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MANWAH

MAN WAH HOLDINGS LIMITED
敏華控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 01999)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017
AND
CLOSURE OF REGISTER OF MEMBERS

INTERIM RESULTS

The board of directors (the "**Board**") of Man Wah Holdings Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 September 2017 ("**1HFY2018**" or the "**Review Period**"). These interim results have been reviewed by the Company's audit committee ("**Audit Committee**").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2017

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

	NOTES	30 September 2017 HK$'000 (Unaudited)	31 March 2017 HK$'000 (Audited and restated)
Non-current liabilities			
Variable-rate borrowings	*12*	**26,773**	27,294
Deferred tax liabilities		**49,519**	42,830
Other non-current liabilities		**5,030**	7,337
		81,322	77,461
		5,754,229	5,408,919
Capital and reserves			
Share capital		**1,523,984**	1,530,256
Reserves		**3,814,756**	3,508,286
Equity attributable to owners of the Company		**5,338,740**	5,038,542
Non-controlling interest		**415,489**	370,377
		5,754,229	5,408,919

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

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

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

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

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

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

3. SEGMENT INFORMATION

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

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

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

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

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results, except for Home Group business, represent the profit before income tax earned by each segment without allocation of interest income, income on structured deposits, rental income, net exchange gain (loss), fair value loss on held for trading investment, government subsidies, finance costs and central administrative costs and directors' emoluments. Segment results for Home Group business, represent the profit before income tax earned by Home Group business taken into account for all income and expenses. This is the measure reported to the executive directors for the purposes of resource allocation and performance assessment.

Information of segment revenue and segment results is as follows:

Six months ended 30 September 2017

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

Six months ended 30 September 2016

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

There were no inter-segment sales during both periods.

4. OTHER GAINS AND LOSSES

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

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

5. INCOME TAX EXPENSE

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

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

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

The EIT Law imposes a 10% withholding tax upon the distribution of the profits earned by the Company's PRC subsidiaries on or after 1 January 2008 to their non-resident shareholders, while for some PRC subsidiaries held by companies incorporated in certain places, including Hong Kong, preferential tax rate of 5% will be applied according to the PRC tax regulations if such companies fulfills the requirements set out in the relevant tax regulations.

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

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

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

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

6. PROFIT FOR THE PERIOD

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

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

7. EARNINGS PER SHARE

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

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

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

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

8. DIVIDENDS

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

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

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

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

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

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

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

10. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

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

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

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

11. TRADE AND OTHER PAYABLES AND ACCRUALS

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

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

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

12. VARIABLE-RATE BANK BORROWINGS

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

The Group's bank borrowings carry interest at variable rates which are subject to either i) the higher of Hong Kong Interbank Offered Rate plus a spread, ranging from 1.22% to 1.94% (31 March 2017: 1.16% to 1.78%), or best lending rate quoted by the Hongkong and Shanghai Banking Corporation Limited plus 1% or ii) Euro Interbank Offered Rate plus a spread, ranging from 1.98% to 4.03% (31 March 2017: 2.24% to 4.17%). The weighted average effective interest rate of the above variable-rate bank borrowings was 1.44% (31 March 2017: 1.54%) per annum.

Note:

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

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

13. COMMITMENTS

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

14. BUSINESS COMBINATION

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

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

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

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

China market

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

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

North America market

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

Europe and other overseas markets

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

BUSINESS REVIEW

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

1 Wholesale business of sofa and ancillary products

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

1.1 China market

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

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

1.2 North America market

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

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

1.3 Europe and other overseas markets

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

2 Retail business of sofas and ancillary products

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

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

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

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

3 Business of other products

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

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

4 The Business of Home Group

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

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

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

Product Research and Development

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

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

FINANCIAL REVIEW

Revenue and gross profit margin

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

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

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

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

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

1 Wholesale business of sofa and ancillary products

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

1.1 China market

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

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

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

1.2 North America market

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

1.3 Europe and other overseas markets

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

2 Retail business of sofas and ancillary products

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

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

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

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

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

3 Sales of other products

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

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

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

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

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

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

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

4 Home Group Business

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

Cost of goods sold

Cost of goods sold breakdown

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

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

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

OTHER INCOME

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

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

Notes:

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

** Government subsidies mainly consist of financial subsidies from local governments to subsidiaries which are responsible for the sales of products and providing services in China market.

*** Income from structured deposits originated from the use of unutilized funds by the Group to invest in wealth management products of major commercial banks in mainland China. The banks have provided guarantee for principal and gains for all products. The investment period is not more than six months. As at 30 September 2017, the principal and gains of such investments have been fully recovered.

OTHER GAINS AND LOSSES

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

SELLING AND DISTRIBUTION EXPENSES

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

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

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

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

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

ADMINISTRATIVE EXPENSES

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

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

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

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

SHARE OF RESULT OF A JOINT VENTURE

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

FINANCE COSTS

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

INCOME TAX EXPENSE

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

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY AND NET PROFIT MARGIN

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

WORKING CAPITAL

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

During the Review Period, turnover of the Group's working capital was good and account receivable and inventory turnover days had been kept at a relatively low level. We seek to effectively manage our cash flow and capital commitments to ensure that we have sufficient funds to meet our existing and future cash requirements. We have not experienced and do not expect any difficulties fulfilling our obligations as they become due.

LIQUIDITY AND CAPITAL RESOURCES

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

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

ALLOWANCE FOR INVENTORIES

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

IMPAIRMENT LOSS ON TRADE RECEIVABLES

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

PLEDGE OF ASSETS

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

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Save as disclosed in note 13 to the condensed consolidated financial statements, the Group did not have any material capital commitments.

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

FOREIGN CURRENCY RISKS

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

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

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

HUMAN RESOURCES

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

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

During the 1HFY2018, the total staff cost for the Group amounted to approximately HK$596,251,000 (1HFY2017: approximately HK$439,054,000), of which approximately HK$7,913,000 (1HFY2017: approximately HK$8,409,000) was directors' emoluments. The Group endeavours to keep the remuneration packages of its employees competitive and reward employees on a performance and merit basis with reference to the profitability of the Group and prevailing market conditions. As part of the Group's remuneration system and policy, we have adopted a share option scheme and a share award scheme, both of which enable the Group to reward employees and incentivise them to perform better.

OTHER INFORMATION

INTERIM DIVIDEND

The results of Group for the Review Period are set out in the unaudited condensed consolidated statement of profit or loss and other comprehensive income on page 2 of this interim results.

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

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

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

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

The 24,830,400 repurchased ordinary shares were cancelled during the Review Period. The issued share capital of the Company was accordingly reduced by the par value of the repurchased ordinary shares so cancelled. The above repurchase was effected by the Directors pursuant to the mandate approved by shareholders of the Company, with a view to benefiting shareholders as a whole in enhancing the return on net assets and earnings per share of the Company.

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

AUDIT COMMITTEE

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

CLOSURE OF REGISTER OF MEMBERS

Shareholders whose names appear on the Company's register of members on Friday, 1 December 2017, will be eligible for the interim dividend. The transfer books and the register of members of the Company will be closed from Wednesday, 29 November 2017 to Friday, 1 December 2017, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 28 November 2017. The interim dividend is expected to be payable on or after Friday, 15 December 2017 to the Shareholders whose names appear on the register of members of the Company on Friday, 1 December 2017.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

Under the Code Provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not have any officer with the title of "chief executive officer". Mr. Wong Man Li, who acts as the Chairman and Managing Director of the Company, is also responsible for overseeing the general operations of the Group. The Board meets regularly to consider major matters concerning the operations of the Group. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The roles of the respective executive directors and senior management who are in charge of different functions complement the role of the chairman and chief executive officer. The Board believes that this structure is conducive to a strong and consistent leadership enabling the Group to operate efficiently.

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

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS ("MODEL CODE")

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

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

Hong Kong, 15 November 2017

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