HK cents)	35.62	42.89	50.26	56.90	**48.80**
Diluted (HK cents)	35.60	42.87	50.10	56.77	**48.77**
Dividend per share					
Interim dividend (HK cents)	6	7	10	13	**15**
Final dividend (HK cents)	6	12	16	17	**10**
Full year dividend (HK cents)	12	19	26	30	**25**
Dividend Payout Ratio (%)	33.7%	44.3%	52.7%	52.6%	**51.2%**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March

	2019 HK$'000	2020 HK$'000	2021 HK$'000	2022 HK$'000	**2023** **HK$'000**
Non-current assets					
Property, plant and equipment	3,798,748	3,949,987	4,774,294	6,051,190	**6,743,332**
Investment properties	485,110	455,215	482,067	495,827	**464,734**
Right-of-use assets	–	2,228,518	2,324,072	2,931,906	**2,657,316**
Lease premium for land	2,429,180	–	–	–	**–**
Other intangible assets	222,033	188,440	166,517	276,525	**215,914**
Interest in a joint venture	30,859	29,673	55,812	67,773	**72,912**
Deferred tax assets	3,708	12,031	42,678	41,025	**29,174**
Deposit paid for a land lease	3,944	3,692	167,311	30,070	**3,860**
Prepayments and deposits paid for acquisition of property, plant and equipment	70,986	156,023	126,926	280,882	**220,612**
Deposits paid for acquisition of subsidiaries	–	–	244,585	–	**–**
Financial assets at fair value through profit or loss	–	–	1,894	1,973	**1,826**
Goodwill	525,904	524,048	560,519	1,003,331	**816,174**
Total non-current assets	7,570,472	7,547,627	8,946,675	11,180,502	**11,225,854**
Current assets					
Inventories	1,413,563	1,532,993	2,003,605	2,698,697	**1,449,689**
Properties held for sale	–	48,227	254,779	209,623	**151,716**
Properties under development	433,471	149,410	164,498	178,751	**167,681**
Trade receivables and bills receivable	1,309,685	1,210,754	1,680,529	2,245,088	**1,598,310**
Other receivables and prepayments	554,817	470,341	700,841	775,074	**943,908**
Lease premium for land	53,171	–	–	–	**–**
Financial assets at fair value through profit or loss	220,650	204,682	372,750	386,919	**343,608**
Tax recoverable	12,519	1,941	6,854	10,986	**14,094**
Structured deposits	–	3,946	–	–	**–**
Short-term bank deposits	–	–	892,066	5,855	**118,856**
Restricted bank balances	139,100	23,636	12,237	4,045	**7,394**
Cash and cash equivalents	1,438,339	2,020,245	2,404,027	2,825,704	**3,619,378**
Total current assets	5,575,315	5,666,175	8,492,186	9,340,742	**8,414,634**
Total assets	13,145,787	13,213,802	17,438,861	20,521,244	**19,640,488**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March

	2019 HK$'000	2020 HK$'000	2021 HK$'000	2022 HK$'000	**2023** **HK$'000**
Current liabilities					
Trade payables and bills payables	663,432	967,090	971,142	1,155,911	**950,941**
Other payables and accruals	455,651	452,160	746,883	1,224,626	**974,682**
Contract liabilities	567,740	260,856	363,145	354,907	**363,867**
Bank borrowing – current portion	2,892,699	3,277,499	3,588,713	4,335,016	**4,176,079**
Tax payable	58,379	133,198	185,864	266,724	**241,208**
Lease liabilities	–	28,755	26,419	106,493	**79,243**
Total current liabilities	4,637,901	5,119,558	5,882,166	7,443,677	**6,786,020**
Non-current liabilities					
Lease liabilities	–	29,533	20,308	165,855	**143,752**
Deferred tax liabilities	130,086	128,896	128,854	161,423	**151,843**
Bank borrowing – non-current portion	1,660,070	701,786	1,196	566	**350**
Other Non-current liabilities	1,667	1,333	1,278	1,550	**30,753**
Total non-current liabilities	1,791,823	861,548	151,636	329,394	**326,698**
Total liabilities	6,429,724	5,981,106	6,033,802	7,773,071	**7,112,718**
Capital and reserves					
Share capital	1,529,249	1,518,376	1,583,518	1,571,225	**1,568,380**
Reserves	4,693,988	5,185,771	9,157,814	10,138,478	**9,988,397**
Equity attributable to owners of the Company	6,223,237	6,704,147	10,741,332	11,709,703	**11,556,777**
Non-controlling interests	492,826	528,549	663,727	1,038,470	**970,993**
Total equity	6,716,063	7,232,696	11,405,059	12,748,173	**12,527,770**
Total equity and liabilities	13,145,787	13,213,802	17,438,861	20,521,244	**19,640,488**