MANWAH

MAN WAH HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 01999)

FIRST CLASS EXPERIENCE EVERYDAY

Interim Report 2017

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wong Man Li *(Chairman and Managing Director)*
Ms. Hui Wai Hing
Mr. Wang Guisheng
Mr. Alan Marnie
Mr. Dai Quanfa
Ms. Wong Ying Ying

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Ms. Liu Xiaoting

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

BERMUDA SHARE REGISTRAR AND SHARE TRANSFER AGENT

Estera Management (Bermuda) Limited
Canon's Court
22 Victoria Street
Hamilton HM 12
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
Estera Management (Bermuda) Limited

PRINCIPAL BANKERS

Hang Seng Bank
Standard Chartered 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
China Minsheng Banking Corporation Limited

STOCK CODE

1999

WEBSITE

www.manwahholdings.com

INVESTOR RELATIONS CONSULTANT

Strategic Financial Relations Limited
24/F, Admiralty Centre I
18 Harcourt Road
Hong Kong

CHAIRMAN'S STATEMENT

Dear Shareholders:

On behalf of the board (the "Board") of directors (the "Directors") of Man Wah Holdings Limited ("Man Wah" or the "Company"), it is my pleasure to present the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2017 ("1HFY2018" or the "Review Period").

BUSINESS REVIEW

During the Review Period, the Group further increased the investment in product research & development and launched more series of competitive products. Meanwhile, the Group continued to improve its production and operation efficiency as well as the proportion of self-produced parts, and continuously enhanced the brand awareness of the Group through effective marketing. The operation of the Group's businesses went smoothly during the Review Period, which lays a solid foundation for the stable growth of future results in the long term.

In the China market, the main product of the Group, i.e. recliners, have maintained the strong growth trend of last financial year due to our sustained efforts on refined management of stores, brand promotion and retail network expansion. At the same time, non-motion sofas and the bedding products series recorded an even higher growth which injected new driver into the long-term development of the Group in the China market. During the Review Period, the China market became the fastest-growing region of the Group in terms of revenues and profits again.

In the North America market, the Group overcame a series of challenges and effectively reversed the sales decline trend in last financial year. Especially, the growing pace of sales further accelerated during the last several months through developing new business models and increasing product lines by the Group.

As for the Europe and other overseas markets, the Group recorded a good growth in revenues in European market generally which was attributed to the acquisition of Home Group last year. Besides, we are also aware of the challenges faced by the existing recliner business in the short term. In this regard, we will satisfy customer demand in a better way through local production with a faster delivery in the future.

PROSPECTS

The Group will follow its established strategies and continue to strengthen its core competencies in recliners. It will effectively reduce cost through developing and producing more core parts, improve product innovation capability from the beginning and further enhance the levels of intelligent manufacturing and informatization of internal management with the aim of emphasizing its advantages in respect of operating efficiency.

The Group believes there are various developing opportunities in the China market and will make greater investment in order to make it the most important source for growth of the Group. The Group will further improve the recognition of "CHEERS" brand and continue to expand distribution channels. Although the Group already had more than 2,000 stores at the end of the Review Period, there is still considerable room for the Group to expand its store network taking into consideration that the Group open different formats of stores in respect of its existing four sofa series and two bedding products series. On the other hand, the Group has extended its online sales channels to platforms including TMALL (www.tmall.com), Jingdong Mall (www.JD.com), Vipshop (www.vip.com), Amazon (amazon.com.cn) and is committed to achieving better integration between on-line and off-line channels. During the "Double 11" promotion organized by TMALL and other on-line platforms on 11 November 2017, the Group received over RMB200 million orders, increasing by approximately 120% as compared with the same day of last year, which is far above the year-on-year growth of the overall trading volume of TMALL on the same day and reflects strong growth potential of the online sales channels for the products of the Group and the excellent execution by the online operation team of the Group. Considering recent price increase of some raw materials, the Group has announced further price increase of sofas and bedding products by 5% in mainland China market. The price increase will be effective from mid-November for retail price and mid-December for wholesale price.

The United States market is one of the most important markets that the Group has explored for years. The Group has established good long-term cooperation relationships with a number of large furniture retailers. During the Review Period, the Group launched lots of innovative sofa products which is expected to become a new growth driver in the second half of financial year ending 31 March 2018 ("FY2018").

The European market is still a market with both opportunities and challenges. The Group will conduct in-depth study on the market and further explore the needs of more customers, so as to provide more targeted products for different countries and different types of customers. We believe that the European market will bring more development opportunities for the Group in the future.

In line with the Group's revenue growth, the Group will increase its production capacity steadily and optimize the layout of plants so as to reduce logistics cost. The expansion project of the second phase of the plant in Tianjin, China has been completed and put into production as scheduled, which increased the annual sofa production capacity of our plants in China from 1.386 million sets to 1.586 million sets. The construction of the Group's new plant in Chongqing China is progressing well and is expected to be completed and put into production in the calender year 2019. This will increase the annual sofa production capacity by approximately 300,000 sets.

Since the acquisition of Home Group last year, the Group has been expanding its major plants as planned with a view to increasing production capacity in the near term to satisfy the growing customer demands. In addition, the timber processing plant under construction of Home Group is scheduled to start production in the near future. This plant will supply timber for factories both in Europe and China which is expected to reduce timber cost of the Group substantially in the future.

APPRECIATION

On behalf of the Board, I would like to thank all the shareholders, business partners, employees and consumers for their support and trust in the Group in the past. We will live up to expectations and be committed to creating better returns for shareholders and more values for all stakeholders.

Wong Man Li
Chairman
Man Wah Holdings Limited

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

During the Review Period, the Group benefited from a diversified market distribution and continued to maintain a steady growth in its overall revenue by taking full advantage of favorable market opportunities, increasing product development capabilities, more extensive product lines and more business model innovation.

China market

According to data released by the National Bureau of Statistics of China, the national GDP growth reached approximately 6.9% in the first three quarters of 2017. During the Review Period, China's overall economic situation was positive, providing a favorable external environment for the development of the Group. Although governments at different levels have introduced some policies that curb the excessive growth of the real estate market, the governmental policies were mainly to curb speculations, safeguarding basic housing demand. The furniture products of the Group are mainly related to the rigid demand of consumers for housing, and the restrictions on real estate speculations will not affect the sales of furniture products of the Group. With the steady increase in Chinese consumer income, the pursuit for healthier and more comfortable furniture products is bringing strong demand for renewal and is expected to become a more important driver of the Group's growth for a considerable period of time.

During the Review Period, the Group continued to maintain the strong growth of revenue through conducting effective marketing, continuingly improving the level of refined management of existing stores, steadily expanding the network of stores, vigorously developing online sales, further improving the efficiency of logistics and distribution, enriching the product lines and other measures.

North America market

As announced by the US Bureau of Economic Analysis previously, the real GDP growth of the US reached 3.1% year-on-year in the second quarter of this year, up from 1.2% in the first quarter. According to the data released by the US Census Bureau, single-family new home sales fell by approximately 3.4% in August this year compared with July, reaching a new low during the year. The US furniture market remained facing a mixed external environment.

Europe and other overseas markets

According to the data from the Eurostat, the GDP of 28 countries in the Eurozone in the second quarter grew by approximately 2.1% year-on-year, up from approximately 1.4% in the first quarter, reflecting that the overall economy in the Eurozone was improving. Meanwhile, Brexit negotiations and several terrorist attacks etc. have also brought uncertainties to the European economy.

BUSINESS REVIEW

During the Review Period, the Group appropriately broadened the product lines while adhering to focus on the core products, and constantly improved the internal operational efficiency, thereby maintaining steady revenue growth by leveraging on the favorable market opportunities.

1 Wholesale business of sofa and ancillary products

The Group sells sofa products, most of which are reclining sofas, to retailers and distributors in the North America, Europe and other overseas markets, and sells sofas and relevant ancillary products to sofa distributors in the China market. During the Review Period, total revenue of this business was approximately HK$3,369,263,000, up by approximately 13.1% compared with approximately HK$2,980,059,000 recorded in the six months ended 30 September 2016 ("1HFY2017" or "Last Corresponding Period").

1.1 China market

In the China market, the Group sells sofa and ancillary products to distributors at wholesale prices and these distributors operate the "CHEERS" brand sofa retail stores.

During the Review Period, the number of "CHEERS" brand sofa retail stores opened by distributors increased by 126 in aggregate. As at 30 September 2017, the Group had a total of 1,630 "CHEERS" brand sofa retail stores operated by distributors in China (as at 31 March 2017: 1,504). During the Review Period, wholesales of sofas and ancillary products by distributors in the China market grew by approximately 40.2%.

1.2 North America market

In the North American market, the Group achieved the improvement in respect of sales growth month-by-month through the measures such as enriching product lines, strengthening the sales team and expanding new types of customers in spite of a series of challenges the Group faced since the beginning of the year.

During the Review Period, revenue in the North America market increased by approximately 2.1% compared with the Last Corresponding Period, whereas revenue in the US increased by approximately 0.4% and revenue in Canada increased by approximately 27.1%.

1.3 Europe and other overseas markets

In Europe, the Group was still confronted with the competitions from numerous furniture suppliers such as suppliers in Eastern Europe. During the Review Period, revenue of sofas in Europe and other overseas markets decreased by approximately 4.6%, including revenue in Europe decreased by approximately 23.0%, revenue from other oversea market increased by approximately 23.7%.

2 Retail business of sofas and ancillary products

The Group sold sofas and relevant ancillary products through self-operated "CHEERS" and "MOREWELL" brand sofa retail stores opened in first-tier and second-tier cities in Mainland China and Hong Kong. Meanwhile, the Group also sold sofas and ancillary products directly to consumers through internet platforms such as TMALL, JD Mall and TV shopping channels.

During the Review Period, the Group continued to adjust product mix, implement standardized and delicate management, as well as to take an effective incentive system to improve competitiveness of existing stores.

As at 30 September 2017, the Group had 100 self-operated "CHEERS" and "MOREWELL" brand sofa retail stores, while the Group had 99 self-operated stores as at 31 March 2017.

During the Review Period, the Group's revenue in respect of sofa retail business grew by approximately 26.2%.

3 Business of other products

Apart from focusing on sofa production and sales, the Group also produced and sold bedding products and sold chairs and other products to high-speed railways, cinemas, hotels and other business customers. Moreover, the Group also produced and sold reclining sofa parts and other products. The Group sold its bedding products mainly by setting up "CHEERS Five-star Mattress" and "CHEERS Smart Bedding" brand retail stores in Mainland China. As at 30 September 2017, the Group had 411 "CHEERS Five-star Mattress" and "CHEERS Smart Bedding" brand retail stores operated by distributors (as at 31 March 2017: 340) and 22 self-operated "CHEERS Five-star Mattress" and "CHEERS Smart Bedding" brand retail stores (as at 31 March 2017: 23).

During the Review Period, the Group's revenue from other product businesses grew by approximately 62.1% as compared with the Last Corresponding Period.

4 The Business of Home Group

In the previous financial year, the Group has invested in Home Group, and has accounted Home Group as a subsidiary of the Group and consolidated the accounts of Home Group since 31 December 2016. Any comparisons in respect of the Last Corresponding Period are based on unaudited management accounts of Home Group as provided to the Group by the shareholders of Home Group during that period.

Home Group has five sofa manufacturing factories in Poland, the Baltic States and Ukraine respectively, which are mainly engaged in the design and production of stationary sofas and sofa beds, and sells their products to many European furniture retailers. In light of its competitive products and prices, Home Group has received the recognition from many large European retailers. During the Review Period, Home Group recorded an increase of approximately 16.7% in respect of its revenue from Europe compared with the Last Corresponding Period. In order to meet growing customer needs, Home Group is expanding its factory in Ukraine, its most important factory of Home Group in Europe, since the beginning of this year. Currently, the construction is in progress smoothly and is predicted to be completed by December this year. At that time, the capacity of the factory would increase by over 100%. Meanwhile, Home Group started constructing a wood processing factory in its Ukraine production facility during the Review Period, which is expected to be completed and put into production within this year. Upon completion, the factory will make full use of the rich wood resources in Ukraine to effectively reduce the wood costs of the factories of the Group in China and Europe.

Home Group has successfully tapped into the China market during the Review Period. It has launched the fabric stationary sofa series with the "Fleming" brand in China, mainly targeting young customers to provide them with high quality, fashionable and cost-effective sofa products. Currently, all the series are being produced in China. 2 self-operated stores and 23 stores operated by franchisees have been opened. It will fully capitalize on the Group's scale advantages and supply chains to vigorously develop the China market in the future.

Product Research and Development

During the Review Period, the Group is further committed to increasing its core competitiveness through technological innovation. Apart from launching a wide range of more comfortable and fashionable reclining sofas and bedding products with more innovative functions, the Group is striving to improve the levels of automation and intelligence of manufacturing in pursuit of the production efficiency improvement in the future to reduce the percentage of labor costs in the total production costs.

During the Review Period, the Group has introduced more than 200 new sofa models. During the Review Period, for sofa produced in China factories, the sales volume of non-leather sofas and leather sofas in the overseas markets accounted for approximately 75.3% and 24.7%, respectively, and those in the China market accounted for approximately 50.5% and 49.5%, respectively. For sofa produced by Home Group, most of them were non-leather products.

FINANCIAL REVIEW

Revenue and gross profit margin

	Revenue (HK$'000)			As a percentage of revenue (%)		Gross profit margin (%)	
	1HFY2018	1HFY2017	**Change (%)**	**1HFY2018**	1HFY2017	**1HFY2018**	1HFY2017
Wholesale business of sofas and ancillary products	**3,369,263**	2,980,059	**13.1%**	**72.8%**	82.9%	**37.9%**	41.0%
Including:							
China Market	**1,284,866**	916,377	**40.2%**	**27.8%**	25.5%	**41.4%**	41.4%
North America Market	**1,755,632**	1,719,094	**2.1%**	**37.9%**	47.8%	**36.7%**	42.0%
Europe and Other Overseas Market	**328,765**	344,588	**-4.6%**	**7.1%**	9.6%	**30.4%**	35.3%
Retail business of sofas and ancillary products	**446,545**	353,942	**26.2%**	**9.7%**	9.9%	**60.6%**	61.9%
Other products	**419,934**	259,017	**62.1%**	**9.0%**	7.2%	**31.6%**	35.4%
Home Group business	**391,139**	N/A	**N/A**	**8.5%**	N/A	**23.6%**	N/A
Total	**4,626,881**	3,593,018	**28.8%**	**100.0%**	100.0%	**38.3%**	42.7%

For the Review Period, total revenue of the Group increased by approximately 28.8% to approximately HK$4,626,881,000 (1HFY2017: approximately HK$3,593,018,000), whereas the overall gross profit margin decreased to approximately 38.3% from approximately 42.7% when compared to that for the Last Corresponding Period. The decrease in gross profit margin was partially due to the consolidation of Home Group business during the Review Period, whereas Home Group business was not consolidated during the Last Corresponding Period. The gross profit margin of Home Group business was approximately 23.6% during the Review Period. Excluding Home Group business, the gross profit margin of the Group was approximately 39.7%. Besides, chemical products, steels and cardboard among the packaging materials saw a substantial increase in price, which exerted significant impact on gross profit margin.

During the Review Period, cost of goods sold increased by approximately 38.6% as compared to that for the Last Corresponding Period.

In view of the implications of increase in costs of certain materials, the Group increased the selling prices of sofas and bedding products in mainland China market during the Review Period. In particular, the price of recliners was increased by approximately 8%, and the price of non-function sofas and bedding products was increased by approximately 5%. The Group has further announced another price increase of sofas and bedding products by 5% in mainland China market. The price increase will be effective from mid-November for retail price and mid-December for wholesale price.

During the Review Period, the Group produced approximately 574,000 sets of sofa products in total (1HFY2017: approximately 458,000 sets) in factories in China, representing an increase of approximately 25.3% (one set of sofa equal to six seats, in calculating sofa sets, excluding chairs and other products which were sold to commercial clients).

1 Wholesale business of sofa and ancillary products

During the Review Period, wholesale business of sofa and ancillary products achieved revenue of approximately HK$3,369,263,000 in aggregate, representing an increase of approximately 13.1% as compared with approximately HK$2,980,059,000 recorded in the Last Corresponding Period.

1.1 China market

During the Review Period, revenue from the China market reached approximately HK$1,284,866,000, up by approximately 40.2% from approximately HK$916,377,000 in the Last Corresponding Period.

During the Review Period, the Group continued to expand its store network at a steady pace. Stores operated by distributors rose to 1,630 as of 30 September 2017 from 1,504 as of 31 March 2017, representing a growth of approximately 8.4%.

During the Review Period, the average sales per distributor store under CHEERS brand increased by approximately 16.1% from the Last Corresponding Period (average sales per store is calculated as sales of all stores during the Review Period divided by average number of stores; and average number of stores is calculated as the arithmetic mean of the number of stores at the beginning of the Review Period and that at the end of the Review Period respectively).

1.2 North America market

During the Review Period, revenue from the North America market reached approximately HK$1,755,632,000, up by approximately 2.1% compared with approximately HK$1,719,094,000 in the Last Corresponding Period. Of this, revenue from the US reached approximately HK$1,618,141,000, up by approximately 0.4% compared with approximately HK$1,612,034,000 in the Last Corresponding Period, and revenue from Canada reached approximately HK$129,121,000, up by approximately 27.1% compared with approximately HK$101,613,000 in the Last Corresponding Period.

1.3 Europe and other overseas markets

During the Review Period, revenue from Europe and other overseas markets was approximately HK$328,765,000, down by approximately 4.6% compared with approximately HK$344,588,000 in the Last Corresponding Period. Of this, revenue from Europe reached approximately HK$160,885,000, down by approximately 23.0% compared with approximately HK$208,902,000 in the Last Corresponding Period, and revenue from other overseas markets reached approximately HK$167,880,000, up by approximately 23.7% compared with approximately HK$135,686,000 in the Last Corresponding Period.

2 Retail business of sofas and ancillary products

During the Review Period, revenue from retail business of sofas and ancillary products reached approximately HK$446,545,000, up by approximately 26.2% as compared with approximately HK$353,942,000 in the Last Corresponding Period.

2.1 Revenue from CHEERS and MOREWELL brand sofa self-operated retail stores reached approximately HK$269,900,000, down by approximately 2.5% compared with approximately HK$276,933,000 in the Last Corresponding Period.

The Group had 100 self-operated stores as of 30 September 2017, while 99 as of 31 March 2017.

During the Review Period, average sales per self-operated store decreased by approximately 2.0% from the Last Corresponding Period (average sales per store is calculated as sales of all stores during the Review Period divided by average number of stores; and average number of stores is calculated as the arithmetic mean of the number of stores at the beginning of the Review Period and that at the end of the Review Period respectively).

2.2 Revenue from the internet and television platform reached approximately HK$176,645,000, up by approximately 129.4% from approximately HK$77,009,000 in the Last Corresponding Period.

3 Sales of other products

During the Review Period, the Group's revenue from other products reached approximately HK$419,934,000, representing an increase of approximately 62.1% as compared to approximately HK$259,017,000 in the Last Corresponding Period.

3.1 Retail revenue from bedding self-operated retail stores reached approximately HK$26,177,000, up by approximately 56.8% compared with approximately HK$16,699,000 in the Last Corresponding Period.

During the Review Period, the number of "CHEERS Five-star Mattress" and "CHEERS Smart Bedding" brand self-operated retail stores was adjusted to 22 as of 30 September 2017 from 23 as of 31 March 2017. During the Review Period, average sales per self-operated bedding products store increased by approximately 70.7% from the Last Corresponding Period.

3.2 Wholesale revenue from bedding retail stores operated by distributors under "CHEERS Five-star Mattress" and "CHEERS Smart Bedding" brand reached approximately HK$179,114,000, up by approximately 105.9% compared with approximately HK$87,005,000 in the Last Corresponding Period.

During the Review Period, the number of bedding branded stores operated by distributors went up from 340 as of 31 March 2017 to 411 as of 30 September 2017, up by approximately 20.9%; and the average sales per bedding store operated by distributors increased by approximately 58.4% from the Last Corresponding Period.

3.3 During the Review Period, revenue from other furniture products sold to commercial clients reached approximately HK$43,141,000, up by approximately 87.9% from approximately HK$22,957,000 in the Last Corresponding Period.

3.4 Revenue from furniture components reached approximately HK$171,502,000 (including approximately HK$107,876,000 from China market, approximately HK$17,180,000 from North America market, approximately HK$46,446,000 from Europe and other overseas market), up by approximately 29.6% from approximately HK$132,356,000 (including approximately HK$87,496,000 from China market, approximately HK$15,054,000 from North America market, approximately HK$29,806,000 from Europe and other overseas market) in the Last Corresponding Period.

4 Home Group Business

During the Review Period, Home Group has achieved a total revenue of approximately HK$391,139,000, including the revenue from Europe amounting to approximately HK$383,919,000 and the revenue from China amounting to approximately HK$7,220,000.

Cost of goods sold

Cost of goods sold breakdown

	1HFY2018	1HFY2017	**Change**
	HK$'000	*HK$'000*	***(%)***
Cost of raw materials	**2,345,331**	1,697,898	38.1%
Labour costs	**400,452**	282,039	42.0%
Manufacturing overhead	**108,391**	79,530	36.3%
Total	**2,854,174**	2,059,467	38.6%

Major raw materials for production of sofas in China factories	**Average unit cost year-on-year change (%)**	**% of total cost of sales (%)**
Leather	-4.1%	18.8%
Steel	37.2%	18.5%
PVC	-2.5%	1.1%
Wood	4.2%	8.6%
Fabric	-2.5%	11.3%
Chemicals	40.0%	10.0%

During the Review Period, steels and chemicals saw a significant increase in price, which exerted certain impact on gross profit margin.

OTHER INCOME

During the 1HFY2018, other income of the Group increased by approximately 172.3% from approximately HK$71,312,000 in the Last Corresponding Period to approximately HK$194,186,000. The increase was mainly due to the significant increase in government subsidies.

	1HFY2018	1HFY2017	**Change**
	HK$'000	*HK$'000*	***(%)***
Income from sale of industrial waste*	**24,684**	19,538	26.3%
Government subsidies**	**133,823**	32,910	306.6%
Income on structured deposits and interest income***	**24,017**	9,668	148.4%
Others	**11,662**	9,196	26.8%
Total	**194,186**	71,312	172.3%

Notes:

* Income from sale of industrial waste is revenue from the sale of leather scrap, cotton, wood etc generated in the normal production process of the Company's sofas and bedding products. During the 1HFY2018, such income accounted for approximately 0.5% of total revenue (income from sales of industrial waste accounted for approximately 0.5% of total revenue in the Last Corresponding Period).

** 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. The banks have provided guarantee for principal and gains for all products. The investment period is not more than six months. As at 30 September 2017, the principal and gains of such investments have been fully recovered.

OTHER GAINS AND LOSSES

During the 1HFY2018, other losses of the Group amounted to approximately HK$34,721,000, compared with approximately HK$83,922,000 gain in the Last Corresponding Period. The aforesaid other losses in the Review Period mainly came from exchange loss amounted to approximately HK$29,553,000, whereas an exchange gain amounted to approximately HK$84,099,000 was recognised in the Last Corresponding Period.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses increased by approximately 43.4% from approximately HK$516,503,000 in the 1HFY2017 to approximately HK$740,562,000 in the 1HFY2018. Selling and distribution expenses as a percentage of revenue increased from approximately 14.4% in the 1HFY2017 to approximately 16.0% in the 1HFY2018, including:

(a) Overseas transportation expenses and port charges increased by approximately 56.4% from approximately HK$192,414,000 to approximately HK$300,939,000. Overseas transportation expense and port charges as a percentage of revenue increased from approximately 5.4% to approximately 6.5%. The above expenses as a percentage of revenue was higher than that of the Last Corresponding Period, partially due to the consolidation of Home Group business, and the increase of shipping rate in the Review Period. Excluding Home Group business, the above expense would account for 5.8% of total revenue during the Review Period;

(b) Rent, property management fees and utility increased by approximately 6.0% from approximately HK$56,940,000 to approximately HK$60,332,000. Rent, property management fees and utility as a percentage of revenue decreased from approximately 1.6% to approximately 1.3%;

(c) Advertising, promotion and brand building expenses increased by approximately 35.6% from approximately HK$58,792,000 to approximately HK$79,720,000. Advertising, promotion and brand building expenses as a percentage of revenue increased from approximately 1.6% to approximately 1.7%; and

(d) Salaries, welfare and commissions of sales staff increased by approximately 41.0% from approximately HK$92,647,000 to approximately HK$130,596,000. Salaries, welfare and commissions of sales staff as a percentage of revenue increased from approximately 2.6% to approximately 2.8%.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by approximately 22.0% from approximately HK$168,795,000 in the 1HFY2017 to approximately HK$206,010,000 in the 1HFY2018. As a percentage of revenue, administrative expenses decreased from approximately 4.7% in the 1HFY2017 to approximately 4.5% in the 1HFY2018. Among them:

(a) Salaries and welfare of employees increased by approximately 29.7% from approximately HK$66,373,000 to approximately HK$86,083,000. Salaries and welfare of employees as a percentage of revenue increased from approximately 1.8% to approximately 1.9%;

(b) Depreciation and amortization expenses decreased by approximately 5.2% from approximately HK$34,816,000 to approximately HK$33,016,000. Depreciation and amortization expenses as a percentage of revenue decreased from approximately 1.0% in the Last Corresponding Period to approximately 0.7%; and

(c) Donation increased by 41.6% from approximately HK$9,371,000 in the Last Corresponding Period to approximately HK$13,272,000. During the Review Period, donation as a percentage of revenue increased from approximately 0.26% in the Last Corresponding Period to approximately 0.29%.

SHARE OF RESULT OF A JOINT VENTURE

During the Review Period, no profit or loss was shared from joint ventures (1HFY2017: Nil).

FINANCE COSTS

The finance costs increased by approximately 357.4% from approximately HK$2,116,000 in the 1HFY2017 to approximately HK$9,678,000 in the 1HFY2018, which was mainly interest expense of short term loan.

INCOME TAX EXPENSE

Income tax expense increased by approximately 54.2% from approximately HK$114,125,000 in the 1HFY2017 to approximately HK$176,029,000 in the 1HFY2018. Income tax as a percentage of profit before tax increased from approximately 11.4% in the 1HFY2017 to approximately 18.0% in the 1HFY2018.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY AND NET PROFIT MARGIN

The profit attributable to owners of the Company decreased by approximately 10.2% from approximately HK$883,585,000 in the 1HFY2017 to approximately HK$793,046,000 in the 1HFY2018. The net profit margin of the Group was approximately 17.1% during the Review Period (approximately 24.6% in the 1HFY2017). The decrease in profit attributable to owners of the Company during the Review Period was mainly due to the decrease in gross profit margin and other gains and losses.

WORKING CAPITAL

As at 30 September 2017, the Group's bank balances and cash were approximately HK$1,550,180,000.

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. We seek to effectively manage our cash flow and capital commitments to ensure that we have sufficient funds to meet our existing and future cash requirements. We have not experienced and do not expect any difficulties in fulfilling our obligations as they become due.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 September 2017, the Group's short-term bank borrowings amounted to approximately HK$753,544,000, all of which were repayable within twelve months from 30 September 2017. All of the borrowings bore floating interest rates.

The Group's primary source of working capital is cash flow from operating activities and bank deposits. As at 30 September 2017, the Group's current ratio was approximately 2.0 (31 March 2017: approximately 1.9). The Group maintained a net cash position, reflecting its healthy financial position and paving the way for future development. As at 30 September 2017, the Group's gearing ratio was approximately 14.6% (31 March 2017: approximately 21.3%), which is defined as total borrowings divided by total equity attributable to owners of the Group.

ALLOWANCE FOR INVENTORIES

For the 1HFY2018, the Group reversed impairment allowance for inventories of approximately HK$333,000 (1HFY2017: reversed impairment allowance for inventories of approximately HK$1,651,000).

IMPAIRMENT LOSS ON TRADE RECEIVABLES

For the 1HFY2018, the Group provided provision for impairment loss on trade receivables amounted to approximately HK$68,000 (1HFY2017: Nil).

PLEDGE OF ASSETS

As at 30 September 2017, there was approximately HK$7,087,000 restricted bank balances. As of 30 September 2017, some subsidiaries of the Group pledged certain assets for financing, including land, property, plant and equipment with book value approximately HK$116,099,000, inventories with book value approximately HK$15,618,000.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Save as disclosed in note 17 to the condensed consolidated financial statements, the Group did not have any material capital commitments.

As at 30 September 2017, the Group did not have any contingent liabilities.

FOREIGN CURRENCY RISKS

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

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

The Group did not have any significant investments or acquisitions or sales of subsidiaries, associates or joint ventures during the 1HFY2018. The Group continues to seek opportunities to acquire furniture companies to accelerate the development of the Group.

HUMAN RESOURCES

As at 30 September 2017, the Group had 13,899 employees.

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

During the 1HFY2018, the total staff cost for the Group amounted to approximately HK$596,251,000 (1HFY2017: approximately HK$439,054,000), of which approximately HK$7,913,000 (1HFY2017: approximately HK$8,409,000) 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 and a share award scheme, both of which enable the Group to reward employees and incentivise them to perform better.

INTERIM DIVIDEND

The results of Group for the Review Period are set out in the unaudited condensed consolidated statement of profit or loss and other comprehensive income on page 31 of this interim report.

The Board has resolved to declare an interim dividend of HK13.0 cents per share (six months ended 30 September 2016: an interim dividend of HK14.0 cents per share) payable to those shareholders of the Company ("Shareholders") whose names appear on the Company's register of members on Friday, 1 December 2017.

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

During the Review Period, the Company repurchased a total of 24,830,400 ordinary shares of the Company at an aggregate purchase price of HK$167,930,617 (before brokerage and expenses) on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Details of the repurchase of such ordinary shares were as follows:

Month of repurchase	Number of ordinary shares repurchased	Price per ordinary share		Aggregate purchase price
		Highest	Lowest	
		(HK$)	(HK$)	(HK$)
June 2017	24,830,400	7.00	6.57	167,930,617
Total	24,830,400			167,930,617

The 24,830,400 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 repurchase was effected by the Directors pursuant to the mandate approved by shareholders of the Company, 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.

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

As at 30 September 2017, the interests or short positions of the directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept under Section 352 of the SFO, or which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they are taken or deemed to have under such provisions of the SFO), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

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

Name of director	Capacity	Number of issued ordinary shares held	Approximate percentage of the issued share capital of the Company[1]
Mr. Wong Man Li	Interest in controlled corporation	2,432,961,600[2]	63.86%
	Spouse	2,334,400[2]	0.06%
	Beneficial owner	2,648,400[2]	0.07%
Ms. Hui Wai Hing	Beneficial owner	2,334,400[3]	0.06%
	Spouse	2,435,610,000[3]	63.93%
Mr. Wang Guisheng	Beneficial owner	4,794,800[4]	0.13%
Mr. Alan Marnie	Beneficial owner	800,000[5]	0.02%
Mr. Dai Quanfa	Beneficial owner	1,992,800[6]	0.05%
Ms. Wong Ying Ying	Beneficial owner	1,996,000[7]	0.05%

Notes:

1. The percentage of the Company's issued share capital is based on the 3,809,959,200 Shares of the Company ("Shares") issued as at 30 September 2017.

2. These 2,432,961,600 Shares are beneficially owned by Man Wah Investments Limited which, in turn, is owned by Mr. Wong Man Li and Ms. Hui Wai Hing as to 80% and 20%, respectively. Mr. Wong is therefore deemed to be interested in the entire 2,432,961,600 Shares held by Man Wah Investments Limited. Mr. Wong is also the sole director of Man Wah Investments Limited. Mr. Wong also holds 2,029,600 Shares and 618,800 Share Options (as defined below) granted to him under the Share Option Scheme (as defined below) respectively. Upon exercise of the Share Options, Mr. Wong will directly own an aggregate of 2,648,400 Shares. Mr. Wong is also deemed, under Part XV of the SFO, to be interested in the 2,334,400 Shares in which Ms. Hui Wai Hing, the spouse of Mr. Wong, has a long position.

3. These 2,334,400 Shares represent the 1,468,000 Shares and the 866,400 Share Options granted to Ms. Hui under the Share Option Scheme that are exercisable respectively. Upon exercise of the Share Options, Ms. Hui will own an aggregate of 2,334,400 Shares. Ms. Hui is also deemed, under Part XV of the SFO, to be interested in the 2,435,610,000 Shares in which Mr. Wong Man Li, the spouse of Ms. Hui is interested (i.e. 2,648,400 Shares as beneficial owner and 2,432,961,600 Shares as interest in a controlled corporation).

4. This figure represents the aggregate number of 2,603,200 Shares held by Mr. Wang and the 2,191,600 Share Options granted to Mr. Wang under the Share Option Scheme. Upon exercise of the Share Options, Mr. Wang would own an aggregate of 4,794,800 Shares.

5. This figure represents the aggregate number of the 800,000 Shares Options granted to Mr. Marnie under the Share Option Scheme that are exercisable. Upon exercise of the Share Options, Mr. Marnie will own an aggregate of 800,000 Shares.

6. This figure represents the aggregate number of the 347,200 Shares held by Mr. Dai and 1,645,600 Options granted to Mr. Dai under the Share Option Scheme that are exercisable. Upon exercise of the Share Options, Mr. Dai will own an aggregate of 1,992,800 Shares.

7. This figure represents the aggregate number of 1,566,400 Shares held by Ms. Wong and 429,600 Share Options granted to Ms. Wong under the Share Option Scheme that are exercisable. Upon exercise of the Share Options, Ms. Wong will own an aggregate of 1,996,000 Shares.

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

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

Save as disclosed above, as at 30 September 2017, none of the Company's Directors, chief executives or their respective associates had any other personal, family, corporate and other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other than those disclosed in this section 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 of the Company during the six months ended 30 September 2017.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 September 2017, the following companies and persons (other than directors or chief executives of the Company) had interests or short positions in the shares of the Company as recorded in the register kept by the Company under Section 336 of the SFO, or fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Long positions in the shares and underlying shares of the Company

Name	Capacity	Number of issued ordinary shares held	Approximate percentage of the issued share capital of the Company[1]
Man Wah Investments Limited	Beneficial owner	2,432,961,600	63.86%

Note:

1. The percentage of the Company's issued share capital is based on the 3,809,959,200 Shares issued as at 30 September 2017.

Save as disclosed above, as at 30 September 2017, 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 OPTIONS

On 5 March 2010, the share option scheme ("Share Option Scheme") which complies with the requirements of Chapter 17 of the Listing Rules was adopted by the Shareholders. Details of movements in the share options under the Share Option Scheme ("Share Options") during the 1HFY2018 were as follows:

						Number of Share Options[1]				
Grantee	Date of grant[2]	Vesting period	Exercisable period	Exercise price per share *HK$*	Adjusted Exercise price per share *HK$*	Outstanding at 1.4.2017	Granted during the Review Period	Cancelled/ Lapsed during the Review Period	Exercised during the Review Period	Outstanding at 30.9.2017
Mr. Wong Man Li	10.2.2015	10.2.2015 – 9.2.2018	10.2.2018 – 9.2.2020	6.72	3.36	397,600	–	–	–	397,600
	13.1.2017	13.1.2017 – 12.1.2019	13.1.2019 – 12.1.2021	5.17	N/A	74,000	–	–	–	74,000
		13.1.2017 – 12.1.2020	13.1.2020 – 12.1.2022	5.17	N/A	74,000	–	–	–	74,000
		13.1.2017 – 12.1.2021	13.1.2021 – 12.1.2023	5.17	N/A	73,200	–	–	–	73,200
Ms. Hui Wai Hing	10.2.2015	10.2.2015 – 9.2.2018	10.2.2018 – 9.2.2020	6.72	3.36	316,000	–	–	–	316,000
	27.1.2016	27.1.2016 – 26.1.2018	27.1.2018 – 26.1.2020	8.92	4.46	172,000	–	–	–	172,000
		27.1.2016 – 26.1.2019	27.1.2019 – 26.1.2021	8.92	4.46	171,200	–	–	–	171,200
	13.1.2017	13.1.2017 – 12.1.2019	13.1.2019 – 12.1.2021	5.17	N/A	69,200	–	–	–	69,200
		13.1.2017 – 12.1.2020	13.1.2020 – 12.1.2022	5.17	N/A	69,200	–	–	–	69,200
		13.1.2017 – 12.1.2021	13.1.2021 – 12.1.2023	5.17	N/A	68,800	–	–	–	68,800
Mr. Wang Guisheng	10.2.2015	10.2.2015 – 9.2.2018	10.2.2018 – 9.2.2020	6.72	3.36	933,600	–	–	–	933,600
	26.1.2016	26.1.2016 – 25.1.2018	26.1.2018 – 25.1.2020	8.92	4.46	549,600	–	–	–	549,600
		26.1.2016 – 25.1.2019	26.1.2019 – 25.1.2021	8.92	4.46	548,800	–	–	–	548,800
	13.1.2017	13.1.2017 – 12.1.2019	13.1.2019 – 12.1.2021	5.17	N/A	53,200	–	–	–	53,200
		13.1.2017 – 12.1.2020	13.1.2020 – 12.1.2022	5.17	N/A	53,200	–	–	–	53,200
		13.1.2017 – 12.1.2021	13.1.2021 – 12.1.2023	5.17	N/A	53,200	–	–	–	53,200
Mr. Alan Marnie	21.5.2015	21.5.2015 – 20.5.2017	21.5.2017 – 20.5.2019	9.51	4.76	400,000	–	–	–	400,000
	26.5.2016	26.5.2016 – 25.5.2018	26.5.2018 – 25.5.2020	10.46	5.23	400,000	–	–	–	400,000

Grantee	Date of grant[2]	Vesting period	Exercisable period	Exercise price per share HK$	Adjusted Exercise price per share HK$	Number of Share Options[1] Outstanding at 1.4.2017	Granted during the Review Period	Cancelled/ Lapsed during the Review Period	Exercised during the Review Period	Outstanding at 30.9.2017
Mr. Dai Quanfa	22.1.2014	22.1.2014 – 21.1.2017	22.1.2017 – 21.1.2019	7.28	3.64	468,800	–	–	–	468,800
	10.2.2015	10.2.2015 – 9.2.2017	10.2.2017 – 9.2.2019	6.72	3.36	276,800	–	–	–	276,800
		10.2.2015 – 9.2.2018	10.2.2018 – 9.2.2020	6.72	3.36	276,800	–	–	–	276,800
	26.1.2016	26.1.2016 – 25.1.2018	26.1.2018 – 25.1.2020	8.92	4.46	223,200	–	–	–	223,200
		26.1.2016 – 25.1.2019	26.1.2019 – 25.1.2021	8.92	4.46	222,400	–	–	–	222,400
	13.1.2017	13.1.2017 – 12.1.2019	13.1.2019 – 12.1.2021	5.17	N/A	59,200	–	–	–	59,200
		13.1.2017 – 12.1.2020	13.1.2020 – 12.1.2022	5.17	N/A	59,200	–	–	–	59,200
		13.1.2017 – 12.1.2021	13.1.2021 – 12.1.2023	5.17	N/A	59,200	–	–	–	59,200
Ms. Wong Ying Ying	10.2.2015	10.2.2015 – 9.2.2018	10.2.2018 – 9.2.2020	6.72	3.36	173,600	–	–	–	173,600
	27.1.2016	27.1.2016 – 26.1.2018	27.1.2018 – 26.1.2020	8.92	4.46	81,600	–	–	–	81,600
		27.1.2016 – 26.1.2019	27.1.2019 – 26.1.2021	8.92	4.46	80,800	–	–	–	80,800
	13.1.2017	13.1.2017 – 12.1.2019	13.1.2019 – 12.1.2021	5.17	N/A	31,200	–	–	–	31,200
		13.1.2017 – 12.1.2020	13.1.2020 – 12.1.2022	5.17	N/A	31,200	–	–	–	31,200
		13.1.2017 – 12.1.2021	13.1.2021 – 12.1.2023	5.17	N/A	31,200	–	–	–	31,200
Other employees	8.2.2012	8.2.2012 – 7.2.2017	8.2.2017 – 7.2.2019	2.36	1.18	206,400	–	–	(188,800)	17,600
	1.2.2013	1.2.2013 – 31.1.2016	1.2.2016 – 31.1.2018	3.59	1.8	6,400	–	–	–	6,400
		1.2.2013 – 31.1.2017	1.2.2017 – 31.1.2019	3.59	1.8	1,080,000	–	–	(1,038,400)	41,600
	22.1.2014	22.1.2014 – 21.1.2016	22.1.2016 – 21.1.2018	7.28	3.64	262,400	–	–	(158,400)	104,000
		22.1.2014 – 21.1.2017	22.1.2017 – 21.1.2019	7.28	3.64	4,232,000	–	–	(3,627,200)	604,800
	10.2.2015	10.2.2015 – 9.2.2017	10.2.2017 – 9.2.2019	6.72	3.36	5,538,400	–	–	(4,137,600)	1,400,800
		10.2.2015 – 9.2.2018	10.2.2018 – 9.2.2020	6.72	3.36	12,584,800	–	(1,125,600)	–	11,459,200
	26.1.2016	26.1.2016 – 25.1.2018	26.1.2018 – 25.1.2020	8.92	4.46	10,384,000	–	(1,184,800)	–	9,199,200
		26.1.2016 – 25.1.2019	26.1.2019 – 25.1.2021	8.92	4.46	10,235,200	–	(1,170,400)	–	9,064,800
	26.5.2016	26.5.2016 – 25.5.2018	26.5.2018 – 25.5.2020	10.46	5.23	2,000,000	–	–	–	2,000,000

Grantee	Date of grant[2]	Vesting period	Exercisable period	Exercise price per share	Adjusted Exercise price per share	Number of Share Options[1] Outstanding at 1.4.2017	Granted during the Review Period	Cancelled/ Lapsed during the Review Period	Exercised during the Review Period	Outstanding at 30.9.2017
				HK$	*HK$*					
	13.1.2017	13.1.2017 – 12.1.2019	13.1.2019 – 12.1.2021	5.17	N/A	2,244,000	–	(164,800)	–	2,079,200
		13.1.2017 – 12.1.2020	13.1.2020 – 12.1.2022	5.17	N/A	2,242,400	–	(164,400)	–	2,078,000
		13.1.2017 – 12.1.2021	13.1.2021 – 12.1.2023	5.17	N/A	2,246,000	–	(165,600)	–	2,080,400
						59,814,000	–	(3,975,600)	(9,150,400)	46,688,000
Number of Share Options exercisable at 30 September 2017										3,320,800.00

Notes:

1. Number of Shares in the Company over which options granted under the Share Option Scheme are exercisable.

2. The closing price of the Shares immediately before the date on which the Share Options were granted on (i) 8 February 2012, i.e. on 7 February 2012 was HK$2.10, (ii) 1 February 2013, i.e. on 31 January 2013 was HK$3.57, (iii) 22 January 2014, i.e. on 21 January 2014 was HK$7.16, (iv) 10 February 2015, i.e. on 9 February 2015 was HK$6.41, (v) 21 May 2015, i.e. on 20 May 2015 was HK$9.72, (vi) 26 January 2016, i.e. on 25 January 2016 was HK$8.86, (vii) 27 January 2016, i.e. on 26 January 2016 was HK$8.56, (viii) 26 May 2016, i.e. on 25 May 2016 was HK$9.92 and (ix)13 January 2017, i.e.on 12 January 2017 was HK$5.14.

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$6.51.

5. Exercise price per share refers to the exercise price immediately before the completion of the Bonus Issue disclosed in the announcement dated 4 August 2016.

SHARE AWARD SCHEME

The Company adopted a share award scheme (the "Share Award Scheme") on 27 January 2011 (the "Adoption Date") with a duration of 10 years commencing from the Adoption Date. The objective of the Share Award Scheme is to recognise the contributions by certain directors 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 30 September 2017, the Share Award Scheme remained in place. There were no Shares granted by the Company to employees of the Company and Directors pursuant to the Share Award Scheme during the Review Period.

Given that all distributions under the Share Award Scheme for the past financial year have been made, no Shares were held by the trustee of the Share Award Scheme as at 30 September 2017.

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 18 to the consolidated financial statements. Such continuing connected transaction are exempted from the reporting, announcement, shareholders' approval and annual review requirements under the Listing Rules. Save as the above continuing connected transactions, there were no transactions which need to be disclosed as connected transactions and continuing connected transactions in accordance with the requirements of the Listing Rules.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

No contracts of significance, to which the Company or any of its subsidiaries was a party, and in which a Director had a material interest, whether directly and indirectly, subsisted at the end of 30 September 2017 or at any time during the Review Period.

NON-COMPETITION UNDERTAKING

Each of Man Wah Investments Limited and Mr. Wong Man Li has entered into a deed of non-competition dated 5 March 2010 with the Company, to the effect that each of them will not directly or indirectly participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with the business of the Group from time to time.

MAJOR CUSTOMERS AND SUPPLIERS

During the Review Period, sales to the Group's five largest customers and purchases from the five largest suppliers accounted for approximately 17.1% and 20.6% of the total revenue and purchases for the Review Period, respectively. The Group's largest supplier accounted for approximately 6.0% of the total purchase for the Review Period.

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

AUDIT COMMITTEE

The Company has engaged Deloitte Touche Tohmatsu, the auditor of the Company ("Auditor") to assist the audit committee of the Company ("Audit Committee") to review the report of the Group for the six months ended 30 September 2017. A meeting of the Audit Committee was held with the Auditor and the management of the Company for, amongst other things, reviewing the unaudited interim report of the Group for the six months ended 30 September 2017.

CLOSURE OF REGISTER OF MEMBERS

Shareholders whose names appear on the Company's register of members on Friday, 1 December 2017, will be eligible for the interim dividend. The transfer books and the register of members of the Company will be closed from Wednesday, 29 November 2017 to Friday, 1 December 2017, 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, 28 November 2017. The interim dividend is expected to be payable on or after Friday, 15 December 2017 to the Shareholders whose names appear on the register of members of the Company on Friday, 1 December 2017.

CHANGE IN DIRECTORS' INFORMATION

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

Each of the Director (except for Mr. Ding Yuan) received a director's fee amounting to HK$250,000 in the financial year ended 31 March 2017. Mr. Ding Yuan received a director's fee amounting to approximately HK$63,000 in the financial year ended 31 March 2017 after being appointed on 31 December 2016. With effect from 1 April 2017, the director's fee for each of the Directors has been adjusted to HK$300,000 per annum.

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 September 2017, the Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 of the Listing Rules, except for the deviations on Code Provisions A.2.1 and A.6.7 of the CG Code.

Under the Code Provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not have any officer with the title of "chief executive officer". Mr. Wong Man Li, who acts as the Chairman and Managing Director of the Company, is also 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 will not impair the balance of power and authority between the Board and the management of the Company. 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. The Board believes that this structure is conducive to a strong and consistent leadership enabling the Group to operate efficiently.

Under the Code Provision A.6.7, independent non-executive directors and non-executive director should attend general meetings of the Company. Mr. Ding Yuan, an independent non-executive director could not attend the annual general meeting of the Company held on 12 July 2017 due to other business commitments.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as a code of conduct of the Company for directors' securities transactions. Having made specific enquiry of all directors, the directors have complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions throughout the six months ended 30 September 2017.

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

Hong Kong, 15 November 2017

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF MAN WAH HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Man Wah Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 31 to 52, which comprise the condensed consolidated statement of financial position as of 30 September 2017 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

15 November 2017

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德勤百年慶 開創新紀元

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

	NOTES	Six months ended 30 September 2017 HK$'000 (Unaudited)	2016 HK$'000 (Unaudited)
Revenue	4	**4,626,881**	3,593,018
Cost of goods sold		**(2,854,174)**	(2,059,467)
Gross profit		**1,772,707**	1,533,551
Other income		**194,186**	71,312
Other gains and losses	5	**(34,721)**	83,922
Selling and distribution expenses		**(740,562)**	(516,503)
Administrative expenses		**(206,010)**	(168,795)
Finance costs		**(9,678)**	(2,116)
Profit before income tax		**975,922**	1,001,371
Income tax expense	6	**(176,029)**	(114,125)
Profit for the period	7	**799,893**	887,246
Other comprehensive income:			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		**209,329**	(157,085)
Item that will not be subsequently reclassified to profit or loss:			
Increase in fair value of property, plant and equipment net of deferred tax		**3,578**	28,218
Total comprehensive income for the period		**1,012,800**	758,379
Profit for the period attributable to:			
Owners of the Company		**793,046**	883,585
Non-controlling interest		**6,847**	3,661
		799,893	887,246
Total comprehensive income for the period attributable to:			
Owners of the Company		**967,688**	754,975
Non-controlling interest		**45,112**	3,404
		1,012,800	758,379
Earnings per share	8		
Basic (HK cents)		**20.75**	22.95
Diluted (HK cents)		**20.65**	22.82

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2017

	NOTES	30 September 2017 HK$'000 (Unaudited)	31 March 2017 HK$'000 (Audited and restated)
Non-current assets			
Property, plant and equipment	10	**2,471,495**	2,267,824
Investment properties	10	**188,297**	170,781
Lease premium for land		**520,878**	451,219
Goodwill		**145,978**	129,177
Other intangible assets		**202,671**	189,994
Interest in a joint venture		**–**	–
Deferred tax assets		**3,601**	2,589
Properties under development		**205,086**	384,481
Refundable earnest money paid for lease premium for land		**–**	3,815
Deposit paid for a land lease		**15,685**	11,280
Deposits paid for acquisition of property, plant and equipment		**104,838**	79,612
		3,858,529	3,690,772
Current assets			
Inventories		**831,486**	749,253
Properties under development		**241,811**	–
Trade receivables	11	**719,789**	639,674
Other receivables and prepayments	11	**416,907**	235,129
Lease premium for land		**12,531**	9,648
Held for trading investments		**159,851**	367,862
Tax recoverable		**5,742**	1,744
Restricted bank balances		**7,087**	9,364
Bank balances and cash		**1,550,180**	1,808,298
		3,945,384	3,820,972
Current liabilities			
Trade payables	12	**509,665**	427,780
Other payables and accruals	12	**608,955**	485,312
Receipt in advance from sales of properties under development		**12,407**	–
Variable-rate bank borrowings	13	**753,544**	1,047,636
Tax payable		**83,791**	64,636
		1,968,362	2,025,364
Net current assets		**1,977,022**	1,795,608
Total assets less current liabilities		**5,835,551**	5,486,380

	NOTES	30 September 2017 HK$'000 (Unaudited)	31 March 2017 HK$'000 (Audited and restated)
Non-current liabilities			
Variable-rate borrowings	13	**26,773**	27,294
Deferred tax liabilities		**49,519**	42,830
Other non-current liabilities		**5,030**	7,337
		81,322	77,461
		5,754,229	5,408,919
Capital and reserves			
Share capital	14	**1,523,984**	1,530,256
Reserves		**3,814,756**	3,508,286
Equity attributable to owners of the Company		**5,338,740**	5,038,542
Non-controlling interest		**415,489**	370,377
		5,754,229	5,408,919

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

	Attributable to owners of the Company													
	Share capital *HK$'000*	**Treasury shares** *HK$'000* *(note 14)*	**Share premium** *HK$'000*	**Special reserve** *HK$'000*	**Other reserve** *HK$'000*	**Statutory reserve** *HK$'000*	**Translation reserve** *HK$'000*	**Revaluation surplus** *HK$'000*	**Shares held under share award scheme** *HK$'000*	**Share option reserve** *HK$'000*	**Retained profits** *HK$'000*	**Sub-total** *HK$'000*	**Non-controlling interest** *HK$'000*	**Total** *HK$'000*
At 1 April 2016 (audited)	774,745	(5,317)	1,131,877	(16,132)	(4,067)	226,023	(59,920)	3,362	(448)	15,979	2,646,234	4,712,336	(1,983)	4,710,353
Profit for the period	–	–	–	–	–	–	–	–	–	–	883,585	883,585	3,661	887,246
Exchange differences arising on translation of financial statements of foreign operation	–	–	–	–	–	–	(156,828)	–	–	–	–	(156,828)	(257)	(157,085)
Increase in fair value of property, plant and equipment net of deferred tax	–	–	–	–	–	–	–	28,218	–	–	–	28,218	–	28,218
Total comprehensive income for the period	–	–	–	–	–	–	(156,828)	28,218	–	–	883,585	754,975	3,404	758,379
Bonus issue	770,545	–	(770,545)	–	–	–	–	–	–	–	–	–	–	–
Repurchase of shares	(800)	–	(19,100)	–	–	–	–	–	–	–	–	(19,900)	–	(19,900)
Cancellation of treasury shares	(5,317)	5,317	–	–	–	–	–	–	–	–	–	–	–	–
Capital contribution by non-controlling interest	–	–	–	–	(3,443)	–	–	–	–	–	–	(3,443)	21,358	17,915
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	–	–	5,580	–	5,580	–	5,580
Issue of shares upon exercise of share options	2,027	–	33,229	–	–	–	–	–	–	(5,304)	–	29,952	–	29,952
Acquisition of addition interest in a subsidiary from a non-controlling equity holder	–	–	–	–	(312)	–	–	–	–	–	–	(312)	(37)	(349)
Dividends paid *(note 9)*	–	–	–	–	–	–	–	–	–	–	(366,009)	(366,009)	–	(366,009)
At 30 September 2016 (unaudited)	1,541,200	–	375,461	(16,132)	(7,822)	226,023	(216,748)	31,580	(448)	16,255	3,163,810	5,113,179	22,742	5,135,921
Profit for the year	–	–	–	–	–	–	–	–	–	–	868,785	868,785	3,093	871,878
Exchange differences arising on translation of financial statements of foreign operations	–	–	–	–	–	–	(150,113)	–	–	–	–	(150,113)	1,672	(148,441)
Increase in fair value of property, plant and equipment net of deferred tax	–	–	–	–	–	–	–	(6,432)	–	–	–	(6,432)	–	(6,432)
Total comprehensive income for the year	–	–	–	–	–	–	(150,113)	(6,432)	–	–	868,785	712,240	4,765	717,005

	Attributable to owners of the Company													
	Share capital HK$'000	Treasury shares HK$'000 (note 14)	Share premium HK$'000	Special reserve HK$'000	Other reserve HK$'000	Statutory reserve HK$'000	Translation reserve HK$'000	Revaluation surplus HK$'000	Shares held under share award scheme HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interest HK$'000	Total HK$'000
Repurchase of shares	(23,331)	–	(298,836)	–	–	–	–	–	–	–	–	(322,167)	–	(322,167)
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	–	–	5,487	–	5,487	–	5,487
Issue of shares upon exercise of share options	12,387	–	74,731	–	–	–	–	–	–	(7,442)	–	79,676	–	79,676
Acquisition of additional interest in a subsidiary from a non-controlling equity holder	–	–	–	–	(16,772)	–	–	–	–	–	–	(16,772)	(222)	(16,994)
Transfer to statutory reserve	–	–	–	–	–	85,095	–	–	–	–	(85,095)	–	–	–
Dividends paid *(note 9)*	–	–	–	–	–	–	–	–	–	–	(533,101)	(533,101)	(2,597)	(535,698)
Acquisition of subsidiary (restated) *(note 16)*	–	–	–	–	–	–	–	–	–	–	–	–	345,689	345,689
At 31 March 2017 (audited and restated)	1,530,256	–	151,356	(16,132)	(24,594)	311,118	(366,861)	25,148	(448)	14,300	3,414,399	5,038,542	370,377	5,408,919
Profit for the period	–	–	–	–	–	–	–	–	–	–	793,046	793,046	6,847	799,893
Exchange differences arising on translation of financial statements of foreign operation	–	–	–	–	–	–	171,064	–	–	–	–	171,064	38,265	209,329
Increase in fair value of property, plant and equipment, net of deferred tax	–	–	–	–	–	–	–	3,578	–	–	–	3,578	–	3,578
Total comprehensive income for the period	–	–	–	–	–	–	171,064	3,578	–	–	793,046	967,688	45,112	1,012,800
Repurchase of shares	(9,932)	–	(158,525)	–	–	–	–	–	–	–	–	(168,457)	–	(168,457)
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	–	–	4,511	–	4,511	–	4,511
Issue of shares upon exercise of share options	3,660	–	28,595	–	–	–	–	–	–	(2,481)	–	29,774	–	29,774
Dividends paid *(note 9)*	–	–	–	–	–	–	–	–	–	–	(533,318)	(533,318)	–	(533,318)
At 30 September 2017 (unaudited)	1,523,984	–	21,426	(16,132)	(24,594)	311,118	(195,797)	28,726	(448)	16,330	3,674,127	5,338,740	415,489	5,754,229

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash from operating activities	**775,029**	1,064,389
Net cash used in investing activities		
Payments for property, plant and equipment	**(217,369)**	(137,029)
Investment on held for trading investments	**(93,791)**	(52,638)
Payments of lease premium for land	**(62,261)**	(82,785)
Construction of properties under development	**(21,034)**	(114,675)
Proceeds from disposal of held for trading investments	**300,128**	–
Proceeds on disposal of structured deposit	**2,479,656**	27,974
Investment on structured deposits	**(2,478,062)**	–
Other investing cash flows	**3,639**	(8,085)
	(89,094)	(367,238)
Net cash used in financing activities		
Repayment of bank borrowings	**(693,575)**	–
Dividends paid	**(533,318)**	(366,009)
Repurchase of shares	**(168,457)**	(19,900)
New bank borrowings raised	**391,405**	150,000
Proceeds from issue of shares upon exercise of share options	**29,774**	29,952
Acquisition of additional interest in a subsidiary	**–**	(349)
Capital contribution by non-controlling equity holders of subsidiaries	**–**	17,915
	(974,171)	(188,391)
Net (decrease) increase in cash and cash equivalents	**(288,236)**	508,760
Net effect of foreign exchange rate changes	**30,118**	(73,838)
Cash and cash equivalents at beginning of the period	**1,808,298**	1,447,508
Cash and cash equivalents at end of the period	**1,550,180**	1,882,430

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board (the "IASB") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain investment properties and held for trading investments which are measured at fair values at the end of each reporting period.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2017.

Adoption of amendments to International Financial Reporting Standards ("IFRSs") effective in the current period

In the current interim period, the Group has applied, for the first time, the following amendments to IFRSs issued by the IASB that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IFRS 12	As part of the Annual Improvements to IFRSs 2014 – 2016 Cycle

The application of the above amendments to IFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements. Additional disclosures about changes in liabilities arising from financing activities, including both changes from cash flows and non-cash changes on application of amendments to IAS 7 will be provided in the consolidated financial statements for the year ending 31 March 2018.

3. RESTATEMENT RESULTED FROM ADJUSTMENT TO PROVISIONAL AMOUNTS

The assets acquired and liabilities recognised in relation to the acquisition of subsidiaries set out in the consolidated financial statements for the year ended 31 March 2017 were based on a provisional assessment. The assessment of any necessary adjustments to the carrying amount of intangible assets has not been completed by the date on which the consolidated financial statements for the above financial statements were approved for issuance by the directors of the Company. The Group has completed the assessment of such adjustments as at 30 September 2017. In accordance with the assessment agreed by the Group and the independent valuer, the fair value of intangible assets were finalised at an aggregate amount of HK$194,092,000, resulting in an increase of HK$20,990,000 over their provisional values, a decrease in goodwill of HK$8,396,000 and an increase in non-controlling interests arising from acquisition of HK$12,594,000. The comparative information was restated to reflect the above adjustments to the provisional amounts.

4. 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 via different distribution channels, are as follows:

Sofa and ancillary products (wholesale)	–	manufacture and distribution of sofas and ancillary products through wholesale and distributors other than those by Home Group
Sofa and ancillary products (retail)	–	manufacture and sale of sofas and ancillary products through self-operated shops including online shops other than those by Home Group
Home Group business	–	manufacture and distribution of sofas and ancillary products by Home Group
Other products	–	manufacture and distribution of other products

The sofa and ancillary products (wholesale) segment includes a number of sales operations 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 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. Segment results, except for Home Group business, represent the profit before income tax earned by each segment without allocation of interest income, income on structured deposits, rental income, net exchange gain (loss), Loss from changes in fair value of held for trading investments, government subsidies, finance costs and central administrative costs and directors' emoluments. Segment results for Home Group business, represent the profit before income tax earned by Home Group business taken into account for all income and expenses. This is the measure reported to the executive directors for the purposes of resource allocation and performance assessment.

Information of segment revenue and segment results is as follows:

Six months ended 30 September 2017

	Sofa and ancillary products (wholesale) *HK$'000*	Sofa and ancillary products (retail) *HK$'000*	Home Group business *HK$'000*	Other products *HK$'000*	Total *HK$'000*
REVENUE					
External sales	3,369,263	446,545	391,139	419,934	4,626,881
RESULTS					
Segment results	837,146	114,356	3,212	109,129	1,063,843
Other income					161,288
Exchange loss – net					(28,428)
Finance costs					(6,104)
Loss from changes in fair value of held for trading investments					(4,240)
Central expenses and directors' remunerations					(210,437)
Profit before income tax					975,922

Six months ended 30 September 2016

	Sofa and ancillary products (wholesale) *HK$'000*	Sofa and ancillary products (retail) *HK$'000*	Home Group business *HK$'000*	Other products *HK$'000*	Total *HK$'000*
REVENUE					
External sales	2,980,059	353,942	–	259,017	3,593,018
RESULTS					
Segment results	897,024	103,621	–	55,407	1,056,052
Other income					45,183
Exchange gain – net					84,099
Finance costs					(2,116)
Loss from changes in fair value of held for trading investments					(167)
Central expenses and directors' remunerations					(181,680)
Profit before income tax					1,001,371

There were no inter-segment sales during both periods.

5. OTHER GAINS AND LOSSES

	Six months ended 30 September 2017 *HK$'000*	2016 *HK$'000*
Exchange (loss) gain – net	**(29,553)**	84,099
Loss on disposal of property, plant and equipment	**(928)**	(10)
Loss from changes in fair value of held for trading investments *(Note)*	**(4,240)**	(167)
	(34,721)	83,922

Note: Net gain or loss from changes in fair value of held for trading investments excludes interest earned from these investments.

6. INCOME TAX EXPENSE

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
Current tax:		
People's Republic of China Enterprise Income Tax ("PRC EIT")	**167,304**	112,870
United States of America Federal and State Current Income Taxes ("U.S. CIT")	**900**	828
Others	**705**	–
	168,909	113,698
Net underprovision in prior years:		
PRC EIT	**5,152**	159
U.S. CIT	**224**	27
	5,376	186
Deferred tax	**1,744**	241
	176,029	114,125

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods. However, the assessable profit has been wholly absorbed by tax losses brought forward.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Laws, the general tax rate of the People's Republic of China ("PRC") subsidiaries is 25% from 1 January 2008 onwards.

The EIT Law imposes a 10% 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, while for some PRC subsidiaries held by companies incorporated in certain places, including Hong Kong, preferential tax rate of 5% will be applied according to the PRC tax regulations if such companies fulfills the requirements set out in the relevant tax regulations.

The high technology enterprise qualification of one of the Group's subsidiaries expired on 31 December 2016 and accordingly, the applicable tax rate for the relevant subsidiary changed from 15% to 25% from then.

During the current period, a PRC subsidiary of the Company, carrying out business in the western region of the PRC, obtained the approval to enjoy the preferential tax rate of 15%.

The U.S. CIT charge comprises federal income tax calculated at 34% and state income tax calculated from 0% to 8.84% (2016: 0% to 9.8%) on the estimated assessable profits of the subsidiary of the Company which was incorporated in the United States of America.

As stated on Decree Law No. 58/99/M, Chapter 2, Article 12, dated 18 October 1999, the Group's Macau subsidiary is exempt from Macao Complementary Tax.

7. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging (crediting) the following items:

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
Staff costs	**596,251**	439,054
Rents and rates	**42,982**	37,324
Release of lease premium for land	**5,959**	4,721
Amortisation of intangible assets (recognised in selling and distribution expenses)	**4,105**	107
Depreciation	**82,010**	76,189
Reversal of allowance for inventories (recognised in cost of goods sold)	**(333)**	(1,651)
Interest income (including interest income from held for trading investments)	**(22,423)**	(8,007)
Income from structured deposits included in other income	**(1,594)**	(1,661)
Government grants included in other income	**(133,823)**	(32,910)

8. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
Earnings		
Profit for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share	**793,046**	883,585

	2017	2016
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares in issue during the period for the purpose of basic earnings per share	**3,821,474**	3,850,628
Effect of dilutive potential ordinary shares:		
– Share options	**19,546**	22,135
Weighted average number of ordinary shares in issue during the period for the purpose of diluted earnings per share	**3,841,020**	3,872,763

The weighted average number of shares for the period ended 30 September 2016 has been arrived at after eliminating the treasury shares held by the Company.

9. DIVIDENDS

During the current interim period, the Company recognised the following dividend as distribution:

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
Final dividend for the year ended 31 March 2017 of HK$0.14 per share (2016: HK$0.19 per share for the year ended 31 March 2016)	**533,318**	366,009

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of HK$0.13 per share (six months ended 30 September 2016: HK$0.14 per share) will be paid to the shareholders of the Company whose names appear in the Company's register of members on Friday, 1 December 2017.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the current interim period, the Group acquired property, plant and equipment and incurred expenditure on construction in progress of HK$90,327,000 and HK$106,472,000 (six months ended 30 September 2016: HK$51,188,000 and HK$97,026,000) respectively for the purpose of expanding the Group's business.

During the current interim period, the Group transferred property, plant and equipment and land lease premium with fair values of HK$5,977,000 and HK$9,728,000 (the "Transferred properties") (six months ended 30 September 2016: HK$53,682,000 and HK$6,719,000) to investment property as evidenced by the end of owner occupation. The difference between net book value and fair value has been credited to revaluation surplus. The fair values were determined based on the professional valuation carried out by Cushman & Wakefield Valuation Advisory Services (HK) Limited ("Cushman & Wakefield") professional valuer independent to the Group, at the date of transfer for both periods. The fair value was determined by an investment method, which capitalises the net income from existing tendency with due allowance for reversionary income potential at appropriate capitalisation rate. As at the end of the reporting period, the Group has not yet obtained the relevant title certificate of the Transferred properties.

At 30 September 2017, the directors of the Company consider that the carrying amounts of the Group's investment properties do not differ significantly from their fair values. Consequently, no gain or loss on fair value change of investment properties has been recognised in the current interim period.

11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	30 September 2017 HK$'000	31 March 2017 HK$'000
Trade receivables		
Trade and bills receivables	**719,789**	639,674
Other receivables and prepayments		
Valued added taxes recoverable	**91,239**	55,236
Deposits	**31,449**	24,047
Prepayments to suppliers	**246,501**	112,529
Sundry receivables	**47,718**	43,317
	416,907	235,129

Other than cash and credit card sales for retail transactions, the Group generally allows a credit period of 30 to 90 days for customers. The aged analysis of the Group's trade and bills receivables (net of allowance for doubtful debts) presented based on the invoice date, which approximates the respective revenue recognition dates, at the end of the reporting period is as follows:

	30 September 2017 HK$'000	31 March 2017 HK$'000
0 – 30 days	**447,231**	413,801
31 – 60 days	**201,761**	152,034
61 – 90 days	**46,898**	51,597
Over 90 days	**23,899**	22,242
	719,789	639,674

12. TRADE AND OTHER PAYABLES AND ACCRUALS

	30 September 2017 *HK$'000*	31 March 2017 *HK$'000*
Trade payables		
Trade and bills payables	**509,665**	427,780
Other payables and accruals		
Trade deposits received from customers	**271,200**	194,500
Accruals	**271,466**	223,237
Payables for acquisition of property, plant and equipment	**9,930**	13,895
Others	**56,359**	53,680
	608,955	485,312

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

	30 September 2017 *HK$'000*	31 March 2017 *HK$'000*
0 – 30 days	**491,059**	401,601
31 – 60 days	**13,429**	14,298
61 – 90 days	**1,645**	5,286
Over 90 days	**3,532**	6,595
	509,665	427,780

13. VARIABLE-RATE BANK BORROWINGS

	30 September 2017 *HK$'000*	31 March 2017 *HK$'000*
Secured *(Note)*	**74,063**	76,367
Unsecured	**706,254**	998,563
	780,317	1,074,930

The Group's bank borrowings carry interest at variable rates which are subject to either i) the higher of Hong Kong Interbank Offered Rate plus a spread, ranging from 1.22% to 1.94% (31 March 2017: 1.16% to 1.78%), or 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 1.98% to 4.03% (31 March 2017: 2.24% to 4.17%). The weighted average effective interest rate of the above variable-rate bank borrowings was 1.44% (31 March 2017: 1.54%) per annum.

Note:

The net book values of assets pledged against the Group's secured bank borrowings are as follows:

	30 September 2017	31 March 2017
	HK$'000	*HK$'000*
Property, plant and equipment	**116,099**	103,204
Inventories	**15,618**	8,598
	131,717	111,802

14. SHARE CAPITAL

	Number of shares	**Amount**
	'000	*HK$'000*
Ordinary shares of HK$0.40 each		
Issued and fully paid:		
At 1 April 2016	1,936,862	774,745
Repurchase of shares	(2,000)	(800)
Cancellation of treasury shares	(13,293)	(5,317)
Exercise of share options	5,068	2,027
Issue of shares pursuant to bonus issue	1,926,362	770,545
At 30 September 2016	3,852,999	1,541,200
Repurchase of shares	(58,327)	(23,331)
Exercise of share options	30,967	12,387
At 31 March 2017 and 1 April 2017	3,825,639	1,530,256
Repurchase of shares *(Note)*	(24,830)	(9,932)
Exercise of share options *(note 15)*	9,150	3,660
At 30 September 2017	3,809,959	1,523,984

Note:

During the current interim period, 24,830,400 ordinary shares of the Company of HK$0.4 each were repurchased at a price ranging from HK$6.57 to HK$7.00 per share. All the shares repurchased have been cancelled during the period.

15. SHARE OPTION SCHEME

The Company's share option scheme (the "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 will expire on 4 March 2020. Details of the Scheme were disclosed in the consolidated financial statements for the year ended 31 March 2017.

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

	Number of share options	
	2017	2016
	'000	*'000*
Outstanding as at 1 April	**59,814**	49,014
Granted during the period	**–**	1,200
Adjusted during the period *(Note)*	**–**	43,764
Forfeited during the period	**(3,976)**	(2,335)
Exercised during the period	**(9,150)**	(5,068)
Outstanding as at 30 September	**46,688**	86,575

Details of specific categories of options are as follows:

Options	Date of grant	Number of share options outstanding as at 30 September 2017 (Note)	Vesting period	Exercise period	Original exercise price HK$	Adjusted exercise price HK$ (Note)
February 2012	8.2.2012	17,600	8.2.2012 – 7.2.2017	8.2.2017 – 7.2.2019	4.72	1.18
February 2013	1.2.2013	6,400	1.2.2013 – 31.1.2016	1.2.2016 – 31.1.2018	7.17	1.80
		41,600	1.2.2013 – 31.1.2017	1.2.2017 – 31.1.2019	7.17	1.80
January 2014	22.1.2014	104,000	22.1.2014 – 21.1.2016	22.1.2016 – 21.1.2018	14.56	3.64
		1,073,600	22.1.2014 – 21.1.2017	22.1.2017 – 21.1.2019	14.56	3.64
February 2015	10.2.2015	1,677,600	10.2.2015 – 9.2.2017	10.2.2017 – 9.2.2019	6.72	3.36
		13,556,800	10.2.2015 – 9.2.2018	10.2.2018 – 9.2.2020	6.72	3.36
May 2015	21.5.2015	400,000	21.5.2015 – 20.5.2017	21.5.2017 – 20.5.2019	9.51	4.76
January 2016	26.1.2016	9,972,000	26.1.2016 – 25.1.2018	26.1.2018 – 25.1.2020	8.92	4.46
		9,836,000	26.1.2016 – 25.1.2019	26.1.2019 – 25.1.2021	8.92	4.46
January 2016	27.1.2016	253,600	27.1.2016 – 26.1.2018	27.1.2018 – 26.1.2020	8.92	4.46
		252,000	27.1.2016 – 26.1.2019	27.1.2019 – 26.1.2021	8.92	4.46
May 2016	26.5.2016	2,400,000	26.5.2016 – 25.5.2018	26.5.2018 – 25.5.2020	10.46	5.23
January 2017	13.1.2017	2,366,000	13.1.2017 – 12.1.2019	13.1.2019 – 12.1.2021	5.17	N/A
		2,364,800	13.1.2017 – 12.1.2020	13.1.2020 – 12.1.2022	5.17	N/A
		2,366,000	13.1.2017 – 12.1.2021	13.1.2021 – 12.1.2023	5.17	N/A
		46,688,000				

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

16. BUSINESS COMBINATION

On 20 November 2016, Man Wah Group Limited, a wholly-owned subsidiary of the Company, an independent third party (the "Original Shareholder") and Home Group Ltd. (the "Target"), entered into a shareholders' agreement (the "Shareholders' Agreement") for a strategy alliance for the production and sale of upholstered furniture in Europe and stationary fabric sofas in China. Pursuant to the Shareholders' Agreement, the Original Shareholder agreed to transfer certain equity interests in certain entities (the "Injected Interests") to the Target; the Group agreed to subscribe and the Target agreed to issue 3,000 shares, representing 50% of the then issued share capital of the Target, after the Injected Interests have been transferred to the Target, for a consideration to be determined under a contingent arrangement ("Contingent Consideration"); and the Group agreed to purchase and the Original Shareholder agreed to sell an additional 2.5% equity interest in each of the entities included in the Injected Interests for an aggregate cash consideration of USD1,350,000 (equivalent to HK$10,486,000).

According to the Shareholders' Agreement, the Group has the majority voting power in the board of directors of the Target, by which the relevant activities that significantly affect the return of the Target are determined on a simple majority basis, and accordingly, the Target is accounted for as a subsidiary of the Group at the acquisition date of 31 December 2016, being the closing date of the investment. The investment has been accounted for using the acquisition method.

The Contingent Consideration of acquiring the 3,000 shares of the Target is payable to the Target and divided into three instalments with the instalment amounts determined based on different multiples to the Target's consolidated profits for the years ending 31 December 2017, 2018 and 2019 (the "Determination Period"), respectively. The Contingent Consideration is limited to within the range from approximately EUR 10 million and EUR 50 million. The Group has a right to elect whether to proceed to the subsequent instalment at the time when the amount of the previous instalment is determined (the "Put Option"). By exercising the Put Option, the Group will have no obligation to pay for any subsequent instalments and the Group will loss control of Home Group from then. Directors of the Company have determined that the chance to exercise the Put Option and the value of the Put Option is not significant to the Group at both the acquisition date and at the end of the reporting period.

Directors of the Company have determined at the acquisition date that the contingent consideration is HK$414,404,000 based on a business forecast of the Target in the Determination Period. The business forecast of the Target is prepared with reference to the past performance of the Injected Interests and the expansion plan of the Target, among others. As the contingent consideration is payable to the Target, it is eliminated in these unaudited condensed consolidated financial statements except for the portion attributable to non-controlling interest amounting to HK$207,202,000.

During the six months ended 30 September 2017, upon the finalisation of the independent valuation on the fair value of the identifiable assets acquired and liabilities assumed at the date of acquisition, the amount of goodwill recognised as at 31 March 2017 was subsequently reduced as a result of the upward valuation of intangible assets by HK$20,990,000 with the portion shared to non-controlling interest amounted to HK$12,594,000.

The restated fair value of assets acquired and liabilities assumed recognised at the date of acquisition were as follows:

	HK$'000 (restated)
Property, plant and equipment	160,897
Investment properties	56,515
Intangible assets	194,092
Deposits paid for acquisition of property, plant and equipment	257
Inventories	47,797
Tax recoverable	465
Bank balances and cash	10,755
Trade receivables	55,185
Other receivables and prepayments	10,517
Other financial liabilities	(22,994)
Creditors and accruals	(143,754)
Variable-rate bank borrowing	(112,259)
Deferred tax liabilities	(29,870)
Total identifiable net assets	227,603

The comparative figures of the condensed consolidated statement of financial position at 31 March 2017 have been restated as if the initial accounting had been completed from the acquisition date.

17. COMMITMENTS

	30 September 2017 *HK$'000*	31 March 2017 *HK$'000*
Capital commitments		
Capital expenditure contracted but not provided for in the condensed consolidated financial statements in respect of		
– acquisition of property, plant and equipment	**47,408**	48,844
– construction of production plant	**225,345**	204,263
– construction of property, plant and equipment	**37,335**	46,181
	310,088	299,288
Other commitments		
– construction of properties under development for sale	**209,069**	210,816
	519,157	510,104

18. RELATED PARTY DISCLOSURES

(I) Related party transactions

During the current interim period, the Group has entered into the following transaction with a related party:

	Six months ended 30 September	
	2017 *HK$'000*	2016 *HK$'000*
Rental expense paid to a related party *(Note)*	**1,290**	1,290

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

(II) Compensation of key management personnel

The remuneration of directors and other members of key management of the Group during the period was as follows:

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
Short-term employee benefits	**6,944**	6,804
Post employment benefits	**39**	41
Equity-settled share-based payment expenses	**930**	1,565
	7,913	8,410

19. FINANCIAL INSTRUMENTS

Fair value measurements of financial instruments

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

The Group's held for trading investments are measured at fair value at the end of each reporting period. 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 during the period.

(ii) Financial assets and financial liabilities not measured at fair value on a recurring basis

The Directors consider that the carrying amounts of the Group's financial assets and financial liabilities carried at amortised cost in these unaudited condensed consolidated financial statements approximate their fair values as at 30 September 2017 and 31 March 2017.

Financial assets and financial liabilities subject to offsetting

During the year ended 31 March 2017, the Group entered into several agreements with a bank in the PRC to set off all its rights and obligations towards bank deposits amounted to RMB202,000,000 and USD169,588,000, bank borrowings amounted to USD200,000,000 and a forward exchange contract and this arrangement remains the same as at 30 September 2017.