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**MANWAH**

**MAN WAH HOLDINGS LIMITED**

**敏華控股有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 01999)**

**INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022  
AND  
CLOSURE OF REGISTER OF MEMBERS**

**INTERIM RESULTS**

The board (the “**Board**”) of directors (the “**Directors**”) of Man Wah Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 September 2022 (“**1HFY2023**” or the “**Review Period**”). These interim results have been reviewed by the Company’s audit committee (“**Audit Committee**”).

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2022

	Note	Six months ended 30 September	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue and other income		<u>9,533,349</u>	<u>10,357,936</u>
Revenue	3	9,289,026	10,214,451
Cost of goods sold		<u>(5,680,951)</u>	<u>(6,514,226)</u>
<b>Gross profit</b>		<b>3,608,075</b>	3,700,225
Other income		244,323	143,485
Other losses, net		(25,121)	(2,856)
Selling and distribution expenses		(1,843,264)	(2,015,834)
Administrative and other expenses		<u>(564,496)</u>	<u>(533,771)</u>
<b>Operating profit</b>		<b>1,419,517</b>	1,291,249
Finance costs		(61,068)	(33,505)
Share of results of joint ventures		<u>1,788</u>	<u>5,207</u>
<b>Profit before income tax</b>		<b>1,360,237</b>	1,262,951
Income tax expense	4	<u>(292,061)</u>	<u>(237,367)</u>
<b>Profit for the period</b>		<b><u>1,068,176</u></b>	<b><u>1,025,584</u></b>
<b>Other comprehensive (loss)/income:</b>			
<i>Item that may be reclassified to profit or loss</i>			
Currency translation differences		<u>(1,322,386)</u>	<u>258,581</u>
<b>Other comprehensive (loss)/income for the period</b>		<b><u>(1,322,386)</u></b>	<b><u>258,581</u></b>
<b>Total comprehensive (loss)/income for the period</b>		<b><u>(254,210)</u></b>	<b><u>1,284,165</u></b>

		<b>Six months ended 30 September</b>	
		<b>2022</b>	<b>2021</b>
<i>Note</i>		<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Profit/(loss) for the period attributable to:</b>			
	Owners of the Company	<b>1,092,131</b>	988,136
	Non-controlling interests	<b>(23,955)</b>	37,448
		<b><u>1,068,176</u></b>	<u>1,025,584</u>
<b>Total comprehensive (loss)/income for the period attributable to:</b>			
	Owners of the Company	<b>(135,750)</b>	1,244,594
	Non-controlling interests	<b>(118,460)</b>	39,571
		<b><u>(254,210)</u></b>	<u>1,284,165</u>
<b>Earnings per share attributable to owners of the Company</b>			
	– Basic ( <i>HK cents per share</i> )	<b>5 27.80</b>	24.96
	– Diluted ( <i>HK cents per share</i> )	<b>5 27.78</b>	24.90
		<b><u>27.80</u></b>	<u>24.96</u>
		<b><u>27.78</u></b>	<u>24.90</u>

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

*As at 30 September 2022*

	<b>30 September</b>	<b>31 March</b>
	<b>2022</b>	<b>2022</b>
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	<b>6,157,975</b>	6,051,190
Investment properties	<b>444,773</b>	495,827
Right-of-use assets	<b>2,582,902</b>	2,931,906
Goodwill	<b>933,799</b>	1,003,331
Other intangible assets	<b>230,967</b>	276,525
Interests in joint ventures	<b>16,800</b>	67,773
Financial assets at fair value through profit or loss	<b>1,768</b>	1,973
Deferred tax assets	<b>18,330</b>	41,025
Deposits paid for right of use assets	<b>165,838</b>	30,070
Prepayments and deposits paid for acquisition of property, plant and equipment	<b>175,349</b>	280,882
	<b>10,728,501</b>	11,180,502
<b>Total non-current assets</b>	<b>10,728,501</b>	11,180,502
<b>Current assets</b>		
Inventories	<b>1,886,106</b>	2,698,697
Properties held for sale	<b>162,564</b>	209,623
Properties under development	<b>162,391</b>	178,751
Trade receivables and bills receivable	<b>1,773,658</b>	2,245,088
Other receivables and prepayments	<b>884,082</b>	775,074
Financial assets at fair value through profit or loss	<b>332,806</b>	386,919
Tax recoverable	<b>13,858</b>	10,986
Short-term bank deposits	<b>1,304,483</b>	5,855
Restricted bank balances	<b>370</b>	4,045
Cash and cash equivalents	<b>1,770,992</b>	2,825,704
	<b>8,291,310</b>	9,340,742
<b>Total current assets</b>	<b>8,291,310</b>	9,340,742
<b>Total assets</b>	<b>19,019,811</b>	20,521,244

		<b>30 September</b>	31 March
		<b>2022</b>	2022
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		1,571,757	1,571,225
Reserves		<u>9,351,414</u>	<u>10,138,478</u>
		<b>10,923,171</b>	11,709,703
<b>Non-controlling interests</b>		<u>944,551</u>	<u>1,038,470</u>
		<b>11,867,722</b>	12,748,173
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		125,821	165,855
Bank borrowings, non-current portion	9	378	566
Deferred tax liabilities		152,739	161,423
Other non-current liabilities		<u>1,421</u>	<u>1,550</u>
		<b>280,359</b>	329,394
<b>Current liabilities</b>			
Trade payables and bills payable	8	944,127	1,155,911
Other payables and accruals	8	1,090,681	1,224,626
Lease liabilities		75,144	106,493
Contract liabilities		387,989	354,907
Bank borrowings, current portion	9	4,065,568	4,335,016
Tax payable		<u>308,221</u>	<u>266,724</u>
		<b>6,871,730</b>	7,443,677
<b>Total liabilities</b>		<u>7,152,089</u>	<u>7,773,071</u>
<b>Total equity and liabilities</b>		<u>19,019,811</u>	<u>20,521,244</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1 BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 September 2022 has been prepared in accordance with International Accounting Standard (“IAS”) 34, ‘Interim financial reporting’. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2022, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

## 2 SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2022, as described in those annual financial statements.

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

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contract – Cost Fulfilling a Contract
Annual improvement project (Amendments)	Annual Improvements to IFRSs (2018–2020)

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

Certain new accounting standard, amendments to standards and interpretations have been published that are not mandatory for the financial year beginning 1 April 2022 and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

## 3 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 (“ <b>Home Group</b> ”)
Other products	–	manufacture and distribution of chairs and other products to commercial clients, mattresses, smart furniture spare parts and metal mechanism for recliners, income from sales of scrap metal etc.
Other business	–	sales of residential properties, hotel operation, furniture mall business and lease of properties
Home Group business	–	manufacture and distribution of sofas and ancillary products by Home Group

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

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

The accounting policies of the operating segments are the same as the Group. Segment results represent the profit before income tax earned by each segment without allocation of other income, net exchange gains or losses, losses from changes in fair value of financial assets at FVPL, share of results of joint ventures, finance costs, and unallocated expenses.

### Segment revenues and results

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

*For the six months ended 30 September 2022 (Unaudited)*

	<b>Sofas and ancillary products HK\$'000</b>	<b>Other products HK\$'000</b>	<b>Other business HK\$'000</b>	<b>Home Group business HK\$'000</b>	<b>Total HK\$'000</b>
<b>Revenue</b>					
External sales	<u>6,707,868</u>	<u>2,239,606</u>	<u>62,091</u>	<u>279,461</u>	<u>9,289,026</u>
<b>Results</b>					
Segment results	<u>1,099,599</u>	<u>351,199</u>	<u>8,511</u>	<u>(21,066)</u>	1,438,243
Other income					244,323
Share of results of joint ventures					1,788
Exchange gains, net					57,194
Loss from change in fair value of financial assets at FVPL					(15,801)
Finance costs					(61,068)
Unallocated expenses					<u>(304,442)</u>
Profit before income tax					<u>1,360,237</u>

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

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

**Geographical information**

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

	<b>Six months ended 30 September</b>	
	<b>2022</b>	<b>2021</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
PRC (including Hong Kong and Macau)	<b>5,775,388</b>	6,530,640
North America	<b>2,564,090</b>	2,562,340
Europe	<b>546,829</b>	724,750
Others ( <i>Note</i> )	<b>402,719</b>	396,721
	<u><b>9,289,026</b></u>	<u>10,214,451</u>

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

During the period, none of the Group's customers individually contributed more than 10% of the Group's revenue (for the period ended 30 September 2021: none).

## Disaggregation of revenue from contracts with customers

Segments	For the six months ended 30 September 2022 (Unaudited)				
	Sofas and ancillary products <i>HK\$'000</i>	Other products <i>HK\$'000</i>	Other business <i>HK\$'000</i>	Home Group business <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Types of goods or service</b>					
Manufacture and distribution of goods recognised at a point in time					
Sofas and ancillary products	6,707,868	–	–	279,461	6,987,329
Residential properties	–	–	14,269	–	14,269
Chairs, mattresses, smart furniture spare parts	–	1,506,253	–	–	1,506,253
Metal mechanism for recliners	–	733,353	–	–	733,353
	<u>6,707,868</u>	<u>2,239,606</u>	<u>14,269</u>	<u>279,461</u>	<u>9,241,204</u>
Service income – recognised over time	–	–	47,822	–	47,822
	<u>–</u>	<u>–</u>	<u>47,822</u>	<u>–</u>	<u>47,822</u>
<b>Total</b>	<b><u>6,707,868</u></b>	<b><u>2,239,606</u></b>	<b><u>62,091</u></b>	<b><u>279,461</u></b>	<b><u>9,289,026</u></b>
<b>Geographical markets</b>					
PRC (including Hong Kong and Macau)	3,834,707	1,878,590	62,091	–	5,775,388
North America	2,459,746	104,344	–	–	2,564,090
Europe	115,543	151,825	–	279,461	546,829
Others	297,872	104,847	–	–	402,719
	<u>3,834,707</u>	<u>1,878,590</u>	<u>62,091</u>	<u>279,461</u>	<u>5,775,388</u>
	<u>2,459,746</u>	<u>104,344</u>	<u>–</u>	<u>–</u>	<u>2,564,090</u>
	<u>115,543</u>	<u>151,825</u>	<u>–</u>	<u>279,461</u>	<u>546,829</u>
	<u>297,872</u>	<u>104,847</u>	<u>–</u>	<u>–</u>	<u>402,719</u>
<b>Total</b>	<b><u>6,707,868</u></b>	<b><u>2,239,606</u></b>	<b><u>62,091</u></b>	<b><u>279,461</u></b>	<b><u>9,289,026</u></b>

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

#### 4 INCOME TAX EXPENSE

	Six months ended 30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current income tax:		
PRC Corporate Income Tax (“ <b>PRC CIT</b> ”)	215,966	164,406
PRC Withholding Income Tax	18,021	23,442
PRC Land Appreciation Tax (“ <b>PRC LAT</b> ”)	791	3,805
U.S. Federal and State Corporate Income Taxes (“ <b>U.S. CIT</b> ”)	1,052	1,734
Macau Complementary Tax	40,881	22,937
Others	2,493	12,162
Deferred tax credit	12,722	(845)
Under-provision in prior years	135	9,726
	<b>292,061</b>	<b>237,367</b>
	<b>292,061</b>	<b>237,367</b>

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods, except for a PRC subsidiary of the Company, carrying out business in the western region of the PRC, which is eligible for a preferential tax rate of 15% (six months ended 30 September 2021: 15%) .

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

The U.S. CIT charge comprises federal income tax calculated at 21% (six months ended 30 September 2021: 21%) and state income tax calculated from 0% to 9% (six months ended 30 September 2021: 1% to 12%) on the estimated assessable profits of the subsidiary of the Company which was incorporated in the U.S..

The Group’s Macau subsidiaries are subject to Macau Complementary Tax at a rate of 12% (six months ended 30 September 2021: 12%) on the assessable income.

## 5 EARNINGS PER SHARE

Earnings per share is computed as follows:

	Six months ended 30 September	
	2022 (Unaudited)	2021 (Unaudited)
<b>Basic</b>		
Profit attributable to owners of the Company for the period (HK\$'000)	<u>1,092,131</u>	<u>988,136</u>
Weighted average outstanding ordinary shares, in thousands	<u>3,928,808</u>	<u>3,958,843</u>
Basic earnings per share for the period, in HK cents	<u><u>27.80</u></u>	<u><u>24.96</u></u>
<b>Diluted</b>		
Profit attributable to owners of the Company for the period (HK\$'000)	<u>1,092,131</u>	<u>988,136</u>
Weighted average outstanding ordinary shares, in thousands	<u>3,928,808</u>	<u>3,958,843</u>
Effect of dilutive potential ordinary shares on exercise of share options	<u>2,453</u>	<u>10,158</u>
Weighted average outstanding ordinary shares after assuming dilution, in thousands	<u>3,931,261</u>	<u>3,969,001</u>
Diluted earnings per share for the period, in HK cents	<u><u>27.78</u></u>	<u><u>24.90</u></u>

## 6 DIVIDENDS

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

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Final dividend for 2022 of HK\$0.17 (2022: HK\$0.16 final dividend for 2021) per share	<u><u>667,877</u></u>	<u><u>633,588</u></u>

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of HK\$0.15 per share (2021: HK\$0.13 per share) will be paid to the shareholders of the Company whose names appear in the Company's register of members on 2 December 2022.

## 7 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	<b>30 September 2022 HK\$'000 (Unaudited)</b>	31 March 2022 HK\$'000 (Audited)
Trade receivables and bills receivable	<b>1,803,118</b>	2,269,774
Less: provision for impairment of trade receivables and bills receivable	<b>(29,460)</b>	(24,686)
Trade receivables and bills receivable, net	<b><u>1,773,658</u></b>	<b><u>2,245,088</u></b>
<b>Other receivables and prepayments</b>		
Valued added taxes recoverable	<b>182,257</b>	186,827
Deposits	<b>72,874</b>	80,473
Prepayments to suppliers	<b>218,707</b>	360,597
Loan receivable	<b>221,068</b>	–
Sundry receivables	<b>189,176</b>	147,177
	<b><u>884,082</u></b>	<b><u>775,074</u></b>

As at 30 September 2022, total bills receivable amounted to HK\$13,667,000 (31 March 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 and bills receivable (net of provision for impairment of trade and bills receivable) presented based on the invoice date at the end of the reporting period is as follows:

	<b>30 September 2022 HK\$'000 (Unaudited)</b>	31 March 2022 HK\$'000 (Audited)
0–90 days	<b>1,712,506</b>	2,164,387
91–180 days	<b>44,912</b>	64,419
Over 180 days	<b>16,240</b>	16,282
	<b><u>1,773,658</u></b>	<b><u>2,245,088</u></b>

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.

## 8 TRADE AND OTHER PAYABLES AND ACCRUALS

	<b>30 September 2022 HK\$'000 (Unaudited)</b>	31 March 2022 HK\$'000 (Audited)
<b>Trade payables and bills payable</b>	<b>944,127</b>	1,155,911
<b>Other payables and accruals</b>		
Accruals	534,150	711,012
Payables for acquisition of property, plant and equipment	22,036	20,874
Provision for legal claim ( <i>Note</i> )	84,528	–
Other payables	449,967	492,740
	<b>1,090,681</b>	1,224,626

*Note:* As at 30 September 2022, 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. 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:

	<b>30 September 2022 HK\$'000 (Unaudited)</b>	31 March 2022 HK\$'000 (Audited)
0 – 90 days	942,958	1,154,833
91 – 180 days	1,072	917
Over 180 days	97	161
	<b>944,127</b>	1,155,911

## 9 BANK BORROWINGS

	<b>30 September 2022 HK\$'000 (Unaudited)</b>	31 March 2022 HK\$'000 (Audited)
Secured ( <i>Note</i> )	911	1,280
Unsecured	4,065,035	4,334,302
	<b>4,065,946</b>	4,335,582

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

	<b>30 September 2022 HK\$'000 (Unaudited)</b>	31 March 2022 HK\$'000 (Audited)
The carrying amounts of the above borrowings are repayable:		
Within one year	<b>4,065,568</b>	4,335,016
Within a period of more than one year but not exceeding two years	<b>378</b>	566
	<b>4,065,946</b>	4,335,582
Less: Amounts due within one year shown under current liabilities	<b>(4,065,568)</b>	(4,335,016)
Amounts shown under non-current liabilities	<b>378</b>	566

The Group's bank borrowings are denominated in HK\$ and RMB, and carry interest at fixed and variable rates. The fixed rates range from 0.65% to 3.90% (for the year ended 31 March 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 3.52% to 4.33% (for the year ended 31 March 2022: 1.17% to 2.15%), and best lending rate quoted by the Hongkong and Shanghai Banking Corporation Limited plus 1%; or (ii) Euro Interbank Offered Rate plus a spread, ranging from 2.10% to 2.80% (for the year ended 31 March 2022: 2.10% to 2.80%). The weighted average effective interest rates of the above variable-rate and fixed-rate bank borrowings were 3.84% and 3.35%, respectively (for the year ended 31 March 2022: 1.48% and 2.72%, respectively) per annum.

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

	<b>30 September 2022 HK\$'000 (Unaudited)</b>	31 March 2022 HK\$'000 (Audited)
Property, plant and equipment	<b>1,095</b>	1,615

## 10 CAPITAL COMMITMENTS

	<b>30 September 2022 HK\$'000 (Unaudited)</b>	31 March 2022 HK\$'000 (Audited)
Capital expenditure contracted but not provided for in respect of		
– acquisition and construction of property, plant and equipment	<b>195,666</b>	306,116
– construction of production plants	<b>772,940</b>	1,037,613
	<b>968,606</b>	1,343,729
Other commitments in respect of		
– construction of property under development	<b>2,300</b>	5,603
	<b>2,300</b>	5,603
	<b>970,906</b>	1,349,332

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **MARKET REVIEW**

With its long history and industry expertise, the Group has gradually improved its ability to resist risks, and was able to maintain a steady and robust development in the face of major changes in the market. At the same time, we continued to consolidate our internal strength by improving product R&D capabilities, enriching the Company's product line, actively expanding its domestic market presence and enhancing the strength of distributors. During the Review Period, the net profit attributable to owners of the Company increased by 10.5%.

#### **China market**

Despite the impact of the pandemic, the generally positive fundamentals of the Chinese economy remained unchanged. Favorable conditions for stabilizing the macro economy and achieving expected development targets abound. In recent years, with its intelligent and convenient user experience, functional furniture has become increasingly popular among consumers. Currently, the recliner market in the PRC is still in a period of low penetration and high growth potential.

#### **Overseas markets**

Europe and America markets, particularly the latter, remain the main consumption markets for recliners and occupy a prominent position in the global recliners market. However, the America market mainly relies on import. The Group will continue to expand its market share in Europe and America markets by leveraging its advantages in large-scale production capacity, quality and cost.

### **BUSINESS REVIEW**

Benefiting from a diversified market distribution and after years of development, the Group's business has gradually changed from an export-oriented business model to a brand-oriented business model. The brand sales business in China accounted for over 60% of the Group's revenue for the Review Period. The breakdown of revenue by region is as follows:

#### **1 China market**

During the Review Period, the Group's sales revenue in the PRC market was HK\$6,016,887,000 and revenue from the principal business in the PRC market (excluding real estate, mall property and other business revenue) was HK\$5,713,297,000, representing a decrease of 10.7% as compared with HK\$6,399,612,000 for the corresponding period last year.

In respect of the offline sales channels in the PRC market, the Group continued to carry out the “Take Over China” strategy, seized the opportunity presented by the pandemic to optimize industry layout, and accelerated the opening of stores, which further increased the overall number of stores and the area of stores in the PRC. As at 30 September 2022, the Group had a total of 6,230 brand stores in China (excluding 1,514 Style, Pulini and Suning stores). During the Review Period, the net increase in the number of stores was 262.

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

## **2 North America market**

During the Review Period, the Group’s sales revenue in the North America market was essentially flat compared with the last corresponding period. The sales revenue from principal business in the North America market amounted to HK\$2,564,090,000, representing an increase of approximately 0.1% from HK\$2,562,340,000 in the last corresponding period.

To mitigate the negative impact on revenue and gross profit margin caused by the tariffs imposed by the US Government, the Group acquired a factory in Vietnam in June 2018 and the factory has been put into operation in Vietnam since 2020.

## **3 Europe and other overseas markets**

During the Review Period, the Group recorded an increase in revenue in Europe and other overseas markets (excluding Home Group). During the Review Period, the sales revenue from principal business amounted to HK\$670,087,000, representing a year-on-year increase of 2.1% from HK\$656,541,000 for the corresponding period last year.

During the Review Period, due to the impact of the pandemic and the war between Russia and Ukraine, the main business revenue in Home Group decreased by 39.9% year-on-year. The Group’s production facilities in Ukraine have not been materially disrupted during the Review Period but management continues to monitor the situation in Ukraine following the war between Russia and Ukraine.

## FINANCIAL REVIEW

### Revenue and gross profit margin

	Revenue (HK\$'000)			As a percentage of		Gross profit margin	
	1HFY2023	1HFY2022	Change	1HFY2023	1HFY2022	1HFY2023	1HFY2022
				revenue			
Sofas and ancillary products							
business	<b>6,707,868</b>	7,058,984	-5.0%	<b>70.3%</b>	68.1%	<b>39.9%</b>	37.5%
Other products	<b>2,239,606</b>	2,559,509	-12.5%	<b>23.5%</b>	24.7%	<b>36.7%</b>	33.1%
Home Group business	<b>279,461</b>	464,930	-39.9%	<b>2.9%</b>	4.5%	<b>22.5%</b>	25.6%
Other businesses	<b>62,091</b>	131,028	-52.6%	<b>0.7%</b>	1.3%	<b>81.6%</b>	67.1%
Other income	<b>244,323</b>	143,485	70.3%	<b>2.6%</b>	1.4%	-	-
Total	<b>9,533,349</b>	10,357,936	-8.0%	<b>100.0%</b>	100.0%	<b>38.8%</b>	36.2%

For the Review Period, total revenue (including the income from main business and other income) of the Group decreased by approximately 8.0% to approximately HK\$9,533,349,000 (six months ended 30 September 2021 (“1HFY2022”): approximately HK\$10,357,936,000). The overall gross profit margin was approximately 38.8% (approximately 36.2% for the corresponding period of last year).

During the Review Period, excluding Home Group business, the Group sold approximately 754,000 sets of sofas products (1HFY2022: approximately 820,000 sets), representing a decrease of approximately 8.0% (one set equals to six seats, in calculating sofas sets, excluding chairs and other products which were sold to commercial clients), among which sets of sofas products for sales in China decreased by 1.5% and sets of sofas products for sales of export decreased by 15.1%.

#### 1 Sofas and ancillary products business

During the Review Period, revenue from the sofas and ancillary products business was approximately HK\$6,707,868,000, representing a decrease of approximately 5.0% as compared with approximately HK\$7,058,984,000 recorded in the last corresponding period.

#### 2 Sales of other products

During the Review Period, the Group’s revenue from other products (comprising of bedding, smart furniture spare parts and other furniture products sold to commercial clients) reached approximately HK\$2,239,606,000, representing a decrease of approximately 12.5% as compared with approximately HK\$2,559,509,000 in the last corresponding period.

### 3 Home Group Business

During the Review Period, the Group's revenue from Home Group was approximately HK\$279,461,000, which is down by approximately 39.9% compared with approximately HK\$464,930,000 in the last corresponding period.

### 4 Other businesses

During the Review Period, the Group's revenue from real estate, the hotel and furniture mall business was approximately HK\$62,091,000, which is down by approximately 52.6% compared with approximately HK\$131,028,000 in the last corresponding period.

### 5 Other income

During the Review Period, the Group's other income (as detailed under the paragraph headed "Other Income" below) amounted to approximately HK\$244,323,000, representing an increase of approximately 70.3% from approximately HK\$143,485,000 in the last corresponding period.

## DIRECT COSTS

### Direct costs breakdown

	1HFY2023 HK\$'000	1HFY2022 HK\$'000	Change
Cost of raw materials	4,475,787	5,290,830	-15.4%
Labour costs	882,502	932,559	-5.4%
Manufacturing overhead	322,662	290,837	10.9%
Total	<u>5,680,951</u>	<u>6,514,226</u>	<u>-12.8%</u>

	Average unit cost year-on-year change
<b>Major raw materials for production of sofas</b>	

Leather	-0.5%
Metal frame	-8.5%
Wood	21.2%
Fabric	0.3%
Chemicals	-15.8%
Packaging paper	0.9%

## OTHER INCOME

During the 1HFY2023, the Group's other income increased by approximately 70.3% from approximately HK\$143,485,000 in the corresponding period last year to approximately HK\$244,323,000. The increase was mainly due to the increase of government subsidies.

	<b>1HFY2023</b> <i>HK\$'000</i>	1HFY2022 <i>HK\$'000</i>	Change
Income from sales of scrap*	<b>15,641</b>	15,147	3.3%
Government subsidies**	<b>169,871</b>	81,914	107.4%
Income on structured deposits and interest income***	<b>53,841</b>	41,566	29.5%
Others	<b>4,970</b>	4,858	2.3%
	<hr/>	<hr/>	<hr/>
Total	<b>244,323</b>	143,485	70.3%
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

### Notes:

- \* Income from sales of scrap is revenue from the sales of leather scrap, cotton, wood and others generated in the normal production process of the Company's sofas and bedding products in 1HFY2023.
- \*\* Government subsidies mainly consist of financial subsidies from local governments to subsidiaries which are responsible for the sales of products and providing services in China market.
- \*\*\* Income from structured deposits originated from the use of unutilized funds by the Group to invest in wealth management products of major commercial banks in mainland China.

## OTHER LOSSES, NET

During the 1HFY2023, the net of other losses of the Group amounted to approximately HK\$25,121,000, compared with losses of approximately HK\$2,856,000 in the last corresponding period. The aforesaid losses in the Review Period were mainly attributable to the loss on disposal of property, plant and equipment.

## **SELLING AND DISTRIBUTION EXPENSES**

Selling and distribution expenses decreased by approximately 8.6% from approximately HK\$2,015,834,000 in the 1HFY2022 to approximately HK\$1,843,264,000 in the 1HFY2023. Selling and distribution expenses as a percentage of revenue increased from approximately 19.7% in the 1HFY2022 to approximately 19.8% in the 1HFY2023, including:

- (a) Offshore transportation and port charges decreased by approximately 30.1% from approximately HK\$713,760,000 to approximately HK\$498,628,000. Offshore transportation and port charges as a percentage of revenue decreased from approximately 7.0% to approximately 5.4%; domestic transportation expenses decreased by approximately 3% from approximately HK\$235,282,000 to approximately HK\$228,195,000. Domestic transportation expenses as a percentage of revenue increased from approximately 2.3% in the 1HFY2022 to approximately 2.5% in the 1HFY2023;
- (b) Advertising, promotion and brand building expenses decreased by approximately 3.8% from approximately HK\$257,853,000 to approximately HK\$248,017,000. Advertising, promotion and brand building expenses as a percentage of revenue increased from approximately 2.5% in the 1HFY2022 to approximately 2.7% in the 1HFY2023;
- (c) Salaries, welfare and commissions of sales staff increased by approximately 24.9% from approximately HK\$337,033,000 to approximately HK\$420,978,000. Salaries, welfare and commissions of sales staff as a percentage of revenue increased from approximately 3.3% in the 1HFY2022 to approximately 4.5% in the 1HFY2023;
- (d) Tariffs on goods exported to the United States decreased by approximately 18.8% from approximately HK\$62,303,000 to approximately HK\$50,597,000. Tariffs on goods exported to the United States as a percentage of revenue decreased from approximately 0.6% in the 1HFY2022 to approximately 0.5% in the 1HFY2023;
- (e) Network service expenses increased by approximately 15.2% from approximately HK\$57,023,000 in the 1HFY2022 to approximately HK\$65,668,000. Network service expenses as a percentage of revenue increased from approximately 0.6% in the 1HFY2022 to approximately 0.7% in the 1HFY2023.

## **ADMINISTRATIVE EXPENSES**

Administrative expenses increased by approximately 5.8% from approximately HK\$533,771,000 in the 1HFY2022 to approximately HK\$564,496,000 in the 1HFY2023, and their percentage to revenue increased from approximately 5.2% in the 1HFY2022 to approximately 6.1% in the 1HFY2023.

## **SHARE OF RESULTS OF JOINT VENTURES**

During the Review Period, share of profit of joint ventures was approximately HK\$1,788,000 (1HFY2022: approximately HK\$5,207,000). During the Review Period, the Group had interests in two joint ventures, one of which operates a bedding business and the other, which operates an advertising business, became a subsidiary of the Group on 1 April 2022.

## **FINANCE COSTS**

Finance costs increased by approximately 82.3% from approximately HK\$33,505,000 in the 1HFY2022 to approximately HK\$61,068,000 in the 1HFY2023. Such costs were mainly interest expenses of loans. Such increase in finance costs was mainly due to the rise of interest rate during the Review Period.

## **INCOME TAX EXPENSE**

Income tax expense increased by approximately 23.0% from approximately HK\$237,367,000 in the 1HFY2022 to approximately HK\$292,061,000 in the 1HFY2023. Income tax as a percentage of profit before tax increased from approximately 18.8% in the 1HFY2022 to approximately 21.5% in the 1HFY2023.

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

The profit attributable to owners of the Company increased by approximately 10.5% from approximately HK\$988,136,000 in the 1HFY2022 to approximately HK\$1,092,131,000 in the 1HFY2023. The net profit margin of the Group was approximately 11.8% during the Review Period (approximately 9.7% in the 1HFY2022).

## **WORKING CAPITAL**

As at 30 September 2022, the Group's cash and cash equivalents (excluding restricted bank balances) and short-term bank deposits were approximately HK\$1,770,992,000 and HK\$1,304,483,000. During the Review Period, turnover of the Group's working capital was good and account receivable and inventory turnover days had been kept at a relatively low level. The Group seeks to effectively manage its cash flow and capital commitments to ensure that it has sufficient funds to meet its existing and future cash requirements. The Group has not experienced and does not expect any difficulties in fulfilling the cash requirement for its operation in the absence of any unforeseen circumstances.

## **LIQUIDITY AND CAPITAL RESOURCES**

As at 30 September 2022, the Group's short-term bank borrowings amounted to approximately HK\$4,065,568,000 and long-term borrowings amounted to approximately HK\$378,000. The Group's bank borrowings are denominated in HK\$ and RMB, and carry interest at fixed and variable rates. The fixed rates range from 0.65% to 3.90% (for the year ended 31 March 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 3.52% to 4.33% (for the year ended 31 March 2022: 1.17% to 2.15%), and best lending rate quoted by the Hong Kong and Shanghai Banking Corporation Limited plus 1%; or (ii) Euro Interbank Offered Rate plus a spread, ranging from 2.10% to 2.80% (for the year ended 31 March 2022: 2.10% to 2.80%). The weighted average effective interest rates of the above variable-rate and fixed-rate bank borrowings were 3.84% and 3.35%, respectively (for the year ended 31 March 2022: 1.48% and 2.72%, respectively) per annum.

The Group's primary source of working capital is cash flow from operating activities and bank deposits. As at 30 September 2022, the Group's current ratio was approximately 1.2 (31 March 2022: approximately 1.3). As at 30 September 2022, the Group's gearing ratio was approximately 37.2% (31 March 2022: approximately 37.0%), which is the total borrowings divided by total equity attributable to owners of the Group.

## **PLEDGE OF ASSETS**

As at 30 September 2022, the restricted bank balances of the Group amounted to approximately HK\$370,000. As of 30 September 2022, some subsidiaries of Home Group had pledged certain assets for financing, including property, plant and equipment with a carrying amount of approximately HK\$1,095,000 (31 March 2022: property, plant and equipment with a carrying amount of approximately HK\$1,615,000).

## **CAPITAL COMMITMENTS, CONTINGENT LIABILITIES AND PROVISIONS**

Save as disclosed in Note 10 to the condensed consolidated interim financial information, the Group did not have any material capital commitments.

As at 30 September 2022, the Group did not have any material contingent liabilities.

As at 30 September 2022, 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. 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 trade and other receivables, bank balances, trade and other payables and bank borrowings, which are denominated in currencies other than the functional currency of respective entities of the Group. Except for the business of Home Group, most of the Group's sales in overseas markets are settled in USD, which effectively ameliorates the exchange rate fluctuation risk of settlement in other currencies. The Group's sales in mainland China and Hong Kong markets are settled in RMB and Hong Kong Dollar ("HK\$") respectively. Except for the business of Home Group, the Group's costs are mainly settled in USD, RMB and HK\$. The revenue of Home Group's current business in Europe is settled mainly in Euro, while the cost is settled mainly in Euro, Ukrainian Hryvnia and Polish Zloty. The Group conducts its sales in overseas markets and mainland China, and also procures raw materials from both the China market and overseas markets, which helps to reduce the Group's exposure to the foreign exchange risk.

## **SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS AND DISPOSALS**

Save as disclosed herein, the Group did not have any significant investments or material acquisitions or disposals of subsidiaries, associates or joint ventures during the 1HFY2023. The Group continues to seek opportunities to acquire furniture companies to accelerate the development of the Group.

## **HUMAN RESOURCES**

As at 30 September 2022, the Group had 26,813 employees (31 March 2022: 28,685 employees).

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

During the 1HFY2023, the total staff cost for the Group amounted to approximately HK\$1,459,841,000 (1HFY2022: approximately HK\$1,508,835,000), of which approximately HK\$7,355,000 (1HFY2022: approximately HK\$15,969,000) was directors' emoluments. The Group endeavours to keep the remuneration packages of its employees competitive and reward employees on a performance and merit basis with reference to the profitability of the Group and prevailing market conditions. As part of the Group's remuneration system and policy, we have adopted a share option scheme to reward employees and incentivise them to perform better.

## **FUTURE PLANS**

Recliner sofas are taking up an ever-growing market share in China and around the world. The Group will increase investments in intelligent manufacturing and digital management, so as to ensure quality, reduce labor intensity and production cost, improve product competitiveness, and continuously meet consumer demand for products through automatic and integrated production processes.

The Group will adhere to the strategy of boosting the Company with talents. We attach great importance to talent development, and make strategic planning therefor. We will vigorously implement the organizational reform strategy and clarify the Company's core capabilities and competitiveness, so as to stimulate organizational vitality. We will continuously improve our remuneration performance policy, focus on performance management, formulate performance appraisal indicators, and push forward the full implementation of various business tasks.

## **INTERIM DIVIDEND**

The Board has resolved to declare an interim dividend of HK15.0 cents per share (six months ended 30 September 2021: an interim dividend of HK13.0 cents per share) payable to shareholders of the Company (the “**Shareholders**”) whose names appear on the Company's register of members on Friday, 2 December 2022.

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

There was no purchase, sale or redemption by the Company or any of its subsidiaries of its listed securities during the Review Period.

## **AUDIT COMMITTEE**

The Company has engaged Messrs. PricewaterhouseCoopers, the auditor of the Company (“**Auditor**”) to assist the Audit Committee to review the report of the Group for the six months ended 30 September 2022. The interim financial information of the Group for the six months ended 30 September 2022 has been reviewed by the Auditor in accordance with International Standard on Review Engagement 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

## **EVENTS AFTER THE REPORTING PERIOD**

The Group has no material events after the Review Period to be disclosed.

## **CLOSURE OF REGISTER OF MEMBERS**

Shareholders whose names appear on the Company's register of members on Friday, 2 December 2022, will be eligible for the interim dividend. The transfer books and the register of members of the Company will be closed from Wednesday, 30 November 2022 to Friday 2 December 2022, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited of Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 29 November 2022. The interim dividend is expected to be payable on or before Friday, 16 December 2022 to the Shareholders whose names appear on the register of members of the Company on Friday, 2 December 2022.

## **CHANGE IN DIRECTORS' INFORMATION**

Pursuant to Rule 13.51B(1) of the Listing Rules, during the Review Period, the changes in the Directors' information are as follows:

1. Mr. Yang Siu Shun has been appointed as an independent non-executive Director and a member of the Audit Committee with effect from 1 April 2022;
2. The annual remuneration of the independent non-executive Directors was increased from HK\$380,000 to HK\$420,000, with effect from 1 April 2022;
3. Mr. Yang Siu Shun was appointed as an independent non-executive director of Xinyi Glass Holdings Limited (信義玻璃控股有限公司) (stock code: 00868) on 2 June 2022;
4. Mr. Ding Yuan was appointed as an independent non-executive director of JS Global Lifestyle Company Limited (stock code: 1691) on 29 August 2022.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

During the six months ended 30 September 2022, the Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), save for the deviation from Code Provision C.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 code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Currently, Mr. Wong Man Li is the chief executive officer of the Company. Mr. Wong Man Li, who also acts as the Chairman and Managing Director of the Company, has been responsible for overseeing the general operations of the Group. The Board meets regularly to consider major matters concerning the operations of the Group. The Board considers that this structure had not impaired the balance of power and authority between the Board and the management of the Company as all major decisions have been made in consultation with the Board and appropriate Board committees, as well as management. The roles of the respective executive directors and senior management who are in charge of different functions complement the role of the chairman and chief executive officer. In addition, there are four independent non-executive Directors on the Board offering their experience, expertise, independent advice and views from different perspectives. The Board is therefore of the view that there were adequate balance of power and safeguards in place. The Board believes that this structure had allowed the Group to operate efficiently. The Board will continue to review the current structure from time to time and shall make necessary changes when appropriate and inform the shareholders accordingly.

## **COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as a code of conduct of the Company for directors’ securities transactions. Having made specific enquiry of all directors, the directors have confirmed that they have complied with the required standard set out in the Model Code and the Company’s code of conduct regarding directors’ securities transactions throughout the six months ended 30 September 2022.

By the order of the Board  
**Man Wah Holdings Limited**  
**Wong Man Li**

*Chief Executive Officer and Executive Director*

Hong Kong, 15 November 2022

*As at the date of this announcement, the executive Directors are Mr. Wong Man Li, Ms. Hui Wai Hing, Mr. Alan Marnie, Mr. Dai Quanfa and Ms. Wong Ying Ying; and the independent non-executive Directors are Mr. Chau Shing Yim, David, Mr. Kan Chung Nin, Tony, Mr. Ding Yuan and Mr. Yang Siu Shun.*