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 2019
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 2019 ("**1HFY2020**" 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 2019

		Six months ended 30 September	
		2019	2018
	NOTES	***HK$'000***	*HK$'000*
		(Unaudited)	(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	*4*	**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	*5*	**(174,036)**	(140,170)
Profit for the period		**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

	NOTE	Six months ended 30 September	
		2019	2018
	NOTE	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
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	*6*		
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		**3,950,596**	3,798,748
Investment properties		**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	*8*	**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	*9*	**677,921**	663,432
Other payables and accruals		**592,599**	455,651
Contract liabilities		**655,368**	567,740
Bank borrowings – current portion	*10*	**3,142,113**	2,892,699
Lease liabilities – current portion		**23,749**	–
Tax payable		**85,873**	58,379
		5,177,623	4,637,901

	NOTE	**30 September 2019** **HK$'000** **(Unaudited)**	31 March 2019 *HK$'000* (Audited)
Net current assets		**258,924**	937,414
Total assets less current liabilities		**7,780,784**	8,507,886
Non-current liabilities			
Bank borrowings – non-current portion	*10*	**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		**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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("IFRSs") and the accounting policy of properties held for sale 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 followed in the preparation of the Group's annual financial statements 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.

Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the IASB which are mandatory effective for the annual period beginning on or after 1 April 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 performance and positions 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.

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

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;

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

iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment.

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 upon application of IFRS 16.

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 stores		**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 position and performance.

3. SEGMENT INFORMATION

The Group's operating and reportable segments, based on information reported to the Company's executive directors, being the chief operating decision makers ("CODM") of the Group, in respect of the Group's performance regarding different products via different 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 mechanism for recliners etc.
Other businesses	–	Sales of residential properties, 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 executive directors. For segment reporting, these individual operating segments of sofa and ancillary products have been aggregated into a single reportable segment, respectively in order to present a more systematic and structured segment information on the performance of different type of products.

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.

Other businesses segment includes the sales of residential properties and hotel and shopping mall operation in different operating locations, each of which is considered as a separate operating segment by the executive directors.

For other businesses, the CODM assessed its business nature is different from the reporting segment of sofa and ancillary products, other products and Home Group business. This led to an additional segment compared with the annual financial statements for the year ended 31 March 2019.

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

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the profit before income tax earned by each segment without allocation of certain other income, government subsidies, other gain or loss – net, gain (loss) from change in fair value of financial assets at fair value through profit or loss ("FVTPL"), share of results of joint venture, finance costs 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)	–
RESULTS						
Segment results	643,978	217,802	66,360	19,280	–	947,420
Other income						36,392
Government subsidies						82,961
Other gain or loss – net						76,776
Gain from changes in fair value of financial assets at FVTPL						1,058
Share of results of joint ventures						228
Finance costs						(81,163)
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)	–
RESULTS						
Segment results	744,286	185,476	(10,945)	(2,993)	–	915,824
Other income						35,747
Government subsidies						77,337
Other gain or loss – net						25,530
Finance costs						(19,507)
Loss from changes in fair value of financial assets at FVTPL						(40,989)
Share of results of joint ventures						(3,244)
Central administrative costs and directors' remunerations						(169,294)
Profit before income tax						821,404

4. OTHER GAINS AND LOSSES

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

5. 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 People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Laws, the tax rate of the People's Republic of China ("PRC") subsidiaries is 25% for both period, except for a PRC subsidiary of the Company, carrying out business in the western region of the PRC, obtaining 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% (2018: 34%) and 20% (2018: 20%), respectively.

(iv) Under the Provisional Regulations on LAT, all gains arising from transfer of real estate property in Mainland China 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.

6. 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.

7. 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.

8. TRADE AND BILLS RECEIVABLES

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

	30 September 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	**37,702**	38,619
	1,256,375	1,309,685

9. TRADE AND BILLS PAYABLES

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

10. 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 (30.9.2018: 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

11. COMMITMENTS

	30 September 2019 *HK$'000*	31 March 2019 *HK$'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 property under development for sale	**38,462**	123,457
– investment of a joint venture	**10,990**	11,662
	372,138	532,682

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 *HK$'000*	1HFY2019 *HK$'000*	**Change** *(%)*
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 11 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	Lowest	
		(HK$)	*(HK$)*	*(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.

AUDIT COMMITTEE

The Company has engaged Deloitte Touche Tohmatsu, the auditor of the Company ("Auditor") to assist the Audit Committee to review the financial information 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 financial information of the Group for the six months ended 30 September 2019.

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 17M 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.

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

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