MANWAH

MAN WAH HOLDINGS LIMITED

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

Interim Report 2019/2020

First Class Experience
Everyday

CONTENTS

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. Kan Chung Nin, Tony
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

Mr. Tsang Hoi Lam

AUDITOR

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

BERMUDA SHARE REGISTRAR AND SHARE TRANSFER AGENT

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Bermuda

HONG KONG SHARE REGISTRAR

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Wanchai
Hong Kong

REGISTERED OFFICE

Canon's Court
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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
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
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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 2019 ("1HFY2020" 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 challenging economic environment of China. However, the Group still continued increasing the investment in product research & development and launched more series of competitive products with trendy look welcomed by younger generation. 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, non-motion sofas and the bedding products series, have maintained the steady growth trend due to our sustained efforts on refined management of stores, brand promotion and network expansion. 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 drop in terms of revenue because of the tariff imposed by US Government on the goods imported from China. In May 2019, the US Government announced an increase of tariff to 25% on the sofas exported to US from China. This has dramatically influenced the sales order from US and has a significant negative effect of net profit margin on export business to US from Chinese factory. To mitigate the effect from tariff, the Group acquired a factory in Vietnam in June 2018 and expansion of factory in Vietnam has finished basically during the Review Period. Up to the date of this report, the majority of production for US export has been moved to Vietnam. 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 and other overseas market. 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 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 and improve product innovation.

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 2,700 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 opened different series of stores in respect of its existing seven sofa series and two bedding products series.

On the other hand, the Group continued to boost its online sales in various platforms including TMALL (www.tmall.com), Jingdong Mall (www.JD.com), Vipshop (www.vip.com), Amazon (amazon.com.cn). During the "Double 11" promotion organized by TMALL and other on-line platforms on 11 November 2019, the Group received over approximately RMB613 million orders, increasing by approximately 74.6% 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 expansion of the building in Vietnam has basically finished and the production capacity is increasing by month as the Group needs time to train the staffs 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.

Since the acquisition of Jiangsu Yulong at the beginning of 2018, 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 6.2% in the first three quarters of 2019. During the Review Period, China's overall economic situation is now facing a various of challenges. Chinese governments at different levels have introduced some policies to stabilize the growth of the real estate market. Such governmental policies were mainly to curb speculations and safeguard 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 a good quality products with reasonable price. With the steady increase in Chinese consumer income, the pursuit for healthier and more comfortable lifestyle is bringing strong demand for renewal of furniture products 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 1.9% year-on-year in the third quarter of this year, as compared with was 2.0% in the second quarter. According to the data released by the US Census Bureau, new home sales fell by approximately 0.7% in September this year compared with August, maintaining at quite a low level during the year. The US furniture market continued to face a mixed external environment, especially in light of the trade conflict between the US government and Chinese government. In May, tariff of 25% was imposed on certain products manufactured in China and exported to US, it had a material negative effect on factories with export businesses to US. Moreover, the exchange rate between US dollars ("USD") and Renminbi ("RMB") is also a material factor affecting the net profit margin for the Group.

Europe and other overseas markets

According to the data from Eurostat, the GDP of the Eurozone in the third quarter of this year grew by approximately 1.1% year-on-year, as compared with approximately 1.2% in the second quarter, reflecting a steady growth in the overall economy of the Eurozone. Meanwhile, Brexit negotiations 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 2019, the Group had a total of 2,713 "CHEERS First-class Cabin" brand sofa and "CHEERS Five-star Mattress" brand stores, and CHEERS fabric stores in China (including Hong Kong). During the Review Period, the net increase in the number of stores was 99.

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.

During the Review Period, sales from the China market increased by approximately 22.4% compared with the last corresponding period.

2 North America market

In the North American market, the "Trade War" between US Government and Chinese Government has resulted in a significant effect on export sales to US. Especially the custom duty of 25% has been imposed on the products exported to US since May 2019. During the Review Period, revenue in the North America market dropped by approximately 23% compared with the last corresponding period, whereas sales in the US decreased by approximately 25.6% and sales in Canada decreased by approximately 33.1%. To mitigate the negative impacts on the revenue and margin due to custom duty imposed by US Government , the Group has acquired a factory in Vietnam in June 2018 and the majority of the production for customer of orders from US has moved to the Vietnam factory.

In addition, the Company plans to produce higher-ended sofas in the factory in China and export to US. The higher margin of the higher ended sofas can help to cover part of higher costs of the products produced in Chinese factory due to custom duty.

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 10.7%. For sofas, overall sales in Europe and other overseas markets decreased by approximately 1.3%, while there is an increase in sales of sofas in Europe by approximately 11.0%. However, sales of other products including smart furniture spare parts in Europe and other overseas markets increased by approximately 64.3%.

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 spare 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 *(%)*	
	1HFY2020	1HFY2019	**Change (%)**	**1HFY2020**	1HFY2019	**1HFY2020**	1HFY2019
Business of sofas and ancillary products	**3,830,500**	4,144,336	**–7.6%**	**68.5%**	75.5%	**37.8%**	35.0%
Other products	**1,122,619**	947,567	**18.5%**	**20.1%**	17.3%	**29.0%**	23.9%
Home Group business	**355,259**	395,636	**–10.2%**	**6.4%**	7.2%	**26.4%**	23.4%
Other businesses	**284,295**	–	**100.0%**	**5.0%**	–	**32.0%**	–
Total	**5,592,673**	5,487,539	**1.9%**	**100.0%**	100.0%	**35.0%**	32.2%

For the Review Period, total revenue of the Group increased by approximately 1.9% to approximately HK$5,592,673,000 (1HFY2019: approximately HK$5,487,539,000), whereas the overall gross profit margin increased to approximately 35.0% from approximately 32.2% of the last corresponding period. The main reason for the increase of the gross profit margin was the decrease in price of materials, including chemical products and leather. Another reason is that the RMB depreciated against USD, which also improve the margin for the export sales.

During the Review Period, direct costs decreased by approximately 2.2% as compared to that of the last corresponding period.

During the Review Period, excluding Home Group business, the Group produced approximately 562,000 sets of sofa products (1HFY2019: approximately 585,000 sets) representing a decrease of approximately 4.0% (one set equals to six seats, in calculating sofa sets, excluding chairs and other products which were sold to commercial clients), in which sets of sofa products produced for sales in China has increased by 31.3% and sets of sofa products for sales of export dropped by 17.9%.

During the Review Period, the Group has recorded sales of properties, hotel operation and furniture mall business. The sales of properties mainly come from the sale of a real estate development in Jiangsu. Other than this, the operation of a hotel and a furniture mall have only commenced during this period.

1 Sofas and ancillary products business

During the Review Period, revenue from business of sofas and ancillary products was approximately HK$3,830,500,000, representing a decrease of approximately 7.6% as compared with approximately HK$4,144,336,000 recorded in the last corresponding period.

2 Sales of other products

During the Review Period, the Group's revenue from other products comprising of bedding, smart furniture spare parts and other furniture products sold to commercial clients reached approximately HK$1,122,619,000, representing an increase of approximately 18.5% as compared with approximately HK$947,567,000 in the last corresponding period.

3 Home Group Business

During the Review Period, the Group's revenue from Home Group reached approximately HK$355,259,000, which is down by approximately 10.2% compared with approximately HK$395,636,000 in the last corresponding period.

4 Other Businesses

During the Review Period, revenue of approximately HK$267,837,000 from sales of real estate having been recognised as the respective properties started to be passed to buyers. Remaining revenue comes from the hotel and furniture mall operations.

Direct costs

Direct costs breakdown

	1HFY2020	1HFY2019	**Change**
	HK$'000	*HK$'000*	***(%)***
Cost of raw materials	**2,958,857**	3,041,806	-2.7%
Labour costs	**504,889**	508,993	-0.8%
Manufacturing overhead	**172,607**	168,122	2.7%
Total	**3,636,353**	3,718,921	-2.2%

Major raw materials for production of sofas	**Average unit cost year-on-year change *(%)***
Leather	-12.2%
Steel	-10.8%
Wood	-2.7%
Fabric	-5.0%
Chemicals	-18.9%
Packaging Paper	-27.4%

During the Review Period, the price of main materials also decreased, which have positive impact on gross profit margin.

OTHER INCOME

During the 1HFY2020, other income of the Group decreased by approximately 1.7% from approximately HK$202,883,000 in the last corresponding period to approximately HK$199,535,000. The decrease was mainly due to a significant decrease in income from sales of industrial waste.

	1HFY2020	1HFY2019	**Change**
	HK$'000	*HK$'000*	***(%)***
Income from sale of industrial waste*	**60,334**	70,833	**-14.8%**
Government subsidies**	**82,961**	77,342	**7.3%**
Income on structured deposits and interest income***	**30,055**	29,411	**2.2%**
Others	**26,185**	25,297	**3.5%**
Total	**199,535**	202,883	**-1.7%**

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 1HFY2020, such income accounted for approximately 1.1% of total revenue (income from sales of industrial waste accounted for approximately 1.3% 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 1HFY2020, other gains and losses of the Group amounted to gains of approximately HK$76,795,000, compared with approximately HK$19,154,000 losses in the last corresponding period. The aforesaid other gains in the Review Period mainly came from net exchange gains and the gain from fair value change of financial assets at fair value through profit or loss.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses increased by approximately 14.0% from approximately HK$841,119,000 in the 1HFY2019 to approximately HK$958,463,000 in the 1HFY2020. Selling and distribution expenses as a percentage of revenue increased from approximately 15.3% in the 1HFY2019 to approximately 17.1% in the 1HFY2020, including:

(a) Custom duty has been imposed on the goods exported to U.S. increased from approximately HK$15,705,000 to approximately HK$64,214,000. This custom duty started from September 2018 as a percentage of revenue from approximately 0.3% to 1.1%;

(b) Overseas transportation expenses and port charges decreased slightly from approximately HK$300,935,000 to approximately HK$275,459,000. Overseas transportation expenses and port charges as a percentage of revenue decreased from approximately 5.5% to approximately 4.9%; domestic transportation expenses decreased by approximately 4.9% from approximately HK$112,973,000 to approximately HK$107,473,000. Domestic transportation expenses as a percentage of revenue decreased from approximately 2.1% to approximately 1.9%;

(c) Rent, property management fees and utility and amortisation of right-of-use assets decreased by approximately 30.4% from approximately HK$29,447,000 to approximately HK$20,506,000. Rent, property management fees and utility and amortisation of right-of-use assets as a percentage of revenue decreased from approximately 0.5% to approximately 0.4%. The corresponding amount has dropped because there were self-operating stores which were transferred to franchises in April and May in last corresponding period;

(d) Advertising, promotion and brand building expenses increased by approximately 24.9% from approximately HK$108,322,000 to approximately HK$135,253,000. Advertising, promotion and brand building expenses as a percentage of revenue increased from approximately 2.0% to approximately 2.4%; and

(e) Salaries, welfare and commissions of sales staff increased by approximately 25.8% from approximately HK$116,448,000 to approximately HK$146,447,000. Salaries, welfare and commissions of sales staff as a percentage of revenue increased from approximately 2.1% to approximately 2.6%.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by approximately 7.0% from approximately HK$264,551,000 in the 1HFY2019 to approximately HK$283,173,000 in the 1HFY2020. As a percentage of revenue, administrative expenses increased from approximately 4.8% in the 1HFY2019 to approximately 5.1% in the 1HFY2020. Among them:

(a) Salaries and welfare of employees increased by approximately 8.9% from approximately HK$110,020,000 to approximately HK$119,863,000. Salaries and welfare of employees as a percentage of revenue increased from approximately 2.0% to approximately 2.1%; and

(b) Depreciation and amortization expenses (including the amortisation of right-of-use assets) increased by approximately 60.7% from approximately HK$38,013,000 to approximately HK$61,090,000. Depreciation and amortization expenses as a percentage of revenue increased from approximately 0.7% to approximately 1.1%.

SHARE OF RESULTS OF JOINT VENTURES

During the Review Period, share of gain of joint ventures was approximately HK$228,000 (1HFY2019: share of loss of approximately HK$3,244,000). During the Review Period, the Group has 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 277.0% from approximately HK$22,029,000 in the 1HFY2019 to approximately HK$83,052,000 in the 1HFY2020. 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 increased by approximately 24.2% from approximately HK$140,170,000 in the 1HFY2019 to approximately HK$174,036,000 in the 1HFY2020. Income tax as a percentage of profit before tax increased from approximately 17.1% in the 1HFY2019 to approximately 19.2% in the 1HFY2020.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY AND NET PROFIT MARGIN

The profit attributable to owners of the Company increased by approximately 6.1% from approximately HK$665,325,000 in the 1HFY2019 to approximately HK$705,679,000 in the 1HFY2020. The net profit margin of the Group was approximately 12.6% during the Review Period (approximately 12.1% in the 1HFY2019). The increase in profit attributable to owners of the Company during the Review Period was mainly due to the increase in gross profit margin.

WORKING CAPITAL

As at 30 September 2019, the Group's bank balances and cash (excluding restricted bank balances) were approximately HK$1,562,330,000. 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 2019, the Group's short-term bank borrowings amounted to approximately HK$3,142,113,000 and long-term borrowings amounted to approximately HK$933,454,000.

The Group's primary source of working capital is cash flow from operating activities and bank deposits. As at 30 September 2019, the Group's current ratio was approximately 1.1 (31 March 2019: approximately 1.2). The Group recorded a slight decrease in current ratio mainly because of the increase of current portion of bank borrowings. As at 30 September 2019, the Group's gearing ratio was approximately 65.9% (31 March 2019: approximately 73.2%), which is defined as total borrowings divided by total equity attributable to owners of the Group.

PLEDGE OF ASSETS

As at 30 September 2019, there was approximately HK$62,801,000 in restricted bank balances. As of 30 September 2019, some subsidiaries of the Group had pledged certain assets for financing, including land, property, plant and equipment with aggregate book value of approximately HK$66,304,000 and inventories with aggregate book value of approximately HK$15,233,000.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Save as disclosed in note 18 to the condensed consolidated financial statements, the Group did not have any material capital commitments.

As at 30 September 2019, 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 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 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 reduce the Group's exposure to the 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 1HFY2020. The Group continues to seek opportunities to acquire furniture companies to accelerate the development of the Group.

HUMAN RESOURCES

As at 30 September 2019, the Group had 20,503 employees (31 March 2019: 19,179 employees).

The Group firmly believes that staff is its most important resource, and provides its staff with sound working and living conditions at the main manufacturing bases to help them work with ease. Meanwhile, the Group has developed a comprehensive staff training and development system to enable staff to grow together with the Group. 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 1HFY2020, the total staff cost for the Group amounted to approximately HK$767,373,000 (1HFY2019: approximately HK$738,044,000), of which approximately HK$7,605,000 (1HFY2019: approximately HK$8,002,000) 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 has expanded the factory from approximately 130,000m^2 to 373,000m^2. Moreover, for the land in Qianhai, Shenzhen, construction is expected to start in the fourth quarter 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 or the borrowings 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 the interim report of the Group for the Review Period.

The Board has resolved to declare an interim dividend of HK7.0 cents per share (six months ended 30 September 2018: an interim dividend of HK6.0 cents per share) payable to those shareholders of the Company (the "Shareholders") whose names appear on the Company's register of members on Wednesday, 4 December 2019.

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

In September 2019, the Company repurchased a total of 10,450,800 ordinary shares of the Company at an aggregate purchase price of HK$47,891,502.8 (before brokerage and expenses) on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Details of the repurchase of such ordinary shares were as follows:

Month of repurchase	Number of ordinary shares repurchased	Price per ordinary share		Aggregate purchase price
		Highest (HK$)	Lowest (HK$)	(HK$)
September 2019	10,450,800	4.8	3.73	47,891,502.8
Total	10,450,800			47,891,502.8

The 10,450,800 repurchased ordinary shares were cancelled in October 2019. The issued share capital of the Company was accordingly reduced by the par value of the repurchased ordinary shares so cancelled. The above repurchase was effected by the directors pursuant to the mandate approved by shareholders of the Company, with a view to benefiting shareholders as a whole in enhancing the return on net assets and earnings per share of the Company.

Save as disclosed above, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the Review Period.

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

As at 30 September 2019, 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	2,468,336,800[2]	64.56%
	Spouse	2,427,200[2]	0.06%
	Beneficial owner	2,950,800[2]	0.08%
Ms. Hui Wai Hing	Beneficial owner	2,427,200[3]	0.06%
	Spouse	2,471,287,600[3]	64.64%
Mr. Alan Marnie	Beneficial owner	800,000[4]	0.02%
Mr. Dai Quanfa	Beneficial owner	2,058,000[5]	0.05%
Ms. Wong Ying Ying	Beneficial owner	2,137,600[6]	0.06%
Mr. Tsang Hoi Lam	Beneficial owner	484,400[7]	0.01%

Notes:

1. The percentage of the Company's issued share capital is based on the 3,823,305,200 Shares of the Company ("Shares") issued as at 30 September 2019.

2. These 2,468,336,800 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 2,468,336,800 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 523,600 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 2,950,800 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 2,471,287,600 Shares in which Mr. Wong Man Li, the spouse of Ms. Hui is interested (i.e. 2,950,800 Shares as beneficial owner and 2,468,336,800 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 1,312,400 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 2,058,000 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 316,000 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 2,137,600 Shares. Details of such Share Options are set out in the section headed "Share Options" below.

7. This figure represents the aggregate number of 484,400 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 484,400 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 2019, 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 2019.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 September 2019, 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	2,468,336,800[2]	64.56%

Note:

1. The percentage of the Company's issued share capital is based on the 3,823,305,200 Shares issued as at 30 September 2019.

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.

Save as disclosed above, as at 30 September 2019, 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 1HFY2020 were as follows:

						Number of Share Options[1]				
Grantee	**Date of grant[2]**	**Vesting period**	**Exercisable period**	**Exercise price per share**	**Adjusted Exercise price**	**Outstanding at 1.4.2019**	**Granted during the Review Period**	**Cancelled/ Lapsed during the Review Period**	**Exercised during the Review Period**	**Outstanding at 30.9.2019**
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
	28.1.2019	28.1.2019–27.1.2021	28.1.2021–27.1.2023	3.91	N/A	60,400	–	–	–	60,400
		28.1.2019–27.1.2022	28.1.2022–27.1.2024	3.91	N/A	60,400	–	–	–	60,400
		28.1.2019–27.1.2023	28.1.2023–27.1.2025	3.91	N/A	60,400	–	–	–	60,400
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
	28.1.2019	28.1.2019–27.1.2021	28.1.2021–27.1.2023	3.91	N/A	95,200	–	–	–	95,200
		28.1.2019–27.1.2022	28.1.2022–27.1.2024	3.91	N/A	95,200	–	–	–	95,200
		28.1.2019–27.1.2023	28.1.2023–27.1.2025	3.91	N/A	95,200	–	–	–	95,200
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
	28.1.2019	28.1.2019–27.1.2021	28.1.2021–27.1.2023	3.91	N/A	22,800	–	–	–	22,800
		28.1.2019–27.1.2022	28.1.2022–27.1.2024	3.91	N/A	22,800	–	–	–	22,800
		28.1.2019–27.1.2023	28.1.2023–27.1.2025	3.91	N/A	22,400	–	–	–	22,400
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
		12.2.2019–11.2.2021	12.2.2021–11.2.2023	7.18	N/A	24,000	–	–	–	24,000
		12.2.2020–11.2.2022	12.2.2022–11.2.2024	7.18	N/A	23,200	–	–	–	23,200
	28.1.2019	28.1.2019–27.1.2021	28.1.2021–27.1.2023	3.91	N/A	138,000	–	–	–	138,000
		28.1.2019–27.1.2022	28.1.2022–27.1.2024	3.91	N/A	138,000	–	–	–	138,000
		28.1.2019–27.1.2023	28.1.2023–27.1.2025	3.91	N/A	137,200	–	–	–	137,200
Other employees	10.2.2015	10.2.2015–9.2.2018	10.2.2018–9.2.2020	6.72	3.36	1,132,000	–	(16,800)	(182,400)	932,800
	26.1.2016	26.1.2016–25.1.2018	26.1.2018–25.1.2020	8.92	4.46	1,515,200	–	(16,800)	–	1,498,400
		26.1.2016–25.1.2019	26.1.2019–25.1.2021	8.92	4.46	7,116,800	–	(486,400)	–	6,630,400
	26.5.2016	26.5.2016–25.5.2018	26.5.2018–3.3.2020	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	1,667,200	–	(203,200)	–	1,464,000
		13.1.2017–12.1.2020	13.1.2020–12.1.2022	5.17	N/A	1,666,400	–	(203,200)	–	1,463,200
		13.1.2017–12.1.2021	13.1.2021–12.1.2023	5.17	N/A	1,669,600	–	(200,800)	–	1,468,800
	12.2.2018	12.2.2018–11.2.2020	12.2.2020–11.2.2022	7.18	N/A	1,398,800	–	(158,800)	–	1,240,000
		12.2.2018–11.2.2021	12.2.2021–11.2.2023	7.18	N/A	1,387,200	–	(158,000)	–	1,229,200
		12.2.2018–11.2.2022	12.2.2022–11.2.2024	7.18	N/A	1,247,600	–	(143,200)	–	1,104,400
	28.1.2019	28.1.2019–27.1.2021	28.1.2021–27.1.2023	3.91	N/A	4,453,600	–	(554,400)	–	3,899,200
		28.1.2019–27.1.2022	28.1.2022–27.1.2024	3.91	N/A	4,444,800	–	(552,800)	–	3,892,000
		28.1.2019–27.1.2023	28.1.2023–27.1.2025	3.91	N/A	4,239,600	–	(534,000)	–	3,705,600
						37,446,400	–	(3,228,400)	(182,400)	34,035,600
	Number of share options exercisable as at 30 September 2019									14,133,600

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$4.59.

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 2019, 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 2019.

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 19 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 2019 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 11.7% and 18.7% of the total revenue and purchases for the Review Period, respectively. The Group's largest supplier accounted for approximately 10.1% 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 2019. 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 2019.

EVENTS AFTER THE REPORTING PERIOD

The Group has no material events after the reporting period to be disclosed.

CLOSURE OF REGISTER OF MEMBERS

Shareholders whose names appear on the Company's register of members on Wednesday, 4 December 2019, will be eligible for the interim dividend. The transfer books and the register of members of the Company will be closed from Monday, 2 December 2019 to Wednesday, 4 December 2019, 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 Friday, 29 November 2019. The interim dividend is expected to be payable on or after Wednesday, 15 January 2020 to the Shareholders whose names appear on the register of members of the Company on Wednesday, 4 December 2019.

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. Kan Chung Niu, Tony has been Chairman as well as Non-Executive Directors of Midland IC&I Limited (Stock Code: 459) from October 2016 to October 2019.

Mr. Ding Yuan served as an independent non-executive director of Land Sea Green Properties Co. Ltd（朗詩綠色地產有限公司）(Stock code: 106) from 2013 to May 2019.

Mr. Ong Chor Wei served as an executive director of Zibao Metals Recycling Holdings Plc, a company trading on AIM, a market operated by the London Stock Exchange (Stock code: ZBO) from March 2014 to September 2019.

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 2019, 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 2019.

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

Hong Kong, 15 November 2019

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 set out on pages 25 to 52, which comprise the condensed consolidated statement of financial position as of 30 September 2019 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

15 November 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

	NOTES	Six months ended 30 September 2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)
Revenue	3	**5,592,673**	5,487,539
Direct costs		**(3,636,353)**	(3,718,921)
Gross profit		**1,956,320**	1,768,618
Other income		**199,535**	202,883
Other gains and losses	5	**76,795**	(19,154)
Selling and distribution expenses		**(958,463)**	(841,119)
Administrative expenses		**(283,173)**	(264,551)
Finance costs		**(83,052)**	(22,029)
Share of results of joint ventures		**228**	(3,244)
Profit before income tax		**908,190**	821,404
Income tax expense	6	**(174,036)**	(140,170)
Profit for the period	7	**734,154**	681,234
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		**(481,312)**	(624,398)
Total comprehensive income for the period		**252,842**	56,836
Profit for the period attributable to:			
Owners of the Company		**705,679**	665,325
Non-controlling interests		**28,475**	15,909
		734,154	681,234
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**236,708**	71,491
Non-controlling interests		**16,134**	(14,655)
		252,842	56,836
Earnings per share	8		
Basic (HK cents)		**18.46**	17.36
Diluted (HK cents)		**18.46**	17.34

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2019

	NOTES	30 September 2019 HK$'000 (Unaudited)	31 March 2019 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	10	**3,950,596**	3,798,748
Investment properties	10	**462,242**	485,110
Right-of-use assets		**2,230,988**	–
Lease premium for land		**–**	2,429,180
Goodwill		**508,461**	525,904
Other intangible assets		**204,636**	222,033
Interests in joint ventures		**29,304**	30,859
Deferred tax assets		**3,560**	3,708
Deposit paid for a land lease		**3,717**	3,944
Deposits paid for acquisition of property, plant and equipment		**128,356**	70,986
		7,521,860	7,570,472
Current assets			
Inventories		**1,355,011**	1,413,563
Properties under development		**150,412**	433,471
Properties held for sale		**281,939**	–
Trade and bills receivables	11	**1,256,375**	1,309,685
Other receivables and prepayments		**538,081**	554,817
Lease premium for land		**–**	53,171
Financial assets at fair value through profit or loss		**221,708**	220,650
Tax recoverable		**7,890**	12,519
Restricted bank balances		**62,801**	139,100
Bank balances and cash		**1,562,330**	1,438,339
		5,436,547	5,575,315
Current liabilities			
Trade and bills payables	12	**677,921**	663,432
Other payables and accruals		**592,599**	455,651
Contract liabilities	13	**655,368**	567,740
Bank borrowings – current portion	14	**3,142,113**	2,892,699
Lease liabilities – current portion		**23,749**	–
Tax payable		**85,873**	58,379
		5,177,623	4,637,901
Net current assets		**258,924**	937,414
Total assets less current liabilities		**7,780,784**	8,507,886

	NOTES	30 September 2019 HK$'000 (Unaudited)	31 March 2019 HK$'000 (Audited)
Non-current liabilities			
Bank borrowings – non-current portion	*14*	**933,454**	1,660,070
Lease liabilities – non-current portion		**23,082**	–
Deferred tax liabilities		**133,212**	130,086
Other non-current liabilities		**1,561**	1,667
		1,091,309	1,791,823
		6,689,475	6,716,063
Capital and reserves			
Share capital	*15*	**1,529,322**	1,529,249
Reserves		**4,656,903**	4,693,988
Equity attributable to owners of the Company		**6,186,225**	6,223,237
Non-controlling interests		**503,250**	492,826
		6,689,475	6,716,063

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

	Attributable to owners of the Company												Non-controlling interests	Total
	Share capital	Treasury shares	Share premium	Special reserve	Other reserve	Statutory reserve	Translation reserve	Revaluation surplus	Shares held under share award scheme	Share option reserve	Retained profits	Sub-total		
	HK$'000	*HK$'000* *(note 15)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2018 (audited)	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 (expense) 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
Capital contribution by non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	3,489	3,489
Transfer	–	–	–	–	–	(829)	–	–	–	–	829	–	–	–
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)	–
Dividends paid *(note 9)*	–	–	–	–	–	–	–	–	–	–	(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
Profit for the period	–	–	–	–	–	–	–	–	–	–	698,476	698,476	24,966	723,442
Exchange differences arising on translation of financial statements of foreign operations	–	–	–	–	–	–	188,219	–	–	–	–	188,219	(10,730)	177,489
Increase in fair value of property, plant and equipment, net of deferred tax	–	–	–	–	–	–	–	8,373	–	–	–	8,373	–	8,373
Total comprehensive income for the period	–	–	–	–	–	–	188,219	8,373	–	–	698,476	895,068	14,236	909,304

	Attributable to owners of the Company													
	Share capital *HK$'000*	**Treasury shares** *HK$'000 (note 15)*	**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 interests** *HK$'000*	**Total** *HK$'000*
Repurchase and cancellation of shares	(4,111)	–	(39,395)	–	–	–	–	–	–	–	–	(43,506)	–	(43,506)
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	–	–	5,053	–	5,053	–	5,053
Issue of shares upon exercise of share options	15	–	113	–	–	–	–	–	–	(9)	–	119	–	119
Capital contribution by non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	8,863	8,863
Transfer	–	–	–	–	–	131,097	–	–	–	–	(131,097)	–	–	–
Dividends paid	–	–	–	–	–	–	–	–	–	–	(229,385)	(229,385)	–	(229,385)
At 31 March 2019 (audited)	1,529,249	–	70,039	(16,132)	(11,811)	537,591	(312,229)	37,099	(448)	20,462	4,369,417	6,223,237	492,826	6,716,063
Profit for the period	–	–	–	–	–	–	–	–	–	–	705,679	705,679	28,475	734,154
Exchange differences arising on translation of financial statements of foreign operation	–	–	–	–	–	–	(468,971)	–	–	–	–	(468,971)	(12,341)	(481,312)
Total comprehensive (expense) income for the period	–	–	–	–	–	–	(468,971)	–	–	–	705,679	236,708	16,134	252,842
Repurchase of shares	–	(4,180)	(43,788)	–	–	–	–	–	–	–	–	(47,968)	–	(47,968)
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	–	–	3,033	–	3,033	–	3,033
Capital contribution by non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	8,033	8,033
Transfer	–	–	–	–	–	4,208	–	–	–	–	(4,208)	–	–	–
Issue of shares upon exercise of share options	73	–	575	–	–	–	–	–	–	(35)	–	613	–	613
Realisation upon deregistration of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	(13,743)	(13,743)
Dividends paid *(note 9)*	–	–	–	–	–	–	–	–	–	–	(229,398)	(229,398)	–	(229,398)
At 30 September 2019 (unaudited)	1,529,322	(4,180)	26,826	(16,132)	(11,811)	541,799	(781,200)	37,099	(448)	23,460	4,841,490	6,186,225	503,250	6,689,475

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

	NOTE	Six months ended 30 September 2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)
Net cash from operating activities			
Profit before income tax		**908,190**	821,404
Depreciation of property, plant and equipment		**129,766**	105,619
Depreciation of right-of-use assets		**46,146**	–
Decrease (increase) in inventories		**82,723**	(69,959)
Increase in trade and bills receivables		**(21,419)**	(352,721)
Increase in other receivables and prepayments		**(14,578)**	(37,084)
Increase in trade and bills payables		**51,840**	90,049
Increase in other payables and accruals		**158,872**	125,435
Increase in contract liabilities		**123,138**	120,405
Other operating cash flows		**12,494**	(44,513)
		1,477,172	758,635
Net cash used in investing activities			
Investment on structured deposits		**(3,169,641)**	(5,249,023)
Payments for acquisition of property, plant and equipment		**(536,726)**	(434,034)
Payment for acquisition of intangible assets		**(5,226)**	(4,629)
Acquisition of subsidiaries	17	**–**	(533,862)
Proceeds on disposal of structured deposits		**3,171,283**	5,257,858
Payments made for the acquisition of subsidiaries during last period		**–**	(149,925)
Acquisition of joint ventures		**–**	(34,103)
Payments of lease premium for land		**–**	(5,055)
Other investing cash flows		**72,575**	(6,197)
		(467,735)	(1,158,970)
Net cash (used in) from financing activities			
Repayment of bank borrowings		**(953,359)**	(6,532)
Dividends paid		**(229,398)**	(459,993)
Repurchase of shares		**(47,968)**	–
Repayments of leases liabilities		**(16,992)**	–
Payment to non-controlling interests upon deregistration of a subsidiary		**(13,743)**	–
Proceeds from issue of shares upon exercise of share options		**613**	17,223
Capital contribution by non-controlling interests of subsidiaries		**8,033**	3,489
New bank borrowings raised		**520,549**	886,175
		(732,265)	440,362
Net increase in cash and cash equivalents		**277,172**	40,027
Cash and cash equivalents at beginning of the period		**1,438,339**	1,406,959
Effect of foreign exchange rate changes		**(153,181)**	(196,062)
Cash and cash equivalents at end of the period		**1,562,330**	1,250,924

1. BASIS OF PREPARATION

Man Wah Holdings Limited (the "Company") was incorporated and registered as an exempted company with limited liability in Bermuda.

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

Other than the accounting policies of properties held for sale and transfer from owner-occupied property to properties under development and changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("IFRSs") stated below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2019 are the same as those presented in the preparation of the Group's annual financial statements of the Company for the year ended 31 March 2019.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of the total costs of land and buildings attributable to the unsold properties. Net realisable value takes into account the selling price, less estimated costs to be incurred in selling the properties based on prevailing market conditions.

Transfer from owner-occupied property to properties under development

If an item of property, plant and equipment becomes a property under development because its use has changed as evidenced by end of owner-occupation, the carrying amount should be transferred to property under development at the date of transfer. On the subsequent sale of such asset, the relevant revenue should be recognised in accordance with IFRS 15 *Revenue from Contracts with Customers*.

Application of new and amendments to IFRSs

In the current interim period, the Company and its subsidiaries (collectively referred to as 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 2019 for the preparation of the Group's condensed consolidated financial statements:

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015 – 2017 Cycle

Except as described below, the application of the new and amendments to IFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Impacts and changes in accounting policies of application on IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current interim period. IFRS 16 superseded IAS 17 Leases ("IAS 17"), and the related interpretations when it became effective.

Key changes in accounting policies resulting from application of IFRS 16

The Group applied the following accounting policies in accordance with the transitional provisions of IFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of warehouses and office premises buildings that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the condensed consolidated statement of financial position. The right-of-use assets that meet the definition of investment property are presented within "investment properties".

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements for the Group's own use, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that are classified and accounted for as investment properties.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 Financial Instruments ("IFRS 9") and initially measured at fair value and subsequently at amortised cost. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

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

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 "*Income Taxes*" requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

As a lessor

Allocation of consideration to components of a contract

Effective on 1 April 2019, the Group applies IFRS 15 *Revenue from Contracts with Customers* to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted under IFRS 9 and initially measured at fair value and subsequently measured at amortised cost. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Transition and summary of effects arising from initial application of IFRS 16

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application. For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied IFRS 16 modified retrospective approach and has not restated comparative amounts with the cumulative effect recognised at the date of initial application, 1 April 2019. Right-of-use assets relating to the Group's operating leases are measured at the amount of lease liabilities on initial application by applying IFRS 16, C8(b)(ii) transition, adjusted by the amount of any prepaid or accrued lease liabilities.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

The Group has made the following adjustments upon application of IFRS 16:

Other than the reclassification of lease premium for land amounting to HK$2,482,351,000 the Group recognised lease liabilities of HK$27,229,000 and right-of-use assets of HK$27,229,000 at 1 April 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rates applied by the relevant entities range from 2.93% to 7.99% per annum.

	At 1 April 2019 HK$'000
Operating lease commitments disclosed as at 31 March 2019	**30,086**
Less: Recognition exemption – lease terms end within 12 months from the date of initial application	**(667)**
Lease liabilities relating to operating leases recognised upon application of IFRS 16	**29,419**
Lease liabilities discounted at relevant incremental borrowing rates as at 1 April 2019	**27,229**
Analysed as:	
Current	**18,447**
Non-current	**8,782**
	27,229

The carrying amount of right-of-use assets as at 1 April 2019 comprises the following:

	Note	***HK$'000***
Right-of-use assets relating to operating leases recognised upon application of IFRS 16		**27,229**
Reclassified from lease premium for land	*(a)*	**2,482,351**
		2,509,580
By class:		
Lease premium for land		**2,482,351**
Office premises and retail shops		**27,229**
		2,509,580

Notes:

(a) Lease premium for land in the People's Republic of China (the "PRC") and Vietnam were classified as lease premium for land as at 31 March 2019. Upon application of IFRS 16, the current and non-current portion of lease premium for land amounting to HK$53,171,000 and HK$2,429,180,000 respectively were reclassified to right-of-use assets.

(b) Before the application of IFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which IAS 17 applied. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. The adjustment arising from refundable rental deposits paid as at 1 April 2019 is insignificant and has no material impact to the Group's financial positions and performance.

As a lessor

In accordance with the transitional provisions in IFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with IFRS 16 from the date of initial application and comparative information has not been restated.

Before the application of IFRS 16, the Group considered refundable rental deposits received as rights and obligations under leases to which IAS 17 applied. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use and were adjusted to reflect the discounting effect at transition. The adjustment arising from refundable rental deposits received as at 1 April 2019 is insignificant and has no material impact to the Group's financial positions and performance.

For the purpose of reporting cash flows from operating activities under indirect method for six months ended 30 September 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 April 2019.

3. REVENUE

	Six months ended 30 September 2019				
	Sofa and ancillary products HK$'000	Other products HK$'000	Other businesses HK$'000	Home Group business HK$'000	Total HK$'000
Type of goods or service					
Manufacture and distribution of goods recognised at a point in time					
Sofa and ancillary products	3,830,500	–	–	355,259	4,185,759
Residential properties	–	–	267,837	–	267,837
Chairs, mattresses, smart furniture spare parts	–	1,094,016	–	–	1,094,016
Other products to commercial clients	–	28,603	–	–	28,603
	3,830,500	1,122,619	267,837	355,259	5,576,215
Service income – recognised over time	–	–	16,458	–	16,458
	3,830,500	1,122,619	284,295	355,259	5,592,673
Geographical markets					
North America	1,520,142	106,025	–	–	1,626,167
PRC (including Hong Kong)	1,995,814	899,142	284,295	–	3,179,251
Europe	159,975	23,433	–	355,259	538,667
Others	154,569	94,019	–	–	248,588
Total	3,830,500	1,122,619	284,295	355,259	5,592,673

	Six months ended 30 September 2018			
	Sofa and ancillary products	Other products	Home Group business	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Type of goods or service				
Manufacture and distribution of goods recognised at a point in time				
Sofa and ancillary products	4,144,336	–	395,636	4,539,972
Chairs, mattresses, smart furniture spare parts	–	930,810	–	930,810
Other products to commercial clients	–	16,757	–	16,757
Total	4,144,336	947,567	395,636	5,487,539
Geographical markets				
North America	2,043,120	68,336	–	2,111,456
PRC (including Hong Kong)	1,782,485	807,724	6,763	2,596,972
Europe	144,063	42,072	388,873	575,008
Others	174,668	29,435	–	204,103
Total	4,144,336	947,567	395,636	5,487,539

4. SEGMENT INFORMATION

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

Sofa and ancillary products	–	manufacture and distribution of sofas and ancillary products through wholesale and distributions, other than those by Home Group Ltd. and its subsidiaries ("Home Group")
Other products	–	manufacture and distribution of chairs and other products to commercial clients, mattresses, smart furniture spare parts and metal mechanising for recliners etc.
Other businesses	–	sales of residential properties and hotel operation and furniture mall business
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 CODM. For segment reporting, these individual operating segments of sofa and ancillary products have been aggregated into several single reportable segments in order to present a more systematic and structured segment information on the performance of different type of products.

The other products segment includes a number of different type of products, chairs, mattresses, smart furniture spare parts and metal mechanism for recliners, which have similar economic characteristics.

The other businesses segment includes two operating segments which are sales of residential properties and hotel operation and furniture mall business. For segment reporting, the two 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 other business.

For other businesses, the CODM considered that its business nature is not related to manufacturing and distribution through wholesale and retail and accordingly is different from the reporting segments of sofa and ancillary products, other products and Home Group business. This led to an additional segment compared with the annual financial statements of the Company for the year ended 31 March 2019.

The CODM 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 CODM 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 certain other income, government subsidies, other gains and losses, net, gain (loss) from changes in fair value of financial assets at fair value through profit or loss ("FVTPL"), share of results of joint venture, certain finance costs and certain selling, distribution and central administrative costs and directors' remunerations. This is the measure reported to the executive directors for the purposes of resource allocation and performance assessment.

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

Six months ended 30 September 2019

	Sofa and ancillary products HK$'000	Other products HK$'000	Other businesses HK$'000	Home Group business HK$'000	Elimination HK$'000	Total HK$'000
REVENUE						
External sales	**3,830,500**	**1,122,619**	**284,295**	**355,259**	**–**	**5,592,673**
Inter-segment sales	**–**	**221,956**	**–**	**–**	**(221,956)**	**–**
Segment revenue	**3,830,500**	**1,344,575**	**284,295**	**355,259**	**(221,956)**	**5,592,673**
RESULTS						
Segment results	**643,978**	**217,802**	**66,360**	**19,280**	**–**	**947,420**
Other income						**36,392**
Government subsidies						**82,961**
Other gains and losses – net						**76,776**
Gain from changes in fair value of financial assets at FVTPL						**1,058**
Finance costs						**(81,163)**
Share of results of joint ventures						**228**
Selling, distribution and central administrative costs and directors' remunerations						**(155,482)**
Profit before income tax						**908,190**

Six months ended 30 September 2018

	Sofa and ancillary products HK$'000	Other products HK$'000	Other businesses HK$'000	Home Group business HK$'000	Elimination HK$'000	Total HK$'000
REVENUE						
External sales	4,144,336	947,567	–	395,636	–	5,487,539
Inter-segment sales	–	303,652	–	–	(303,652)	–
Segment revenue	4,144,336	1,251,219	–	395,636	(303,652)	5,487,539
RESULTS						
Segment results	744,286	185,476	(10,945)	(2,993)	–	915,824
Other income						35,747
Government subsidies						77,337
Other gains and losses – net						25,530
Loss from changes in fair value of financial assets at FVTPL						(40,989)
Finance costs						(19,507)
Share of results of joint ventures						(3,244)
Selling, distribution and central administrative costs and directors' remunerations						(169,294)
Profit before income tax						821,404

5. OTHER GAINS AND LOSSES

Other gains and losses mainly comprise of net gain (loss) from changes in financial assets at FVTPL and net exchange gain.

6. INCOME TAX EXPENSE

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
Current tax:		
People's Republic of China Enterprise Income Tax ("PRC EIT") (note ii)	**136,580**	124,726
PRC Withholding Income Tax	**7,560**	6,794
Overseas taxation (note iii)	**7,193**	1,415
Land appreciation tax ("LAT") (note iv)	**16,574**	–
	167,907	132,935
Net underprovision in prior years:		
PRC EIT	**790**	3,711
Overseas taxation	**558**	288
	1,348	3,999
Deferred tax	**4,781**	3,236
	174,036	140,170

Notes:

(i) 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.

(ii) Under the Law of the PRC on PRC EIT (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both period, except that a PRC subsidiary of the Company, carrying out business in the western region of the PRC, has obtained the approval to enjoy the preferential tax rate of 15%.

(iii) Taxation arising in other jurisdictions including United States of America (the "US") and Vietnam is calculated at the rates prevailing in the respective jurisdictions, which were 21% (six months ended 30 September 2018: 21%) for the US federal income tax and ranged from 0.75% to 9.5% (six months ended 30 September 2018: 0% to 9%) for the US State income tax and 20% (six months ended 30 September 2018: 20%) for Vietnam.

(iv) Under the Provisional Regulations on LAT, all gains arising from transfer of real estate property in the PRC are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of the land value, being the proceeds on sales of properties less deductible expenditure including cost of land use rights, borrowing costs and all property development expenditure.

7. PROFIT FOR THE PERIOD

	Six months ended 30 September 2019 HK$'000	2018 HK$'000
Profit for the period has been arrived at after charging (crediting):		
Release of lease premium for land	–	9,075
Amortisation of intangible assets (recognised in selling and distribution expenses)	**16,187**	22,734
Depreciation of property, plant and equipment	**129,766**	105,619
Depreciation of right-of-use assets	**46,146**	–
Finance costs (note)	**83,052**	22,029
Recognised in cost of goods sold:		
Allowance (reversal of allowance) for inventories	**746**	(2,492)
And crediting:		
Recognised in other income:		
Interest income (including interest income from financial assets at FVTPL)	**28,413**	20,576
Income from structured deposits included in other income	**1,642**	8,835
Government grants included in other income	**82,961**	77,342

Note: The finance costs mainly represent interest on bank borrowings and interest for lease liabilities.

8. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2019	2018
	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	**705,679**	665,325

	2019	2018
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares in issue during the period for the purpose of basic earnings per share	**3,822,976**	3,832,649
Effect of dilutive potential ordinary shares:		
– Share options	**155**	4,735
Weighted average number of ordinary shares in issue during the period for the purpose of diluted earnings per share	**3,823,131**	3,837,384

The weighted average number of shares for the period ended 30 September 2019 has been arrived at after eliminating the treasury shares held by the Company.

9. DIVIDENDS

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

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
Final dividend for the year ended 31 March 2019 of HK$0.06 per share (2018: HK$0.12 per share for the year ended 31 March 2018)	**229,398**	459,993

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of HK$0.07 per share (six months ended 30 September 2018: HK$0.06 per share) will be paid to the shareholders of the Company whose names appear in the Company's register of members on Wednesday, 4 December 2019.

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

During the current interim period, the additions to property, plant and equipment were HK$483,781,000 (six months ended 30 September 2018: HK$389,269,000) for the purpose of expanding the Group's business.

At 30 September 2019, the directors of the Company consider that the carrying amounts of the Group's investment properties do not differ significantly from their fair values. Consequently, no gain or loss on fair value change of investment properties has been recognised in the current interim period.

11. TRADE AND BILLS RECEIVABLES

	30 September 2019	31 March 2019
	HK$'000	*HK$'000*
Trade and bills receivables	**1,256,375**	1,309,685

The aged analysis of the Group's trade and bills receivables (net of allowance for credit losses) presented based on the invoice date, which approximates the respective revenue recognition dates, at the end of the reporting period is as follows:

	30 September 2019	31 March 2019
	HK$'000	*HK$'000*
0 – 90 days	**1,138,826**	1,174,553
91 – 180 days	**79,846**	96,513
Over 180 days	**37,703**	38,619
	1,256,375	1,309,685

12. TRADE AND BILLS PAYABLES

	30 September 2019	31 March 2019
	HK$'000	*HK$'000*
Trade and bills payables	**677,921**	663,432

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

	30 September 2019 HK$'000	31 March 2019 HK$'000
0 – 90 days	676,099	661,348
91 – 180 days	1,525	1,618
Over 180 days	297	466
	677,921	663,342

13. CONTRACT LIABILITIES

	30 September 2019 HK$'000	31 March 2019 HK$'000
Sales of sofa and ancillary products	262,448	148,825
Sales of residential properties	392,920	418,915
	655,368	567,740

14. BANK BORROWINGS

	30 September 2019 HK$'000	31 March 2019 HK$'000
Secured *(Note)*	20,081	41,977
Unsecured	4,055,486	4,510,792
	4,075,567	4,552,769

During the current interim period, the Group obtained new bank loans amounting to HK$520,549,000 (six months ended 30 September 2018: HK$886,175,000). The Group's bank borrowings denominated in HKD and RMB carry interest at fixed and variable rates. The fixed rates are ranging from 3.60% to 4.35% (31.3.2019: 4.25% to 4.35%). The variable rates are subject to either i) the higher of Hong Kong Interbank Offered Rate plus a spread, ranging from 2.78% to 3.76% (31.3.2019: 2.43% to 3.40%), 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 1.50% to 3.15% (31.3.2019: 1.50% to 4.18%). The weighted average effective interest rate of the above variable-rate and fixed rate bank borrowings was 3.25% and 4.28%, respectively (31.3.2019: 2.93% and 4.33%, respectively) per annum.

Note:

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

	30 September 2019 *HK$'000*	31 March 2019 *HK$'000*
Property, plant and equipment	**66,304**	104,963
Inventories	**15,233**	15,890
	81,537	120,853

15. SHARE CAPITAL

	Number of shares *'000*	**Amount** *HK$'000*
Ordinary shares of HK$0.40 each		
Issued and fully paid:		
At 1 April 2018	3,828,778	1,531,511
Exercise of share options *(note 16)*	4,584	1,834
At 30 September 2018	3,833,362	1,533,345
Repurchase of shares	(10,278)	(4,111)
Exercise of share options	39	15
At 31 March 2019	3,823,123	1,529,249
Repurchase of shares *(Note)*	–	–
Exercise of share options *(note 16)*	182	73
At 30 September 2019	3,823,305	1,529,322

Note: During the six months ended 30 September 2019, 10,450,800 ordinary shares of the Company of HK$0.4 each were repurchased at a price ranging from HK$3.73 to HK$4.80 per share. 10,450,800 shares were recognised as treasury shares as at 30 September 2019 and cancelled in October 2019.

16. SHARE OPTION SCHEME

The Company's share option scheme was adopted pursuant to a resolution passed on 5 March 2010 for the primary purpose of providing incentives to directors and eligible participants, and will expire on 4 March 2020. Details of the Scheme were disclosed in the consolidated financial statements for the year ended 31 March 2019.

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

	Number of share options	
	2019	2018
	'000	*'000*
Outstanding as at 1 April	**37,446**	33,622
Cancelled/lapsed during the period	**(3,228)**	(3,913)
Exercised during the period	**(182)**	(4,584)
Outstanding as at 30 September	**34,036**	25,125

Details of specific categories of options are as follows:

Options	Date of grant	Number of share options outstanding as at 30 September 2019	Vesting period	Exercise period	Original exercise price *HK$*	Adjusted exercise price *HK$*
February 2015	10.2.2015	1,209,600	10.2.2015 – 9.2.2018	10.2.2018 – 9.2.2020	6.72	3.36
January 2016	26.1.2016	1,721,600	26.1.2016 – 25.1.2018	26.1.2018 – 25.1.2020	8.92	4.46
		6,852,800	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 – 3.3.2020	10.46	5.23
January 2017	13.1.2017	1,697,600	13.1.2017 – 12.1.2019	13.1.2019 – 12.1.2021	5.17	N/A
		1,696,800	13.1.2017 – 12.1.2020	13.1.2020 – 12.1.2022	5.17	N/A
		1,701,200	13.1.2017 – 12.1.2021	13.1.2021 – 12.1.2023	5.17	N/A
February 2018	12.2.2018	1,402,800	12.2.2018 – 11.2.2020	12.2.2020 – 11.2.2022	7.18	N/A
		1,392,000	12.2.2018 – 11.2.2021	12.2.2021 – 11.2.2023	7.18	N/A
		1,264,400	12.2.2018 – 11.2.2022	12.2.2022 – 11.2.2024	7.18	N/A
January 2019	28.1.2019	4,215,600	28.1.2019 – 27.1.2021	28.1.2021 – 27.1.2023	3.91	N/A
		4,208,400	28.1.2019 – 27.1.2022	28.1.2022 – 27.1.2024	3.91	N/A
		4,020,800	28.1.2019 – 27.1.2023	28.1.2023 – 27.1.2025	3.91	N/A
		34,035,600				

17. SIGNIFICANT BUSINESS COMBINATION

Acquisition 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 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	206,335
Other receivables	10,786
Lease premium for land	223,652
Deferred tax liability	(64,707)
Total identifiable net assets	376,066

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	(376,066)
Goodwill arising on acquisition	157,796

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

18. COMMITMENTS

	30 September 2019	31 March 2019
	HK$'000	*HK$'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	**92,658**	108,462
– construction of production plant	**230,028**	289,101
	322,686	397,563
Other commitments		
– construction of properties under development for sale	**38,462**	123,457
– investment of joint venture	**10,990**	11,662
	372,138	532,682

19. 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	
	2019	2018
	HK$'000	*HK$'000*
Rental payment to a related party *(Note)*	**1,458**	1,346

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.

Since 1 April 2019, such lease with the related party was accounted for according to IFRS 16. As at 1 April 2019 and 30 September 2019, the Group had recognised lease liability of HK$4,275,000 and HK$2,871,000 for such lease, respectively.

Included in the rental payment to the related party was interest expense of HK$54,000 for the respective leased liability during the current interim period (six months ended 30 September 2018: nil).

(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	
	2019	2018
	HK$'000	*HK$'000*
Short-term employee benefits	**7,115**	7,470
Post-employment benefits	**30**	30
Equity-settled share-based payment expenses	**460**	502
	7,605	8,002

20. 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 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 of the Company consider that the carrying amounts of the Group's financial assets and financial liabilities carried at amortised cost in these condensed consolidated financial statements approximate their fair values at the end of reporting period.