MANWAH

MAN WAH HOLDINGS LIMITED

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

First Class Experience
Everyday

Interim Report **2018/2019**

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Wong Man Li *(Chairman and Managing Director)*
Ms. Hui Wai Hing
Mr. Tsang Hoi Lam
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. Kan Chung Nin, Tony
Mr. Ding Yuan
Mr. Tsang Hoi Lam

REMUNERATION COMMITTEE

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

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 2018 ("1HFY2019" or the "Review Period").

BUSINESS REVIEW

During the Review Period, the Group faces a series of challenges, especially the tariff imposed by US Government on the goods imported from China and the high level of purchase price of raw materials. However, the Group still continued increasing 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 steady growth trend due to our sustained efforts on refined management of stores, brand promotion and 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 period, the on-line store sales also recorded a strong growth and this trend is expected to maintain in coming near future. 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 has recorded a steady growth in terms of revenue through developing new business models and increasing product lines by the Group. During the Review Period, there was "Trade War" between the US Government and Chinese Government and tariff has been imposed on the products exported to USA from September. This is expected to have negative effect of net profit margin on export business to USA. To mitigate the effect from tariff, the Group has acquired a factory in Vietnam in June. It is expected the majority of production for US export will be moved to Vietnam in coming years. Other than this, the depreciation of RMB against USD in the past few months can also relieve part of the pressure of decreasing the net profit margin from tariff.

As for the Europe (including Home Group Limited) and other overseas markets, the Group recorded a moderate growth in revenues generally. This is mainly contributed by the increase of smart furniture parts in Europe. 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 continue to strengthen its core competencies in recliners. It will effectively reduce cost through integrating vertically, improving product innovation capability and further enhancing 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 2,500 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. In addition, the Group has also cooperated with certain foreign brands, including HMI, Nicolletti and B&Y and sold their products with those brands with their franchises in China.

On the other hand, the Group continued to extend 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 2018, the Group received over approximately RMB351 million orders, increasing by approximately 73.9% 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.

The United States market is one of the most important markets that the Group has explored for years. Under the effect of tariff imposed by US Government, the Group has acquired a new factory in Vietnam and production of recliners In Vietnam can get the Group rid of the tariff. The Group will expand the production capacities in Vietnam and it will be the main production base for US export. In addition, the Group will continue to have innovation of the recliners with more functionality to fulfill the demand of consumers.

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 plant in Chongqing has just started operation in October, which increased the annual sofa production capacity of our plants in China from 1.586 million sets to 1.886 million sets. Moreover, it can also help the Group to supply to the customers in Western part of China with lower transportation cost and shorter time.

Since the acquisition of Jiangsu Yulong last year, the Group has remained the top supplier in the industry of smart furniture components. The Group will continue to adopt the vertical integration so as to decrease the production cost of recliners and strengthen the leading position of the Group in the recliners industry.

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 its product development capabilities, offering more extensive product lines and engaging in more business model innovation.

China market

According to data released by the National Bureau of Statistics of China, the national GDP growth reached approximately 6.7% in the first three quarters of 2018. During the Review Period, China's overall economic situation was positive, providing a favorable external environment for the development of the Group. Chinese governments at different levels have introduced some policies that curb the excessive growth of the real estate market. Such governmental policies were mainly to curb speculations, safeguarding basic housing demand. The restrictions on real estate speculations may have a negative effect on the sales of furniture products of the Group. However, the Group's strategy is to continuously decrease the cost of materials and positioning its products at a good quality with reasonable price. 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 a strong growth in revenue through conducting effective marketing, continuously improving the level of refined management of existing stores, steadily expanding the network of franchisee 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 3.5% year-on-year in the third quarter of this year, as compared with was 4.2% in the second quarter. According to the data released by the US Census Bureau, single-family new home sales fell by approximately 5.5% in September this year compared with August, reaching a new low during the year. The US furniture market continued to face a mixed external environment, especially in light of trade conflict between the US government and Chinese government. In September, tariff of 10% was imposed on products manufactured in China and exported to the US. If a higher tariff rate is to be imposed in coming year, it may have a material negative effect on factories with export businesses in the US. Moreover, the exchange rate between USD and RMB is also a material factor affecting the net profit margin for the Group.

Europe and other overseas markets

According to data from Eurostat, the GDP of 28 countries in the Eurozone in the third quarter grew by approximately 0.3% year-on-year, as compared with approximately 0.5% in the second quarter, reflecting an improvement in the overall economy of the Eurozone. 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 its product lines while continuing to focus on its core products, constantly improved its internal operational efficiency, and leveraged favorable market opportunities to maintain a steady revenue growth. The analysis of revenue by different regions is as follows.

1 China market

In the China market, as at 30 September 2018, the Group had a total of 2516 "CHEERS First-class Cabin" brand sofa and "CHEERS Five-star Mattress" brand stores, and CHEERS fabric stores in China. During the Review Period, the net increase in the number of stores was 117.

In addition to the focus on production and sales of sofas and bedding products, the Group also produced and sold chairs and other products to high-speed railways, chain cinemas and other business customers. The Group also produced and sold some smart furniture spare parts and other products. The Group acquired Jiangsu Yulong, a Jiangsu-based metal frame producer at the beginning of 2018. Upon completion of the acquisition, Jiangsu Yulong become a subsidiary of the Group and the Group has started consolidating its results since 1 January 2018.

During the Review Period, sales from the China market increased by approximately 24% compared with the last corresponding period.

2 North America market

In the North American market, the overall market competition remained fierce. The Group obtained steady sales growth during the Review Period by adjusting its product mix, strengthening its sales team and introducing a rapid delivery plan. During the Review Period, revenue in the North America market increased by approximately 19.1% compared with the last corresponding period, whereas sales in the US increased by approximately 19.3% and sales in Canada increased by approximately 16.7%.

3 Europe and other overseas markets

In Europe, the Group recorded an increase in revenue during the Review Period despite the effects of a weak economic growth and Brexit. During the Review Period, excluding Home Group, the total sales of all products from Europe and other overseas markets increased by approximately 4.0%. For sofas, sales in Europe and other overseas markets decreased by approximately 3.1%, including a decrease in sales of sofas in Europe by approximately 10.5%. However, sales of other products including smart furniture spare parts in Europe and other overseas markets increased by approximately 54.0%.

RESEARCH AND DEVELOPMENT OF SMART FURNITURE PRODUCTS

During the Review Period, the Group also launched a series of new smart furniture products with innovative functions based on changes in the market. At the same time, the Group continued to strengthen the development of smart furniture core parts to further increase the proportion of self-produced parts, so as to effectively reduce costs and improve product innovation.

FINANCIAL REVIEW

Revenue and gross profit margin

	Revenue *(HK$'000)*			As a percentage of revenue *(%)*		Gross profit margin *(%)*	
	1HFY2019	1HFY2018	**Change (%)**	**1HFY2019**	1HFY2018	**1HFY2019**	1HFY2018
Business of sofas and ancillary products	**4,144,336**	3,815,808	**8.6%**	**75.5%**	82.5%	**35.0%**	40.6%
Other products	**947,567**	419,934	**125.6%**	**17.3%**	9.0%	**23.9%**	31.6%
Home Group business	**395,636**	391,139	**1.1%**	**7.2%**	8.5%	**23.4%**	23.6%
Total	**5,487,539**	4,626,881	**18.6%**	**100.0%**	100.0%	**32.2%**	38.3%

For the Review Period, total revenue of the Group increased by approximately 18.6% to approximately HK$5,487,539,000 (1HFY2018: approximately HK$4,626,881,000), whereas the overall gross profit margin decreased to approximately 32.2% from approximately 38.3% of the last corresponding period. The main reason for the margin decrease was the increase in price of materials, including chemical products, steel and cardboard used in packaging. Another reason is that the Group has transferred its retail business to franchisees because the Group would like to shift its focus to its wholesale businesses. At the same time, the relatively low gross profit margin from the newly acquired Jiangsu Yulong business also lower the gross profit margin of the Group.

During the Review Period, cost of goods sold increased by approximately 30.3% as compared to that of the last corresponding period.

During the Review Period, excluding Home Group business, the Group produced approximately 585,000 sets of sofa products in its China factories (1HFY2018: approximately 574,000 sets), representing an increase of approximately 2.0% (one set equals to six seats, in calculating sofa sets, excluding chairs and other products which were sold to commercial clients).

1 Sofas and ancillary products business

During the Review Period, revenue from business of sofas and ancillary products was approximately HK$4,144,336,000, representing an increase of approximately 8.6% as compared with approximately HK$3,815,808,000 recorded in the last corresponding period.

2 Sales of other products

During the Review Period, the Group's revenue from other products comprising of bedding, smart furniture parts and other furniture products sold to commercial clients reached approximately HK$947,567,000, representing an increase of approximately 125.6% as compared with approximately HK$419,934,000 in the last corresponding period.

3 Home Group Business

During the Review Period, revenue from Home Group reached approximately HK$395,636,000, up by approximately 1.1% compared with approximately HK$391,139,000 in the last corresponding period.

Cost of goods sold

Cost of goods sold breakdown

	1HFY2019	1HFY2018	**Change**
	HK$'000	*HK$'000*	***(%)***
Cost of raw materials	**3,041,806**	2,345,331	29.7%
Labour costs	**508,993**	400,452	27.1%
Manufacturing overhead	**168,122**	108,391	55.1%
Total	**3,718,921**	2,854,174	30.3%

Major raw materials for production of sofas in China factories	**Average unit cost year-on-year change *(%)***
Leather	-0.6%
Steel	3.8%
PVC	1.0%
Wood	4.6%
Fabric	-4.1%
Chemicals	12.7%
Packaging Paper	24.0%

During the Review Period, the price of steel, chemicals and packaging paper still remained high, which exerted certain impact on gross profit margin.

OTHER INCOME

During the 1HFY2019, other income of the Group increased by approximately 4.5% from approximately HK$194,186,000 in the last corresponding period to approximately HK$202,883,000. The increase was mainly due to a significant increase in income from sales of industrial waste.

	1HFY2019	1HFY2018	**Change**
	HK$'000	*HK$'000*	***(%)***
Income from sale of industrial waste*	**70,833**	24,684	187.0%
Government subsidies**	**77,342**	133,823	-42.2%
Income on structured deposits and interest income***	**29,411**	24,017	22.5%
Others	**25,297**	11,662	116.9%
Total	**202,883**	194,186	4.5%

Notes:

* Income from sales 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 1HFY2019, such income accounted for approximately 1.3% 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.

OTHER GAINS AND LOSSES

During the 1HFY2019, other gains and losses of the Group amounted to losses of approximately HK$19,154,000, compared with approximately HK$34,721,000 losses in the last corresponding period. The aforesaid other losses in the Review Period mainly came from the loss from fair value change of financial assets at fair value through profit or loss and net exchange gains.

For the holding for trading investments, one of the bonds issuer recently have the event of Default Payment; in which the Group holds US$20,000,000 (equal to approximately HK$157,000,000) of bond. The Group is taking legal actions towards the bond issuer and US$2,448,000 (equal to approximately HK$19,217,000) of loss from fair value change of that investment are recorded during the Review Period.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses increased by approximately 13.6% from approximately HK$740,562,000 in the 1HFY2018 to approximately HK$841,119,000 in the 1HFY2019. Selling and distribution expenses as a percentage of revenue decreased from approximately 16.0% in the 1HFY2018 to approximately 15.3% in the 1HFY2019, including:

(a) Overseas transportation expenses and port charges decreased slightly from approximately HK$300,939,000 to approximately HK$300,935,000. Overseas transportation expenses and port charges as a percentage of revenue decreased from approximately 6.5% to approximately 5.5%; domestic transportation expenses increased by approximately 54.2% from approximately HK$34,216,000 to approximately HK$52,750,000. Domestic transportation expenses as a percentage of revenue increased from approximately 0.7% to approximately 1.0%;

(b) Rent, property management fees and utility decreased by approximately 51.2% from approximately HK$60,332,000 to approximately HK$29,447,000. Rent, property management fees and utility as a percentage of revenue decreased from approximately 1.3% to approximately 0.5%, The reason for the decline is that the self-operated stores have all been converted to franchisee-operated stores during the Review Period;

(c) Advertising, promotion and brand building expenses increased by approximately 35.9% from approximately HK$79,720,000 to approximately HK$108,322,000. Advertising, promotion and brand building expenses as a percentage of revenue increased from approximately 1.7% to approximately 2.0%; and

(d) Salaries, welfare and commissions of sales staff decreased by approximately 10.8% from approximately HK$130,596,000 to approximately HK$116,448,000. Salaries, welfare and commissions of sales staff as a percentage of revenue decreased from approximately 2.8% to approximately 2.1%.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by approximately 28.4% from approximately HK$206,010,000 in the 1HFY2018 to approximately HK$264,551,000 in the 1HFY2019. As a percentage of revenue, administrative expenses increased from approximately 4.5% in the 1HFY2018 to approximately 4.8% in the 1HFY2019. Among them:

(a) Salaries and welfare of employees increased by approximately 27.8% from approximately HK$86,083,000 to approximately HK$110,020,000. Salaries and welfare of employees as a percentage of revenue increased from approximately 1.9% to approximately 2.0%;

(b) Depreciation and amortization expenses increased by approximately 15.1% from approximately HK$33,016,000 to approximately HK$38,013,000. Depreciation and amortization expenses as a percentage of revenue of approximately 0.7% was the same as last year; and

(c) Donation decreased by 44.1% from approximately HK$13,272,000 in the last corresponding period to approximately HK$7,419,000. During the Review Period, donation as a percentage of revenue decreased from approximately 0.3% in the last corresponding period to approximately 0.1%.

SHARE OF RESULTS OF JOINT VENTURES

During the Review Period, share of loss of joint ventures was approximately HK$3,244,000 (1HFY2018: Nil). During the Review Period, the Group invested in two joint ventures, of which one operates a bedding business and the other operates an advertising business.

FINANCE COSTS

The finance costs increased by approximately 127.6% from approximately HK$9,678,000 in the 1HFY2018 to approximately HK$22,029,000 in the 1HFY2019. Such costs were mainly interest expense of loan. The increase is mainly due to an increase of loan amounts outstanding at the end of the Review Period.

INCOME TAX EXPENSE

Income tax expense decreased by approximately 20.4% from approximately HK$176,029,000 in the 1HFY2018 to approximately HK$140,170,000 in the 1HFY2019. Income tax as a percentage of profit before tax decreased from approximately 18.0% in the 1HFY2018 to approximately 17.1% in the 1HFY2019.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY AND NET PROFIT MARGIN

The profit attributable to owners of the Company decreased by approximately 16.1% from approximately HK$793,046,000 in the 1HFY2018 to approximately HK$665,325,000 in the 1HFY2019. The net profit margin of the Group was approximately 12.1% during the Review Period (approximately 17.1% in the 1HFY2018). 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 loss from change of fair value of held for trading investments.

WORKING CAPITAL

As at 30 September 2018, the Group's bank balances and cash were approximately HK$1,250,924,000. During the Review Period, turnover of the Group's working capital was good and account receivable and inventory turnover days had been kept at a relatively low level. The Group seeks to effectively manage its cash flow and capital commitments to ensure that it has sufficient funds to meet its existing and future cash requirements. The Group has not experienced and does not expect any difficulties in fulfilling its obligations as they become due.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 September 2018, the Group's short-term bank borrowings amounted to approximately HK$1,964,372,000, all of which were repayable within twelve months from 30 September 2018. 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 2018, the Group's current ratio was approximately 1.3 (31 March 2018: approximately 1.5). The Group recorded a decrease in current ratio mainly because the Group acquired a recliner business in Vietnam in June 2018 from an independent third party of a consideration of approximately HK$533.8 million, which was paid by the Group's own cash. The acquisition is to mitigate the risks posed by tariffs imposed by the US government on goods exported from China. As at 30 September 2018, the Group's gearing ratio was approximately 39.6% (31 March 2018: approximately 22.5%), which is defined as total borrowings divided by total equity attributable to owners of the Group.

ALLOWANCE FOR INVENTORIES

For the 1HFY2019, the Group reversed impairment allowance for inventories of approximately HK$2,492,000 (1HFY2018: reversed impairment allowance for inventories of approximately HK$333,000).

IMPAIRMENT LOSS ON TRADE RECEIVABLES

For the 1HFY2019, the Group provided provision for impairment loss on trade receivables amounting to approximately HK$65,000 (1HFY2018: approximately HK$68,000).

PLEDGE OF ASSETS

As at 30 September 2018, there was approximately HK$11,790,000 in restricted bank balances. As of 30 September 2018, some subsidiaries of the Group had pledged certain assets for financing, including land, property, plant and equipment with book value of approximately HK$111,103,000 and inventories with book value of approximately HK$16,049,000.

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 2018, 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 overseas markets and mainland China, and also procures raw materials from both the China market and overseas markets, which helps to create a natural hedge against foreign exchange risk.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

Save as disclosed herein, the Group did not have any significant investments or material acquisitions or disposals of subsidiaries, associates or joint ventures during the 1HFY2019. The Group continues to seek opportunities to acquire furniture companies to accelerate the development of the Group.

HUMAN RESOURCES

As at 30 September 2018, the Group had 16,117 employees (31 March 2018: 15,985 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 1HFY2019, the total staff cost for the Group amounted to approximately HK$738,044,000 (1HFY2018: approximately HK$596,251,000), of which approximately HK$8,002,000 (1HFY2018: approximately HK$7,913,000) 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.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND SOURCES OF FUNDING

In the foreseeable future, the Group will further invest on the factories in China and the new factory acquired in Vietnam during the Review Period. For Vietnam factory, the Group will further expand the factory from approximately 130,000m^2 to 373,000m^2. The expansion is expected to complete in the fourth quarter of 2019. For Chongqing factory, operation has just started in October 2018. Moreover, for the land in Qianhai, Shenzhen, construction is expected to start in 2019 and the uses of the land will be mainly for commercial purpose.

For the sources of funding of future material investments, the Group will use internal resources and also raise borrowing from banks.

OTHER INFORMATION

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 25 of this interim report.

The Board has resolved to declare an interim dividend of HK6.0 cents per share (six months ended 30 September 2017: an interim dividend of HK13.0 cents per share) payable to those shareholders of the Company ("Shareholders") whose names appear on the Company's register of members on Thursday, 29 November 2018.

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

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of 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 2018, 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	2,443,125,200[2]	63.73%
	Spouse	2,427,200[2]	0.06%
	Beneficial owner	2,769,600[2]	0.07%
Ms. Hui Wai Hing	Beneficial owner	2,427,200[3]	0.06%
	Spouse	2,445,894,800[3]	63.81%
Mr. Alan Marnie	Beneficial owner	800,000[4]	0.02%
Mr. Dai Quanfa	Beneficial owner	1,772,400[5]	0.05%
Ms. Wong Ying Ying	Beneficial owner	2,069,600[6]	0.05%
Mr. Tsang Hoi Lam	Beneficial owner	71,200[7]	0.00%

Notes:

1. The percentage of the Company's issued share capital is based on the 3,833,361,600 Shares of the Company ("Shares") issued as at 30 September 2018.

2. These 2,443,125,200 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 2,443,125,200 Shares held by Man Wah Investments Limited. Mr. Wong is a director of Man Wah Investments Limited. Mr. Wong also holds 2,427,200 Shares and 342,400 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 2,769,600 Shares. Details of such Share Options are set out in the section headed "Share Options" below. Mr. Wong is also deemed, under Part XV of the SFO, to be interested in the 2,427,200 Shares in which Ms. Hui Wai Hing, the spouse of Mr. Wong, has a long position.

3. These 2,427,200 Shares represent the 1,956,000 Shares and the 471,200 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 2,427,200 Shares. Details of such Share Options are set out in the section headed "Share Options" below. Ms. Hui is also deemed, under Part XV of the SFO, to be interested in the 2,445,894,800 Shares in which Mr. Wong Man Li, the spouse of Ms. Hui is interested (i.e. 2,769,600 Shares as beneficial owner and 2,443,125,200 Shares as interest in a controlled corporation).

4. This figure represents the aggregate number of the 400,000 Shares held by Mr. Marnie and 400,000 share 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. Details of such Share Options are set out in the section headed "Share Options" below.

5. This figure represents the aggregate number of the 745,600 Shares held by Mr. Dai and 1,026,800 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 1,772,400 Shares. Details of such Share Options are set out in the section headed "Share Options" below.

6. This figure represents the aggregate number of 1,821,600 Shares held by Ms. Wong and 248,000 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 2,069,600 Shares. Details of such Share Options are set out in the section headed "Share Options" below.

7. This figure represents the aggregate number of 71,200 Shares options granted to Mr. Tsang under the Share Option Scheme that are exercisable. Upon exercise of the Share Options, Mr. Tsang will own an aggregate of 71,200 Shares. Details of such Share Options are set out in the section headed "Share Options" below.

(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 2018, 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 2018.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 September 2018, 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	2,443,125,200[2]	63.73%
東方證券股份有限公司	Interest in controlled corporation	269,094,357[3]	7.02%
上海東方證券資產管理有限公司	Beneficial owner	269,094,357[3]	7.02%

Note:

1. The percentage of the Company's issued share capital is based on the 3,833,361,600 Shares issued as at 30 September 2018.

2. Please refer to Notes (2) and (3) under the "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" section stated above.

3. These 269,094,357 shares were beneficially owned by 上海東方證券資產管理有限公司 which, in turn, was 100% owned by 東方證券股份有限公司.

Save as disclosed above, as at 30 September 2018, 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 1HFY2019 were as follows:

						Number of Share Options[1]				
Grantee	Date of grant[2]	Vesting period	Exercisable period	Exercise price per share	Adjusted Exercise price per share	Outstanding at 1.4.2018	Granted during the Review Period	Cancelled/ Lapsed during the Review Period	Exercised during the Review Period	Outstanding at 30.9.2018
Mr. Wong Man Li	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
	12.2.2018	12.2.2018–11.2.2020	12.2.2020–11.2.2022	7.18	N/A	40,400	–	–	–	40,400
		12.2.2018–11.2.2021	12.2.2021–11.2.2023	7.18	N/A	40,400	–	–	–	40,400
		12.2.2018–11.2.2022	12.2.2022–11.2.2024	7.18	N/A	40,400	–	–	–	40,400
Ms. Hui Wai Hing	27.1.2016	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
	12.2.2018	12.2.2018–11.2.2020	12.2.2020–11.2.2022	7.18	N/A	31,200	–	–	–	31,200
		12.2.2018–11.2.2021	12.2.2021–11.2.2023	7.18	N/A	31,200	–	–	–	31,200
		12.2.2018–11.2.2022	12.2.2022–11.2.2024	7.18	N/A	30,400	–	–	–	30,400
Mr. Alan Marnie	26.5.2016	26.5.2016–25.5.2018	26.5.2018–25.5.2020	10.46	5.23	400,000	–	–	–	400,000
Mr. Dai Quanfa	10.2.2015	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
	12.2.2018	12.2.2018–11.2.2020	12.2.2020–11.2.2022	7.18	N/A	42,400	–	–	–	42,400
		12.2.2018–11.2.2021	12.2.2021–11.2.2023	7.18	N/A	42,400	–	–	–	42,400
		12.2.2018–11.2.2022	12.2.2022–11.2.2024	7.18	N/A	42,000	–	–	–	42,000
Ms. Wong Ying Ying	27.1.2016	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
	12.2.2018	12.2.2018–11.2.2020	12.2.2020–11.2.2022	7.18	N/A	24,800	–	–	–	24,800
		12.2.2018–11.2.2021	12.2.2021–11.2.2023	7.18	N/A	24,800	–	–	–	24,800
		12.2.2018–11.2.2022	12.2.2022–11.2.2024	7.18	N/A	24,000	–	–	–	24,000
Mr. Tsang Hoi Lam	12.2.2018	12.2.2018–11.2.2020	12.2.2020–11.2.2022	7.18	N/A	24,000	–	–	–	24,000
		12.2.2018–11.2.2021	12.2.2021–11.2.2023	7.18	N/A	24,000	–	–	–	24,000
		12.2.2018–11.2.2022	12.2.2022–11.2.2024	7.18	N/A	23,200	–	–	–	23,200
Other employees	1.2.2013	1.2.2013–31.1.2017	1.2.2017–31.1.2019	3.59	1.8	14,400	–	–	–	14,400
	22.1.2014	22.1.2014–21.1.2017	22.1.2017–21.1.2019	7.28	3.64	440,000	–	–	(169,600)	270,400
	10.2.2015	10.2.2015–9.2.2017	10.2.2017–9.2.2019	6.72	3.36	580,800	–	–	(518,400)	62,400
		10.2.2015–9.2.2018	10.2.2018–9.2.2020	6.72	3.36	3,474,400	–	(61,600)	(2,280,800)	1,132,000
	26.1.2016	26.1.2016–25.1.2018	26.1.2018–25.1.2020	8.92	4.46	4,408,400	–	(1,254,800)	(1,614,400)	1,539,200
		26.1.2016–25.1.2019	26.1.2019–25.1.2021	8.92	4.46	8,824,800	–	(960,000)	–	7,864,800
	26.5.2016	26.5.2016–25.5.2018	26.5.2018–25.05.2020	10.46	5.23	2,000,000	–	–	–	2,000,000
	13.1.2017	13.1.2017–12.1.2019	13.1.2019–12.1.2021	5.17	N/A	2,038,400	–	(271,200)	–	1,767,200
		13.1.2017–12.1.2020	13.1.2020–12.1.2022	5.17	N/A	2,037,600	–	(271,200)	–	1,766,400
		13.1.2017–12.1.2021	13.1.2021–12.1.2023	5.17	N/A	2,039,200	–	(269,600)	–	1,769,600
	12.2.2018	12.2.2018–11.2.2020	12.2.2020–11.2.2022	7.18	N/A	1,807,200	–	(289,200)	–	1,518,000
		12.2.2018–11.2.2021	12.2.2021–11.2.2023	7.18	N/A	1,787,600	–	(282,400)	–	1,505,200
		12.2.2018–11.2.2022	12.2.2022–11.2.2024	7.18	N/A	1,609,200	–	(253,200)	–	1,356,000
						33,621,600		(3,913,200)	(4,583,200)	25,125,200
	Number of share options exercisable as at 30 September 2018									5,918,400

Notes:

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

2. Share Options under each grant are subject to the restrictions that up to 50% and 100% of the total options granted will be exercisable during the period of 18th and 60th months respectively from the date of acceptance of the grant of options by the relevant grantees.

3. The weighted average closing price immediately before the dates on which the options were exercised was HK$6.08.

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 2018, 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 2018.

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 2018 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 14.5% and 15.3% of the total revenue and purchases for the Review Period, respectively. The Group's largest supplier accounted for approximately 6.7% 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 2018. 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 2018.

EVENTS AFTER THE REPORTING PERIOD

In October 2018, the Group successfully tendered for a piece of land located in the Shenzhen Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone with a base price of approximately HK$1.515 billion through a bid held by the Shenzhen Land & Real Estate Exchange Center. The Company is in the process of finalizing formalities and will make such further announcement as is appropriate under the Listing Rules when the formal agreement is entered into. For further details, please refer to the announcements of the Company dated 5 October 2018 and 18 October 2018.

In October 2018, the Company repurchased a total of 10,278,000 ordinary shares of the Company at an aggregate purchase price of HK$43,348,865.80 (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 Highest (HK$)	Price per ordinary share Lowest (HK$)	Aggregate purchase price (HK$)
October 2018	10,278,000	4.30	4.07	43,348,865.80
Total	10,278,000			43,348,865.80

The 10,278,000 repurchased ordinary shares were cancelled subsequently. 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.

CLOSURE OF REGISTER OF MEMBERS

Shareholders whose names appear on the Company's register of members on Thursday, 29 November 2018, will be eligible for the interim dividend. The transfer books and the register of members of the Company will be closed from Tuesday, 27 November 2018 to Thursday, 29 November 2018, 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 Monday, 26 November 2018. The interim dividend is expected to be payable on or after Thursday, 31 January 2019 to the Shareholders whose names appear on the register of members of the Company on Thursday, 29 November 2018.

CHANGE IN DIRECTORS' INFORMATION

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

Mr. Ding Yuan has been appointed as an independent non-executive director of Bluestar Adisseo Company（藍星安迪蘇股份有限公司）, a company listed on the Shanghai Stock Exchange (stock code: 600299) since October, 2018. Mr. Ding Yuan has been appointed as a non-executive director of Saurer Intelligent Technology Co. Ltd.（卓郎智能技術股份有限公司）, a company listed on the Shanghai Stock Exchange (stock code: 600545) since May, 2018.

Mr. Chau Shing Yim, David resigned as an independent non-executive director of Richly Field China Development Limited (Stock Code: 313) in September 2018. Mr. Chau Shing Yim, David resigned as an independent non-executive director Asia Grocery Distribution Limited (Stock Code: 8413) in August 2018.

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 2018, 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 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.

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 2018.

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

Hong Kong, 13 November 2018

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 25 to 54, which comprise the condensed consolidated statement of financial position as of 30 September 2018 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

13 November 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

	NOTES	Six months ended 30 September 2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
Revenue	3	**5,487,539**	4,626,881
Cost of goods sold		**(3,718,921)**	(2,854,174)
Gross profit		**1,768,618**	1,772,707
Other income		**202,883**	194,186
Other gains and losses	4	**(19,154)**	(34,721)
Selling and distribution expenses		**(841,119)**	(740,562)
Administrative expenses		**(264,551)**	(206,010)
Finance costs		**(22,029)**	(9,678)
Share of results of joint ventures		**(3,244)**	–
Profit before income tax		**821,404**	975,922
Income tax expense	5	**(140,170)**	(176,029)
Profit for the period	6	**681,234**	799,893
Other comprehensive income (expense):			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		**(624,398)**	209,329
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
Total comprehensive income for the period		**56,836**	1,012,800
Profit for the period attributable to:			
Owners of the Company		**665,325**	793,046
Non-controlling interest		**15,909**	6,847
		681,234	799,893
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**71,491**	967,688
Non-controlling interest		**(14,655)**	45,112
		56,836	1,012,800
Earnings per share	7		
Basic (HK cents)		**17.36**	20.75
Diluted (HK cents)		**17.34**	20.65

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2018

	NOTES	30 September 2018 HK$'000 (Unaudited)	31 March 2018 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	9	**3,265,479**	3,167,900
Investment properties	9	**195,825**	210,853
Lease premium for land		**793,176**	787,109
Goodwill		**422,339**	393,502
Other intangible assets		**500,686**	245,540
Interests in joint ventures		**31,008**	–
Deferred tax assets		**2,910**	3,590
Deposit paid for a land lease		**3,845**	4,225
Deposits paid for acquisition of property, plant and equipment		**153,328**	101,079
		5,368,596	4,913,798
Current assets			
Inventories		**1,168,827**	1,067,133
Properties under development		**366,673**	383,415
Trade receivables	10	**1,208,392**	956,097
Other receivables and prepayments	10	**407,598**	397,030
Lease premium for land		**19,011**	18,326
Held for trading investments		**–**	311,754
Financial assets at fair value through profit or loss		**270,765**	–
Tax recoverable		**10,099**	7,924
Restricted bank balances		**11,790**	8,303
Bank balances and cash		**1,250,924**	1,406,959
		4,714,079	4,556,941
Current liabilities			
Trade payables	11	**774,379**	753,902
Other payables and accruals	11	**417,114**	748,446
Contract liabilities	12	**438,420**	–
Receipt in advance from sales of properties under development		**–**	50,011
Variable-rate bank borrowings	13	**1,964,372**	1,316,799
Tax payable		**65,295**	72,892
		3,659,580	2,942,050
Net current assets		**1,054,499**	1,614,891
Total assets less current liabilities		**6,423,095**	6,528,689

	NOTES	30 September 2018 HK$'000 (Unaudited)	31 March 2018 HK$'000 (Audited)
Non-current liabilities			
Variable-rate borrowings	13	**252,162**	23,909
Deferred tax liabilities		**102,176**	56,158
Other non-current liabilities		**3,142**	4,138
		357,480	84,205
		6,065,615	6,444,484
Capital and reserves			
Share capital	14	**1,533,345**	1,531,511
Reserves		**4,062,543**	4,431,706
Equity attributable to owners of the Company		**5,595,888**	5,963,217
Non-controlling interest		**469,727**	481,267
		6,065,615	6,444,484

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

	Attributable to owners of the Company												
	Share capital *HK$'000*	Share premium *HK$'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 2017 (audited)	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 8)*	–	–	–	–	–	–	–	–	–	(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
Profit for the year	–	–	–	–	–	–	–	–	–	742,862	742,862	11,191	754,053
Exchange differences arising on translation of financial statements of foreign operations	–	–	–	–	–	289,150	–	–	–	–	289,150	24,057	313,207
Increase in fair value of property, plant and equipment, net of deferred tax	–	–	–	–	–	–	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–	289,150	–	–	–	742,862	1,032,012	35,248	1,067,260

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'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	–	–	–	–	–	–	–	–	–	–	–	–	–
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	–	4,223	–	4,223	–	4,223
Issue of shares upon exercise of share options	7,527	71,125	–	–	–	–	–	–	(7,330)	–	71,322	–	71,322
Acquisition of additional interest in a subsidiary from a non-controlling equity holder	–	–	–	12,442	–	–	–	–	–	–	12,442	(12,442)	–
Capital contribution by non-controlling equity holders	–	–	–	–	–	–	–	–	–	–	–	17,828	17,828
Transfer to statutory reserve	–	–	–	–	96,205	–	–	–	–	(96,205)	–	–	–
Dividends paid *(note 8)*	–	–	–	–	–	–	–	–	–	(495,522)	(495,522)	–	(495,522)
Acquisition of subsidiary (restated)	–	–	–	–	–	–	–	–	–	–	–	25,144	25,144
At 31 March 2018 (audited and restated)	1,531,511	92,551	(16,132)	(12,152)	407,323	93,353	28,726	(448)	13,223	3,825,262	5,963,217	481,267	6,444,484
Profit for the period	–	–	–	–	–	–	–	–	–	665,325	665,325	15,909	681,234
Exchange differences arising on translation of financial statements of foreign operation	–	–	–	–	–	(593,834)	–	–	–	–	(593,834)	(30,564)	(624,398)
Total comprehensive income for the period	–	–	–	–	–	(593,834)	–	–	–	665,325	71,491	(14,655)	56,836
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	–	3,576	–	3,576	–	3,576
Issue of shares upon exercise of share options	1,834	16,770	–	–	–	–	–	–	(1,381)	–	17,223	–	17,223
Acquisition of additional interest in a subsidiary from a non-controlling equity holder	–	–	–	341	–	33	–	–	–	–	(374)	(374)	–
Capital contribution by non-controlling equity holders	–	–	–	–	–	–	–	–	–	–	–	3,489	3,489
Transfer to statutory reserve	–	–	–	–	(829)	–	–	–	–	829	–	–	–
Dividends paid *(note 8)*	–	–	–	–	–	–	–	–	–	(459,993)	(459,993)	–	(459,993)
At 30 September 2018 (unaudited)	1,533,345	109,321	(16,132)	(11,811)	406,494	(500,448)	28,726	(448)	15,418	4,031,423	5,595,888	469,727	6,065,615

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash from operating activities	**758,635**	775,029
Net cash used in investing activities		
Payments for property, plant and equipment	**(434,034)**	(217,369)
Investment on held for trading investments	**–**	(93,791)
Payments of lease premium for land	**(5,055)**	(62,261)
Construction of properties under development	**(18,677)**	(21,034)
Proceeds from disposal of held for trading investments	**–**	300,128
Proceeds on disposal of structured deposit	**5,257,858**	2,479,656
Investment on structured deposits	**(5,249,023)**	(2,478,062)
Other investing cash flows	**12,480**	3,639
Payment on intangible assets	**(4,629)**	–
Acquisition of joint ventures	**(34,103)**	–
Acquisition of subsidiaries	**(533,862)**	–
Payments made for the acquisition of subsidiaries during last period	**(149,925)**	–
	(1,158,970)	(89,094)
Net cash from (used in) financing activities		
Repayment of bank borrowings	**(6,532)**	(693,575)
Dividends paid	**(459,993)**	(533,318)
Repurchase of shares	**–**	(168,457)
New bank borrowings raised	**886,175**	391,405
Proceeds from issue of shares upon exercise of share options	**17,223**	29,774
Capital contribution by non-controlling equity holders of subsidiaries	**3,489**	–
	440,362	(974,171)
Net increase (decrease) in cash and cash equivalents	**40,027**	(288,236)
Net effect of foreign exchange rate changes	**(196,062)**	30,118
Cash and cash equivalents at beginning of the period	**1,406,959**	1,808,298
Cash and cash equivalents at end of the period	**1,250,924**	1,550,180

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 financial instrument, which are measured at fair values at the end of each reporting period.

Other than changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("IFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2018.

Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the IASB which are mandatory effective for the annual period beginning on or after 1 April 2018 for the preparation of the Group's condensed consolidated financial statements:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014 – 2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

The new and amendments to IFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers

The Group has applied IFRS 15 for the first time in the current interim period. IFRS 15 superseded IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations.

The Group recognises revenue from the manufacture and distribution of sofas and ancillary products. The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply this standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 *Revenue* and IAS 11 *Construction Contracts* and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of IFRS 15

IFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

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

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

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

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

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

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

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

Revenue from properties developed for sale is recognised at a point in time when the customer obtains the control of the completed properties, which is the completed property stated in the sale and purchase agreement being delivered.

Amounts received prior to meeting the above criteria for revenue recognition are contracts liabilities and presented in the condensed consolidated statement of financial position.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting significant financing component.

The Group has performed an assessment on the impact of the adoption of IFRS 15 and concluded that no material financial impact on the timing and amounts of revenue recognised in prior and current periods.

2.1.2 Summary of effects arising from initial application of IFRS 15

By adopting IFRS 15, there is no impact on the condensed consolidated statement of profit or loss and other comprehensive income recognised by the Group as at 1 April 2018 as compared to the accumulated amount recognised under IAS 18.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2018	**Reclassification**	**Carrying amounts under IFRS 15 at 1 April 2018***
	HK$'000	*HK$'000*	*HK$'000*
Other payables and accruals	748,446	(197,962)	550,484
Receipt in advance from sales of properties under development	50,011	(50,011)	–
Contract liabilities	–	247,973	247,973

* The amounts in this column are before the adjustments from the application of IFRS 9.

Note: As at 1 April 2018, trade deposits received from customers of HK$197,962,000 included in other payables and accruals were reclassified to contract liabilities.

The following tables summarise the impacts of applying IFRS 15 on the Group's condensed consolidated statement of financial position as at 30 September 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the condensed consolidated statement of financial position as at 30 September 2018

	As reported	Reclassification	Carrying Amounts without application of IFRS 15
	HK$'000	*HK$'000*	*HK$'000*
Other payables and accruals	417,114	261,136	678,250
Receipt in advance from sales of properties under development	–	177,284	177,284
Contract liabilities	438,420	(438,420)	–

2.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments

In the current period, the Group has applied IFRS 9 *Financial Instruments* and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening retained profits, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 *Financial Instruments: Recognition and Measurement*.

2.2.1 Key changes in accounting policies resulting from application of IFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with IFRS 15.

All recognised financial assets that are within the scope of IFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under IAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL").

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income ("FVTOCI") or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 April 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impact thereof are detailed in note 2.2.2.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade, bills and other receivables and bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables without significant financing component. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

As at 1 April 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9 and concluded that no material financial impact exists, and therefore no adjustment to the opening retained profits at 1 April 2018 was recognised.

Classification and measurement of financial liabilities

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income ("OCI"), unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in OCI are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits upon derecognition of the financial liability.

As at 1 April 2018, the directors of the Company reviewed and assessed the Group's existing financial liabilities in accordance with the requirements of IFRS 9 and concluded that no material impact exists.

2.2.2 Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification of financial assets and financial liabilities and other items subject to ECL under IFRS 9 and IAS 39 at the date of initial application, 1 April 2018.

	Held for trading investments *HK$'000*	**Financial assets at FVTPL** *HK$'000*
Closing balance at 31 March 2018 – IAS 39	311,754	–
Effect arising from initial application of IFRS 9:		
Reclassification of held for trading investments *(Note a)*	(311,754)	311,754
Opening balance at 1 April 2018	–	311,754

(a) The Group has reassessed its investments in listed debentures classified as held for trading under IAS 39 as if the Group had purchased these investments at the date of initial application. Based on the facts and circumstances as at the date of initial application, HK$311,754,000 of the Group's investments were held for trading and continued to be measured at FVTPL.

2.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards, amendments and interpretation

As a result of the changes in the entity's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line item.

	31 March 2018 (Audited) *HK$'000*	**HKFRS 15** *HK$'000*	**HKFRS 9** *HK$'000*	**1 April 2018 (Restated)** *HK$'000*
NON-CURRENT ASSETS				
Held for trading investments	311,754	–	(311,754)	–
Financial assets at fair value through profit or loss	–	–	311,754	311,754
	311,754	–	–	311,754
CURRENT LIABILITIES				
Other payables and accruals	748,446	(197,962)	–	550,484
Receipt in advance from sales of properties under development	50,011	(50,011)	–	–
Contract liabilities	–	247,973	–	247,973
	798,457	–	–	798,457

3. SEGMENT INFORMATION

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

Sofa and ancillary products	–	manufacture and distribution of sofas and ancillary products through wholesale and distributors other than those by Home Group Ltd and its subsidiaries ("Home Group")
Other products	–	manufacture and distribution of the chairs and other products to commercial clients, mattresses, smart furniture spare parts and metal mechanism for recliners etc.
Home Group business	–	manufacture and distribution of sofas and ancillary products by Home Group

The sofa and ancillary products 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.

For other products, the CODM assessed the performances of the Group's products other than sofas and ancillary products in arising the reporting segment of the Group. This led to a change in the segment reporting compared with the annual financial statements for the year ended 31 March 2018.

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 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), fair value loss on held for trading investments and financial assets at FVTPL, share of results of joint ventures, government subsidies, finance costs and central administrative costs and directors' emoluments. 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 2018

	Sofa and ancillary products *HK$'000*	Other products *HK$'000*	Home Group business *HK$'000*	Total *HK$'000*
REVENUE				
External sales	**4,144,336**	**947,567**	**395,636**	**5,487,539**
RESULTS				
Segment results	**744,286**	**185,476**	**(2,993)**	**926,769**
Other income				**113,084**
Exchange gain – net				**25,530**
Finance costs				**(19,507)**
Loss from changes in fair value of financial assets at FVTPL				**(40,989)**
Share of results of joint ventures				**(3,244)**
Central administrative expenses and directors' remunerations				**(180,239)**
Profit before income tax				**821,404**

Six months ended 30 September 2017

	Sofa and ancillary products *HK$'000*	Other products *HK$'000*	Home Group business *HK$'000*	Total *HK$'000*
REVENUE				
External sales	3,815,808	419,934	391,139	4,626,881
RESULTS				
Segment results	951,502	109,129	3,212	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 administrative expenses and directors' remunerations				(210,437)
Profit before income tax				975,922

There were no inter-segment sales during both periods.

4. OTHER GAINS AND LOSSES

Other gains and losses mainly comprise of loss from changes in fair value of financial assets at fair value through profit or loss/held for trading investments and net exchange gain (loss).

5. INCOME TAX EXPENSE

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
Current tax:		
People's Republic of China Enterprise Income Tax ("PRC EIT")	**131,520**	167,304
United States of America Federal and State Current Income Taxes ("U.S. CIT")	**576**	900
Others	**839**	705
	132,935	168,909
Net underprovision in prior years:		
PRC EIT	**3,711**	5,152
U.S. CIT	**288**	224
	3,999	5,376
Deferred tax	**3,236**	1,744
	140,170	176,029

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.

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 21% (2017: 34%) and state income tax calculated from 0% to 9% (2017: 0% to 8.84%) 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.

6. PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
Profit for the period has been arrived at after charging:		
Staff costs	**738,044**	596,251
Rents and rates	**28,531**	42,982
Release of lease premium for land	**9,075**	5,959
Amortisation of intangible assets (recognised in selling and distribution expenses)	**22,734**	4,105
Depreciation of property, plant and equipment	**105,619**	82,010
And crediting:		
Recognised in cost of goods sold:		
Reversal of allowance for inventories (recognised in cost of goods sold)	**2,492**	333
Recognised in other income:		
Interest income (including interest income from held for trading investments)	**20,576**	22,423
Income from structured deposits included in other income	**8,835**	1,594
Government grants included in other income	**77,342**	133,823

7. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2018	2017
	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	**665,325**	793,046

	2018	2017
	'000	'000
Number of shares		
Weighted average number of ordinary shares in issue during the period for the purpose of basic earnings per share	**3,832,649**	3,821,474
Effect of dilutive potential ordinary shares:		
– Share options	**4,735**	19,546
Weighted average number of ordinary shares in issue during the period for the purpose of diluted earnings per share	**3,837,384**	3,841,020

8. DIVIDENDS

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

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
Final dividend for the year ended 31 March 2018 of HK$0.12 per share (2017: HK$0.14 per share for the year ended 31 March 2017)	**459,993**	533,318

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of HK$0.06 per share (six months ended 30 September 2017: HK$0.13 per share) will be paid to the shareholders of the Company whose names appear in the Company's register of members on Thursday, 29 November 2018.

9. 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$135,621,000 and HK$253,648,000 (six months ended 30 September 2017: HK$90,327,000 and HK$106,472,000) respectively for the purpose of expanding the Group's business.

During the last 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 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.

At 30 September 2018, 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.

10. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

At 30 September 2018

	Man Wah ***HK$'000*** *(note a)*	**Home Group Business** ***HK$'000***	**Total** ***HK$'000***
Trade receivables			
Trade receivables	**1,028,509**	**57,908**	**1,086,417**
Bills receivables	**121,975**	**–**	**121,975**
Trade and bills receivables	**1,150,484**	**57,908**	**1,208,392**
Other receivables and prepayments			
Valued added taxes recoverable	**132,069**	**12,093**	**144,162**
Deposits	**13,727**	**–**	**13,727**
Prepayments to suppliers	**191,115**	**5,837**	**196,952**
Sundry receivables	**51,607**	**1,150**	**52,757**
	388,518	**19,080**	**407,598**

At 31 March 2018

	Man Wah *HK$'000* *(note a)*	Home Group Business *HK$'000*	Total *HK$'000*
Trade receivables			
Trade receivables	847,053	73,886	920,939
Bills receivables	35,158	–	35,158
Trade and bills receivables	882,211	73,886	956,097
Other receivables and prepayments			
Valued added taxes recoverable	101,876	23,899	125,775
Deposits	29,127	–	29,127
Prepayments to suppliers	167,677	6,871	174,548
Sundry receivables	66,977	603	67,580
	365,657	31,373	397,030

Note a: Man Wah represents the Group other than Home Group Business.

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:

At 30 September 2018

	Man Wah	**Home Group Business**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
0 – 90 days	**1,000,685**	**52,845**	**1,053,530**
91 – 180 days	**127,968**	**2,887**	**130,855**
Over 180 days	**21,831**	**2,176**	**24,007**
	1,150,484	**57,908**	**1,208,392**

At 31 March 2018

	Man Wah	Home Group Business	Total
	HK$'000	*HK$'000*	*HK$'000*
0 – 90 days	831,415	73,131	904,546
91 – 180 days	38,192	300	38,492
Over 180 days	12,604	455	13,059
	882,211	73,886	956,097

11. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

At 30 September 2018

	Man Wah ***HK$'000***	**Home Group Business** ***HK$'000***	**Total** ***HK$'000***
Trade payables			
Trade and bills payables	**699,451**	**74,928**	**774,379**
Other payables and accruals			
Accruals	**352,562**	**40,242**	**392,804**
Others	**3,747**	**–**	**3,747**
Payables for acquisition of property, plant and equipment	**20,563**	**–**	**20,563**
	376,872	**40,242**	**417,114**

At 31 March 2018

	Man Wah *HK$'000*	Home Group Business *HK$'000*	Total *HK$'000*
Trade payables			
Trade and bills payables	652,869	101,033	753,902
Other payables and accruals			
Trade deposits received from customers	195,045	2,917	197,962
Accruals	278,098	49,628	327,726
Consideration payable for acquisition of Jiangsu Yulong	149,925	–	149,925
Others	50,647	–	50,647
Payables for acquisition of property, plant and equipment	22,186	–	22,186
	695,901	52,545	748,446
Receipt in advance from sales of properties under development *(note)*	50,011	–	50,011

Note: As at 31 March 2018, the amount is expected to be realised within twelve months from the end of the reporting period.

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:

At 30 September 2018

	Man Wah	**Home Group Business**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
0 – 90 days	**699,451**	**73,316**	**772,767**
91 – 180 days	**–**	**1,147**	**1,147**
Over 180 days	**–**	**465**	**465**
	699,451	**74,928**	**774,379**

At 31 March 2018

	Man Wah	Home Group Business	Total
	HK$'000	*HK$'000*	*HK$'000*
0 – 90 days	652,869	98,829	751,698
91 – 180 days	–	1,214	1,214
Over 180 days	–	990	990
	652,869	101,033	753,902

12. CONTRACT LIABILITIES

	30 September 2018
	HK$'000
Trade deposits received from customers	**261,136**
Receipts in advance from sales of properties under development	**177,284**
	438,420

13. VARIABLE-RATE BANK BORROWINGS

	30 September 2018 *HK$'000*	31 March 2018 *HK$'000*
Secured *(Note)*	**69,482**	74,314
Unsecured	**2,147,052**	1,266,394
	2,216,534	1,340,708

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 2.67% to 3.27% (31 March 2018: 1.59% to 2.02%), 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 1.94% to 4.18% (31 March 2018: 1.94% to 4.17%). The weighted average effective interest rate of the above variable-rate bank borrowings was 2.92% (31 March 2018: 1.88%) per annum.

Note:

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

	30 September 2018 *HK$'000*	31 March 2018 *HK$'000*
Property, plant and equipment	**111,103**	122,310
Inventories	**16,049**	18,139
	127,152	140,449

14. SHARE CAPITAL

	Number of shares *'000*	**Amount** *HK$'000*
Ordinary shares of HK$0.40 each		
Issued and fully paid:		
At 1 April 2017	3,825,639	1,530,256
Repurchase of shares *(Note)*	(24,830)	(9,932)
Exercise of share options *(note 14)*	9,150	3,660
At 30 September 2017	3,809,959	1,523,984
Repurchase of shares	–	–
Exercise of share options	18,819	7,527
At 31 March 2018 and 1 April 2018	3,828,778	1,531,511
Repurchase of shares *(Note)*	–	–
Exercise of share options *(note 14)*	4,584	1,834
At 30 September 2018	3,833,362	1,533,345

Note: During the period ended 30 September 2017, 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 2018.

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

	Number of share options	
	2018	2017
	'000	*'000*
Outstanding as at 1 April	**33,622**	59,814
Granted during the period	**–**	–
Cancelled/lapsed during the period	**(3,913)**	(3,976)
Exercised during the period	**(4,584)**	(9,150)
Outstanding as at 30 September	**25,125**	46,688

Details of specific categories of options are as follows:

Options	Date of grant	Number of share options outstanding as at 30 September 2018	Vesting period	Exercise period	Original exercise price *HK$*	Adjusted exercise price *HK$*
February 2013	1.2.2013	14,400	1.2.2013 – 31.1.2017	1.2.2017 – 31.1.2019	7.17	1.80
January 2014	22.1.2014	270,400	22.1.2014 – 21.1.2017	22.1.2017 – 21.1.2019	14.56	3.64
February 2015	10.2.2015	62,400	10.2.2015 – 9.2.2017	10.2.2017 – 9.2.2019	6.72	3.36
		1,408,800	10.2.2015 – 9.2.2018	10.2.2018 – 9.2.2020	6.72	3.36
January 2016	26.1.2016	1,762,400	26.1.2016 – 25.1.2018	26.1.2018 – 25.1.2020	8.92	4.46
		8,087,200	26.1.2016 – 25.1.2019	26.1.2019 – 25.1.2021	8.92	4.46
January 2016	27.1.2016	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	2,000,800	13.1.2017 – 12.1.2019	13.1.2019 – 12.1.2021	5.17	N/A
		2,000,000	13.1.2017 – 12.1.2020	13.1.2020 – 12.1.2022	5.17	N/A
		2,002,000	13.1.2017 – 12.1.2021	13.1.2021 – 12.1.2023	5.17	N/A
February 2018	12.2.2018	1,680,800	12.2.2018 – 11.2.2020	12.2.2020 – 11.2.2022	7.18	N/A
		1,668,000	12.2.2018 – 11.2.2021	12.2.2021 – 11.2.2023	7.18	N/A
		1,516,000	12.2.2018 – 11.2.2022	12.2.2022 – 11.2.2024	7.18	N/A
		25,125,200				

16. SIGNIFICANT BUSINESS COMBINATION

Acquisition of the group of Beyond Excel Holdings Limited

On 15 June 2018, Man Wah Group Limited, a wholly owned subsidiary of the Company, acquired 100% equity interest in Beyond Excel Holdings Limited and its wholly owned subsidiary, Timberland Company Limited ("Beyond Excel Group") for a consideration of USD68,000,000 (equivalent to approximately HK$533,862,000). This acquisition has been accounted for using the purchase method. Beyond Excel Group is engaged in the production and sales of sofas in Vietnam, and exportation to overseas market, and is acquired from an independent third party so as to expand of the Group's manufacture and sale of sofas operations. The consideration was fully settled in cash.

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

	HK$'000
Property, plant and equipment	112,626
Other receivables	10,786
Lease premium for land	83,484
Intangible asset	290,016
Deferred tax liability	(18,441)
Total identifiable net assets	478,471

Acquisition-related costs amounting to approximately HK$122,000 have been excluded from the consideration transferred and have been recognised as an expense in the current period, within the administrative expenses, in the condensed consolidated statement of profit or loss and other comprehensive income.

Goodwill arising on acquisition:

	HK$'000
Cash consideration	533,862
Less: fair values of identifiable net assets acquired	(478,471)
Goodwill arising on acquisition	55,391

Net cash outflow arising on the acquisition is cash consideration paid of approximately HK$533,862,000.

17. COMMITMENTS

	30 September 2018 HK$'000	31 March 2018 HK$'000
Capital commitments		
Capital expenditure contracted but not provided for in the condensed consolidated financial statements in respect of		
– acquisition and construction of property, plant and equipment	**113,306**	61,146
– construction of production plant	**151,254**	77,992
	264,560	139,138
Other commitments		
– construction of properties under development for sale	**141,768**	132,106
– Investment of a joint venture	**11,368**	–
	153,136	132,106
	417,696	271,244

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	
	2018 HK$'000	2017 HK$'000
Rental expense paid to a related party *(Note)*	**1,346**	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	
	2018 HK$'000	2017 HK$'000
Short-term employee benefits	**7,470**	6,944
Post-employment benefits	**30**	39
Equity-settled share-based payment expenses	**502**	930
	8,002	7,913

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/financial assets at FVTPL 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 2018 and 31 March 2018.

20. EVENT AFTER THE END OF THE REPORTING PERIOD

The Group had tendered for the land use right of a piece of land (the "Land") located in the Shenzhen Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone (the "Qianhai Cooperation Zone"), Qianhai, the People's Republic of China (the "PRC") with the base price of RMB1.338 billion (equivalent to approximately HK$1.515 billion) through a bid held by the Shenzhen Land & Real Estate Exchange Center. The Company will be proceeding to finalize formalities and the formal agreement.