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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 2020
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 2020 (“**1HFY2021**” or the “**Review Period**”). These interim results have been reviewed by the Company’s audit committee (“**Audit Committee**”).

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2020

		Six months ended	
		30 September	
		2020	2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenue	3	6,636,892	5,592,673
Cost of goods sold		(4,314,630)	(3,636,353)
Gross profit		2,322,262	1,956,320
Other income		231,095	199,535
Other (losses)/gains, net		(76,552)	76,795
Selling and distribution expenses		(1,162,791)	(958,463)
Administrative and other expenses		(339,969)	(283,173)
Operating profit		974,045	991,014
Finance costs		(55,186)	(83,052)
Share of results of joint ventures		1,659	228
Profit before income tax		920,518	908,190
Income tax expense	4	(132,169)	(174,036)
Profit for the period		<u>788,349</u>	<u>734,154</u>
Profit for the period attributable to:			
Owners of the Company		749,303	705,679
Non-controlling interests		39,046	28,475
		<u>788,349</u>	<u>734,154</u>

		Six months ended	
		30 September	
		2020	2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Profit for the period		<u>788,349</u>	<u>734,154</u>
Other comprehensive income/(loss):			
<i>Item that may be reclassified to profit or loss</i>			
Currency translation differences		<u>262,384</u>	<u>(481,312)</u>
Other comprehensive income/(loss) for the period, net of tax		<u>262,384</u>	<u>(481,312)</u>
Total comprehensive income for the period		<u>1,050,733</u>	<u>252,842</u>
Total comprehensive income for the period attributable to:			
Owners of the Company		<u>1,020,623</u>	<u>236,708</u>
Non-controlling interests		<u>30,110</u>	<u>16,134</u>
		<u>1,050,733</u>	<u>252,842</u>
Earnings per share attributable to owners of the Company			
— Basic (HK cents per share)	5	19.73	18.46
— Diluted (HK cents per share)	5	<u>19.68</u>	<u>18.46</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

	30 September 2020	31 March 2020
<i>Note</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	4,240,467	3,949,987
Investment properties	464,175	455,215
Right-of-use assets	2,276,252	2,228,518
Goodwill	536,265	524,048
Other intangible assets	182,007	188,440
Interests in joint ventures	32,565	29,673
Financial assets at fair value through profit or loss	1,817	–
Deferred tax assets	35,200	12,031
Deposit paid for a land lease	3,841	3,692
Prepayments and deposits paid for acquisition of property, plant and equipment	219,525	156,023
	<u>7,992,114</u>	<u>7,547,627</u>
Current assets		
Inventories	1,686,609	1,532,993
Properties held for sale	20,002	48,227
Properties under development	155,666	149,410
Trade and bills receivables	7 1,511,310	1,210,754
Other receivables and prepayments	683,417	470,341
Financial assets at fair value through profit or loss	17,136	204,682
Tax recoverable	8,702	1,941
Structured deposits	–	3,946
Restricted bank balances	20,116	23,636
Cash and cash equivalents	2,707,222	2,020,245
Total current assets	<u>6,810,180</u>	<u>5,666,175</u>
Total assets	<u><u>14,802,294</u></u>	<u><u>13,213,802</u></u>

		30 September	31 March
		2020	2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
EQUITY			
Equity attributable to owners of the Company			
Share capital		1,520,985	1,518,376
Reserves		5,784,228	5,185,771
		7,305,213	6,704,147
Non-controlling interests		569,079	528,549
		7,874,292	7,232,696
LIABILITIES			
Non-current liabilities			
Lease liabilities		27,931	29,533
Bank borrowings — non-current portion	9	145,428	701,786
Deferred tax liabilities		130,491	128,896
Other non-current liabilities		1,419	1,333
		305,269	861,548
Current liabilities			
Trade and bills payables	8	1,005,739	967,090
Other payables and accruals		691,999	452,160
Lease liabilities		27,586	28,755
Contract liabilities		634,438	260,856
Bank borrowings — current portion	9	4,069,859	3,277,499
Tax payable		193,112	133,198
		6,622,733	5,119,558
Total liabilities		6,928,002	5,981,106
Total equity and liabilities		14,802,294	13,213,802

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 September 2020 has been prepared in accordance with International Accounting Standard (“IAS”) 34, ‘Interim financial reporting’. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2020, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

2 Significant accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2020, as described in those annual financial statements.

A number of new or amended standards became applicable for the current reporting period:

Amendments to IFRS 3	Definition of a business
Amendments to IAS 1 and IAS 8	Definition of material
Conceptual framework for financial reporting 2018	Revised conceptual framework for financial reporting
IFRS 7, IFRS 9 and IAS 39	Interest rate benchmark reform — amendment to IFRS 7, IFRS 9 and IAS 39

The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting the above new or amended standards.

New standards and amendments to standards have been issued but are not effective for the financial year beginning 1 April 2020 and have not been early adopted by the Group

Amendments to IFRS 16, “COVID-19-related Rental Concession”	1 June 2020
Amendments to IAS 1, “Classification of Liabilities as Current or Non-current”	1 January 2022
Amendments to IAS 16, “Proceeds before Intended Use”	1 January 2022
Amendments to IAS 37, “Onerous Contracts – Cost of Fulfilling a Contract”	1 January 2022
Amendments to IFRS 3, “Update Reference to the Conceptual Framework”	1 January 2022
Amendments to Annual Improvements Project, “Annual Improvements to IFRS 2018–2020 cycle”	1 January 2022
IFRS 17, “Insurance Contracts”	1 January 2023
Amendments to IFRS 10 and IAS 28, “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	<i>Note</i>

Note: To be announced by International Accounting Standards Board

The directors of the Company will adopt the new standards and amendments to standards when they become effective. The directors of the Company are in the process of assessing the financial impact of the adoption of the above new standards and amendments to standards, none of these is expected to have a significant effect on the condensed consolidated interim financial information of the Group for the Review Period.

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 and different markets, are as follows:

- Sofa and ancillary products — manufacture and distribution of sofas and ancillary products through wholesale and distributors other than those by Home Group Ltd and its subsidiaries (**“Home Group”**)
- Other products — manufacture and distribution of chairs and other products to commercial clients, mattresses, smart furniture spare parts and metal mechanism for recliners etc.
- Other business — sales of residential properties and hotel operation and furniture mall business
- Home Group business — manufacture and distribution of sofas and ancillary products by Home Group

The sofa and ancillary products segment includes a number of sales operation 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 and bills 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.

Segment results represent the profit before income tax earned by each segment without allocation of interest income, income on structured deposits, rental income, net exchange gains or losses, gains or losses from changes in fair value of financial assets at FVPL, share of results of joint ventures, government subsidies, finance costs and unallocated central administrative costs and directors' emoluments (except for Home Group business).

Segment revenues and results

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

For the six months ended 30 September 2020 (Unaudited)

	Sofa and ancillary products <i>HK\$'000</i>	Other products <i>HK\$'000</i>	Other business <i>HK\$'000</i>	Home Group business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue					
External sales	<u>4,640,663</u>	<u>1,494,812</u>	<u>168,220</u>	<u>333,197</u>	<u>6,636,892</u>
Results					
Segment results	<u>750,463</u>	<u>301,715</u>	<u>33,657</u>	<u>36,383</u>	1,122,218
Interest income					22,977
Income on structured deposits					8,604
Rental income					8,879
Share of results of joint ventures					1,659
Exchange losses – net					(11,342)
Government subsidies					102,477
Losses from changes in fair value of financial assets at FVPL					(58,862)
Finance costs					(53,826)
Unallocated expenses					<u>(222,266)</u>
Profit before income tax					<u>920,518</u>

For the six months ended 30 September 2019 (Unaudited)

	Sofa and ancillary products <i>HK\$'000</i>	Other products <i>HK\$'000</i>	Other business <i>HK\$'000</i>	Home Group business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue					
External sales	<u>3,830,500</u>	<u>1,122,619</u>	<u>284,295</u>	<u>355,259</u>	<u>5,592,673</u>
Results					
Segment results	<u>643,978</u>	<u>217,802</u>	<u>66,360</u>	<u>19,280</u>	947,420
Interest income					28,474
Income on structured deposits					1,642
Rental income					6,276
Share of results of joint ventures					228
Exchange gain — net					76,776
Government subsidies					82,961
Gains from changes in fair value of financial assets at FVPL					1,058
Finance costs					(81,163)
Unallocated expenses					<u>(155,482)</u>
Profit before income tax					<u>908,190</u>

Geographical information

Revenue from external customers by geographical location of customers are as follows:

	Six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
PRC (including Hong Kong and Macau)	4,360,842	3,179,252
North America	1,596,241	1,626,167
Europe	450,463	538,667
Others	229,346	248,587
	<u>6,636,892</u>	<u>5,592,673</u>

Note: Others mainly included Australia, United Arab Emirates, Israel and Indonesia. No further analysis by countries of this category is presented because the revenue from each individual country is insignificant to the total revenue. Home Group's business is included in Europe.

During the period, none of the Group's customers individually contributed more than 10% of the Group's revenue (six months ended 30 September 2019: none).

Disaggregation of revenue from contracts with customers

	For the six months ended 30 September 2020 (Unaudited)			
Segments	Sofa and ancillary products <i>HK\$'000</i>	Other products <i>HK\$'000</i>	Other Business <i>HK\$'000</i>	Home Group business <i>HK\$'000</i>
Types of goods or service				
Manufacture and distribution of goods recognised at a point in time				
Sofa and ancillary products	4,640,663	-	-	333,197
Residential properties	-	-	131,979	-
Chairs, mattresses, smart furniture spare parts	-	845,234	-	-
Metal mechanism for recliners	-	623,727	-	-
Other products to commercial clients	-	25,851	-	-
	<u>4,640,663</u>	<u>1,494,812</u>	<u>131,979</u>	<u>333,197</u>
Service income — recognised over time	-	-	36,241	-
	<u>-</u>	<u>-</u>	<u>36,241</u>	<u>-</u>
Total	<u>4,640,663</u>	<u>1,494,812</u>	<u>168,220</u>	<u>333,197</u>
Geographical markets				
North America	1,513,056	83,185	-	-
PRC (including Hong Kong and Macau)	2,933,484	1,259,138	168,220	-
Europe	78,120	39,146	-	333,197
Others	116,003	113,343	-	-
	<u>1,513,056</u>	<u>1,259,138</u>	<u>168,220</u>	<u>333,197</u>
Total	<u>4,640,663</u>	<u>1,494,812</u>	<u>168,220</u>	<u>333,197</u>

For the six months ended 30 September 2019
(Unaudited)

Segments	Sofa and ancillary products <i>HK\$'000</i>	Other products <i>HK\$'000</i>	Other Business <i>HK\$'000</i>	Home Group business <i>HK\$'000</i>
Types of goods or service				
Manufacture and distribution of goods recognised at a point in time				
Sofa and ancillary products	3,830,500	–	–	355,259
Residential properties	–	–	267,837	–
Chairs, mattresses, smart furniture spare parts	–	458,656	–	–
Metal mechanism for recliners	–	635,360	–	–
Other products to commercial clients	–	28,603	–	–
	<u>3,830,500</u>	<u>1,122,619</u>	<u>267,837</u>	<u>355,259</u>
Service income — recognised over time	–	–	16,458	–
	<u>–</u>	<u>–</u>	<u>16,458</u>	<u>–</u>
Total	<u>3,830,500</u>	<u>1,122,619</u>	<u>284,295</u>	<u>355,259</u>
Geographical markets				
North America	1,520,142	106,025	–	–
PRC (including Hong Kong and Macau)	1,995,814	899,143	284,295	–
Europe	159,975	23,433	–	355,259
Others	154,569	94,018	–	–
	<u>3,830,500</u>	<u>1,122,619</u>	<u>284,295</u>	<u>355,259</u>
Total	<u>3,830,500</u>	<u>1,122,619</u>	<u>284,295</u>	<u>355,259</u>

4 Income tax expense

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current income tax:		
PRC Corporate Income Tax (“PRC CIT”)	122,163	136,580
PRC Withholding Income Tax	11,422	7,560
PRC Land Appreciation Tax (“PRC LAT”)	16,754	16,574
U.S. Federal and State Current Income Taxes (“U.S. CIT”)	606	716
Others	3,299	6,477
Deferred tax	(24,182)	4,781
Under-provision in prior years	2,107	1,348
	<u>132,169</u>	<u>174,036</u>

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods, except for a PRC subsidiary of the Company, carrying out business in the western region of the PRC, is approved to enjoy the preferential tax rate of 15%.

The EIT Law imposes 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.

The U.S. CIT charge comprises federal income tax calculated at 21% (six months ended 30 September 2019: 21%) and state income tax calculated from 0% to 9% (six months ended 30 September 2019: 0.75% to 9.5%) on the estimated assessable profits of the subsidiary of the Company which was incorporated in the U.S..

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

5 Earnings per share

Earnings per share is computed as follows:

	Six months ended	
	30 September	
	2020	2019
	(Unaudited)	(Unaudited)
Basic		
Profit attributable to owners of the Company for the period (HK\$'000)	<u>749,303</u>	<u>705,679</u>
Weighted average outstanding ordinary shares, in thousands	<u>3,798,745</u>	<u>3,822,976</u>
Basic earnings per share for the period in HK cents	<u><u>19.73</u></u>	<u><u>18.46</u></u>
Diluted		
Profit attributable to owners of the Company for the period (HK\$'000)	<u>749,303</u>	<u>705,679</u>
Weighted average outstanding ordinary shares, in thousands	<u>3,798,745</u>	<u>3,822,976</u>
Effect of dilutive potential ordinary shares on exercise of share options	<u>9,088</u>	<u>155</u>
Weighted average outstanding ordinary shares after assuming dilution, in thousands	<u>3,807,833</u>	<u>3,823,131</u>
Diluted earnings per share for the period in HK cents	<u><u>19.68</u></u>	<u><u>18.46</u></u>

6 Dividends

During the period, the Company recognised the following dividends as distribution:

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Final dividend for the year ended 31 March 2020 of HK\$0.12 (2019: HK\$0.06 for the year ended 31 March 2019) per share	<u>455,936</u>	<u>229,398</u>

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of HK\$0.10 per share (2019: HK\$0.07 per share) will be paid to the shareholders of the Company whose names appear in the Company's register of members on Wednesday, 2 December 2020.

7 Trade and bill receivables

	30 September	31 March
	2020	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade and bills receivables	1,516,209	1,215,294
Less: provision for impairment of trade and bills receivables	<u>(4,899)</u>	<u>(4,540)</u>
Trade and bills receivables, net	<u>1,511,310</u>	<u>1,210,754</u>

As at 30 September 2020, total bills receivables amounting to HK\$128,701,000 (As at 31 March 2020: HK\$51,372,000). All bills receivables by the Group are with a maturity period of less than six months.

The Group generally allows a credit period of 30 to 90 days for customers. The aging analysis of the Group's trade and bills receivables (net of allowance for doubtful debts) presented based on the invoice date at the end of the reporting period is as follows:

	30 September 2020 <i>HK\$'000</i> (Unaudited)	31 March 2020 <i>HK\$'000</i> (Audited)
0 – 90 days	1,369,792	1,054,410
91 – 180 days	95,311	123,737
Over 180 days	46,207	32,607
	<u>1,511,310</u>	<u>1,210,754</u>

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines its credit limits based on results from investigation of historical credit records of these customers.

8 Trade and bills payables

	30 September 2020 <i>HK\$'000</i> (Unaudited)	31 March 2020 <i>HK\$'000</i> (Audited)
Trade and bills payables	<u>1,005,739</u>	<u>967,090</u>

The credit period on purchases of goods generally ranges from 30 to 60 days.

The aging 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 2020 <i>HK\$'000</i> (Unaudited)	31 March 2020 <i>HK\$'000</i> (Audited)
0 – 90 days	1,004,297	966,854
91 – 180 days	1,294	175
Over 180 days	148	61
	<u>1,005,739</u>	<u>967,090</u>

9 Bank borrowings

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Secured (<i>Note</i>)	9,716	10,792
Unsecured	4,205,571	3,968,493
	<u>4,215,287</u>	<u>3,979,285</u>

The scheduled principal repayment dates (excluding repayment on demand clause) of the Group with reference to the loan agreements are as follows:

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
The carrying amounts of the above borrowings are repayable:		
Within one year	4,069,859	3,277,499
Within a period of more than one year but not exceeding two years	145,346	701,581
Within a period of more than two years but not exceeding five years	82	205
	<u>4,215,287</u>	<u>3,979,285</u>
Non-current	145,428	701,786
Current	4,069,859	3,277,499
	<u>4,215,287</u>	<u>3,979,285</u>

The Group's bank borrowings are denominated in HKD and RMB, and carry interest at fixed and variable rates. The fixed rates range from 2.70% to 3.92% (for the year ended 31 March 2020: 3.60% to 4.35%). The variable rates are subject to either i) the higher of Hong Kong Interbank Offered Rate plus a spread, ranging from 1.35% to 2.33% (for the year ended 31 March 2020: 2.58% to 3.56%), 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 1.62% to 2.80% (for the year ended 31 March 2020: 2.10% to 3.15%). The weighted average effective interest rates of the above variable-rate and fixed-rate bank borrowings were 1.72% and 3.25%, respectively (for the year ended 31 March 2020: 3.01% and 4.09%, respectively) per annum.

Note: At the end of the reporting period, the following assets are pledged against the Group's secured bank borrowings:

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Property, plant and equipment	31,070	25,880
Inventories	15,657	13,041
	<u>46,727</u>	<u>38,921</u>

10 Capital commitments

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Capital expenditure contracted but not provided for in respect of		
— acquisition and construction of property, plant and equipment	247,610	77,862
— construction of production plants	285,662	178,797
	533,272	256,659
Other commitments in respect of		
— construction of property under development	22,460	24,534
— investments in joint ventures	11,358	10,917
	33,818	35,451
	567,090	292,110

MANAGEMENT DISCUSSION AND ANALYSIS

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 2020, the Group had a total of 3,532 “CHEERS First-class Cabin” brand stores and “CHEERS Five-star Mattress” brand stores, and CHEERS fabric stores in China. During the Review Period, the net increase in the number of stores was 658.

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 corporate 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 37.2% compared with the last corresponding period.

2 North America market

In the North American market, due to the impact of the pandemic, revenue in the North America market dropped by approximately 1.8% during the Review Period compared with the last corresponding period, whereas sales in the US decreased by approximately 1.0% and sales in Canada decreased by approximately 7.5%. 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 new factory has been put into operation in Vietnam in 2020. The majority of the production for customer from US has basically been switched to the factory in Vietnam.

In addition, the Company produces a part of its higher-ended sofas in the factory in China and export them 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 US custom duty.

3 Europe and other overseas markets

In Europe, the Group recorded an decrease in revenue during the Review Period due to the factors of the Brexit and the global COVID-19 epidemic. During the Review Period, excluding Home Group, the total sales of all products from Europe and other overseas markets decreased by approximately 19.8%.

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 (%)	
	1HFY2021	1HFY2020	Change (%)	1HFY2021	1HFY2020	1HFY2021	1HFY2020
Business of sofas and ancillary products	4,640,663	3,830,500	21.2%	70.0%	68.5%	36.1%	37.8%
Other products	1,494,812	1,122,619	33.2%	22.5%	20.1%	30.4%	29.0%
Home Group business	333,197	355,259	-6.2%	5.0%	6.4%	35.3%	26.4%
Other businesses	168,220	284,295	-40.8%	2.5%	5.0%	43.1%	32.0%
Total	<u>6,636,892</u>	<u>5,592,673</u>	<u>18.7%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>35.0%</u>	<u>35.0%</u>

For the Review Period, total revenue of the Group increased by approximately 18.7% to approximately HK\$6,636,892,000 (six months ended 30 September 2019 (“1HFY2020”): approximately HK\$5,592,673,000), whereas the overall gross profit margin is 35.0%, same as 1HFY2020.

During the Review Period, the cost of goods sold increased by approximately 18.7% as compared to that of the last corresponding period.

During the Review Period, excluding Home Group business, the Group produced approximately 662,000 sets of sofa products (1H FY2020: approximately 562,000 sets) representing an increase of approximately 17.8% (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 57.5% and sets of sofa products for sales of export dropped by 7.2%.

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 increased during the Review Period.

1 Sofas and ancillary products business

During the Review Period, revenue from business of sofas and ancillary products was approximately HK\$4,640,663,000, representing an increase of approximately 21.2% as compared with approximately HK\$3,830,500,000 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\$1,494,812,000, representing an increase of approximately 33.2% as compared with approximately HK\$1,122,619,000 in the last corresponding period.

3 Home Group Business

During the Review Period, the Group's revenue from Home Group reached approximately HK\$333,197,000, which is down by approximately 6.2% compared with approximately HK\$355,259,000 in the last corresponding period.

4 Other Businesses

During the Review Period, the Group's revenue from real estate, the hotel and furniture mall operations reached approximately HK\$168,220,000, which is down by approximately 40.8% compared with approximately HK\$284,295,000 in the last corresponding period.

Direct costs

Direct costs breakdown

	1HFY2021 <i>HK\$'000</i>	1HFY2020 <i>HK\$'000</i>	Change (%)
Cost of raw materials	3,474,358	2,958,857	17.4%
Labour costs	638,072	504,889	26.4%
Manufacturing overhead	202,200	172,607	17.1%
Total	<u>4,314,630</u>	<u>3,636,353</u>	<u>18.7%</u>

Major raw materials for production of sofas

	Average unit cost year-on- year change (%)
Leather	-8.4%
Metal Mechanism	3.9%
Wood	-8.8%
Fabric	-0.7%
Chemicals	-8.5%
Packaging Paper	-0.5%

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

OTHER INCOME

During the 1HFY2021, other income of the Group increased by approximately 15.8% from approximately HK\$199,535,000 in the last corresponding period to approximately HK\$231,095,000. The increase was mainly due to an increase of government subsidies and others.

	1HFY2021 <i>HK\$'000</i>	1HFY2020 <i>HK\$'000</i>	Change (%)
Income from sale of industrial waste*	59,423	60,334	-1.5%
Government subsidies**	102,477	82,961	23.5%
Income on structured deposits and interest income***	31,793	30,055	5.8%
Others	37,402	26,185	42.8%
Total	<u>231,095</u>	<u>199,535</u>	<u>15.8%</u>

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 1HFY2021, such income accounted for approximately 0.9% of total revenue (income from sales of industrial waste accounted for approximately 1.1% 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 1HFY2021, other gains and losses of the Group amounted to losses of approximately HK\$76,552,000, compared with approximately HK\$76,795,000 gains in the last corresponding period. The aforesaid other losses in the Review Period mainly came from the exchange losses and losses from fair value changes of financial assets at fair value through profit or loss.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses increased by approximately 21.3% from approximately HK\$958,463,000 in the 1HFY2020 to approximately HK\$1,162,791,000 in the 1HFY2021. Selling and distribution expenses as a percentage of revenue increased from approximately 17.1% in the 1HFY2020 to approximately 17.5% in the 1HFY2021, including:

- (a) Domestic transportation expenses increased by approximately 80.5% from approximately HK\$107,473,000 to approximately HK\$193,983,000. Domestic transportation expenses as a percentage of revenue increased from approximately 1.9% in the 1HFY2020 to approximately 2.9% in the 1HFY2021; Offshore transportation and port charges increased by approximately 1.3% from approximately HK\$275,459,000 to approximately HK\$279,056,000. Offshore transportation and port charges as a percentage of revenue decreased from approximately 4.9% to approximately 4.2%;
- (b) Advertising, promotion and brand building expenses increased by approximately 51.9% from approximately HK\$135,253,000 to approximately HK\$205,403,000. Advertising, promotion and brand building expenses as a percentage of revenue increased from approximately 2.4% in the 1HFY2020 to approximately 3.1% in the 1HFY2021;
- (c) Salaries, welfare and commissions of sales staff increased by approximately 23.9% from approximately HK\$146,447,000 to approximately HK\$181,405,000. Salaries, welfare and commissions of sales staff as a percentage of revenue increased from approximately 2.6% in the 1HFY2020 to approximately 2.7% in the 1HFY2021; and
- (d) Network service expenses increased by approximately 28.2% from approximately HK\$30,930,000 in the 1HFY2020 to approximately HK\$39,640,000. And their percentage in revenue were approximately 0.6% in the 1HFY2021.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by approximately 20.1% from approximately HK\$283,173,000 in the 1HFY2020 to approximately HK\$339,969,000 in the 1HFY2021. And their percentage in revenue in the 1HFY2021 were approximately 5.1%.

SHARE OF RESULTS OF JOINT VENTURES

During the Review Period, share of profit of joint ventures was approximately HK\$1,659,000 (1HFY2020: share of profit of approximately HK\$228,000). 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 decreased by approximately 33.6% from approximately HK\$83,052,000 in the 1HFY2020 to approximately HK\$55,186,000 in the 1HFY2021. Such costs were mainly interest expenses of loans.

INCOME TAX EXPENSE

Income tax expense decreased by approximately 24.1% from approximately HK\$174,036,000 in the 1HFY2020 to approximately HK\$132,169,000 in the 1HFY2021. Income tax as a percentage of profit before tax decreased from approximately 19.2% in the 1HFY2020 to approximately 14.4% in the 1HFY2021.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY AND NET PROFIT MARGIN

The profit attributable to owners of the Company increased by approximately 6.2% from approximately HK\$705,679,000 in the 1HFY2020 to approximately HK\$749,303,000 in the 1HFY2021. The net profit margin of the Group was approximately 11.3% during the Review Period (approximately 12.6% in the 1HFY2020).

WORKING CAPITAL

As at 30 September 2020, the Group's cash and cash equivalents (excluding restricted bank balances) were approximately HK\$2,707,222,000. 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 2020, the Group's short-term bank borrowings amounted to approximately HK\$4,069,859,000 and long-term borrowings amounted to approximately HK\$145,428,000. The Group's bank borrowings are denominated in HKD and RMB, and carry interest at fixed and variable rates. The fixed rates range from 2.70% to 3.92% (for the year ended 31 March 2020: 3.60% to 4.35%). The variable rates are subject to either i) the higher of Hong Kong Interbank Offered Rate plus a spread, ranging from 1.35% to 2.33% (for the year ended 31 March 2020: 2.58% to 3.56%), 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 1.62% to 2.80% (for the year ended 31 March 2020: 2.10% to 3.15%). The weighted average effective interest rates of the above variable-rate and fixed-rate bank borrowings were 1.72% and 3.25%, respectively (for the year ended 31 March 2020: 3.01% and 4.09%, respectively) per annum.

The Group's primary source of working capital is cash flow from operating activities and bank deposits. As at 30 September 2020, the Group's current ratio was approximately 1.0 (31 March 2020: approximately 1.1). As at 30 September 2020, the Group's gearing ratio was approximately 57.7% (31 March 2020: approximately 59.4%), which is the total borrowings divided by total equity attributable to owners of the Group.

PLEDGE OF ASSETS

As at 30 September 2020, there was approximately HK\$20,116,000 in restricted bank balances. As of 30 September 2020, some subsidiaries of the Group had pledged certain assets for financing, including land, property, plant and equipment with aggregate book value of approximately HK\$31,070,000 and inventories with aggregate book value of approximately HK\$15,657,000.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Save as disclosed in Note 10 to the condensed consolidated interim financial statements, the Group did not have any material capital commitments.

As at 30 September 2020, the Group did not have any material 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 entities of the Group. 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 China 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 1HFY2021. The Group continues to seek opportunities to acquire furniture companies to accelerate the development of the Group.

HUMAN RESOURCES

As at 30 September 2020, the Group had 27,992 employees (31 March 2020: 22,041 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 1HFY2021, the total staff cost for the Group amounted to approximately HK\$955,956,000 (1HFY2020: approximately HK\$767,373,000), of which approximately HK\$7,579,000 (1HFY2020: approximately HK\$7,605,000) 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

In the foreseeable future, the Group will further invest on the factories in China and the new factory acquired in Vietnam. For Vietnam factory, the Group has expanded the factory from approximately 130,000m² to 528,000m². Moreover, for the land in Qianhai, Shenzhen, the construction had started in the fourth quarter 2019 and the uses of the land will be mainly for commercial purpose. The first phase of the Group's plant in Xianyang, Shanxi in the PRC will be constructed by stages and put into operation within two years.

For the sources of funding of future material investments, if any, the Group will use internal resources or the borrowings from banks.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK10.0 cents per share (six months ended 30 September 2019: an interim dividend of HK7.0 cents per share) payable to those shareholders of the Company (the "Shareholders") whose names appear on the Company's register of members on Wednesday, 2 December 2020.

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

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the Review Period.

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

As at 30 September 2020, the interests or short positions of the directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept under Section 352 of the SFO, or which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they are taken or deemed to have under such provisions of the SFO), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

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

Name of director	Capacity	Number of issued ordinary shares held	Approximate percentage of the issued share capital of the Company ¹
Mr. Wong Man Li	Interest in controlled corporation	2,362,336,800	62.13%
	Spouse	2,481,600	0.07%
	Beneficial owner	3,020,800	0.08%
Ms. Hui Wai Hing	Beneficial owner	2,481,600 ³	0.07%
	Spouse	2,365,357,600 ³	62.21%
Mr. Alan Marnie	Beneficial owner	800,000 ⁴	0.02%
Mr. Dai Quanfa	Beneficial owner	930,000	0.02%
Ms. Wong Ying Ying	Beneficial owner	2,176,000	0.06%

Notes:

1. The percentage of the Company's issued share capital is based on the 3,802,463,600 shares of the Company (each "**Share**") issued as at 30 September 2020.
2. These 2,362,336,800 Shares are beneficially owned by Man Wah Investments Limited which, in turn, is owned by Mr. Wong Man Li and Ms. Hui Wai Hing as to 80% and 20%, respectively. Mr. Wong is therefore deemed to be interested in the entire 2,362,336,800 Shares held by Man Wah Investments Limited. Mr. Wong is a director of Man Wah Investments Limited. Mr. Wong also holds 2,427,200 Shares and 593,600 share options granted to him under the share option scheme adopted by the Company on 5 March 2010 ("**Share Option Scheme 2010**") respectively. Upon exercise of the share options, Mr. Wong will directly own an aggregate of 3,020,800 Shares. Mr. Wong is also deemed, under Part XV of the SFO, to be interested in the 2,481,600 Shares in which Ms. Hui Wai Hing, the spouse of Mr. Wong, has a long position.
3. These 2,481,600 Shares represent the 1,956,000 Shares and the 525,600 Share Options granted to Ms. Hui under the Share Option Scheme 2010 that are exercisable respectively. Upon exercise of the said share options, Ms. Hui will own an aggregate of 2,481,600 Shares. Ms. Hui is also deemed, under Part XV of the SFO, to be interested in the 2,365,357,600 Shares in which Mr. Wong Man Li, the spouse of Ms. Hui is interested (i.e. 3,020,800 Shares as beneficial owner and 2,362,336,800 Shares as interest in a controlled corporation).
4. This figure represents the aggregate number of the 800,000 Shares held by Mr. Alan Marnie.
5. This figure represents the aggregate number of the 930,000 share options granted to Mr. Dai under the Share Option Scheme 2010 that are exercisable. Upon exercise of the said share options, Mr. Dai will own an aggregate of 930,000 Shares.
6. This figure represents the aggregate number of 1,821,600 Shares held by Ms. Wong and 354,400 share options granted to Ms. Wong under the Share Option Scheme 2010 that are exercisable. Upon exercise of the said share options, Ms. Wong will own an aggregate of 2,176,000 Shares.

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

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

Save as disclosed above, as at 30 September 2020, none of the Company's Directors, chief executives or their respective associates had any other personal, family, corporate and other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other than those disclosed in this section and the section headed "Share Options" to be disclosed in the interim report for the Review Period, no right to subscribe for equity or debt securities of the Company has been granted by the Company to, nor have any such rights been exercised by, any Directors or chief executives of the Company during the six months ended 30 September 2020.

AUDIT COMMITTEE

The Company has engaged Messrs. PricewaterhouseCoopers, the auditor of the Company ("Auditor") to assist the audit committee of the Company ("Audit Committee") to review the report of the Group for the six months ended 30 September 2020. The interim financial information of the Group for the six months ended 30 September 2020 has been reviewed by the independent auditor of the Company in accordance with International Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

CLOSURE OF REGISTER OF MEMBERS

Shareholders whose names appear on the Company's register of members on Wednesday, 2 December 2020, will be eligible for the interim dividend. The transfer books and the register of members of the Company will be closed from Monday, 30 November 2020 to Wednesday, 2 December 2020, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited of Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 27 November 2020. The interim dividend is expected to be payable on or after Wednesday, 13 January 2021 to the Shareholders whose names appear on the register of members of the Company on Wednesday, 2 December 2020.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 September 2020, 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. During the Review Period, 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.

Subsequent to the Review Period, the Company appointed Mr. Feng Guohua as an executive Director and the Chief Executive Officer of the Company on 3 November 2020.

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 2020.

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

Hong Kong, 13 November 2020

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, Ms. Yang Huiyan and Mr. Feng Guohua; 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.