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Interim Report 2020/21

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Corporate Information



Mr. Wong Man Li (*Chairman and Managing Director*)

Mr. Feng Guohua (Appointed on 3 November 2020)

Ms. Hui Wai Hing

Mr. Alan Marnie

Mr. Dai Quanfa

Ms. Wong Ying Ying

Ms. Yang Huiyan



Mr. Ong Chor Wei

Mr. Chau Shing Yim, David

Mr. Kan Chung Nin, Tony

Mr. Ding Yuan



Mr. Chau Shing Yim, David (*Chairman*)

Mr. Ong Chor Wei

Mr. Kan Chung Nin, Tony

Mr. Ding Yuan



Mr. Wong Man Li (*Chairman*)

Mr. Chau Shing Yim, David

Mr. Kan Chung Nin, Tony

Mr. Ding Yuan

Ms. Yang Huiyan



Mr. Ding Yuan (*Chairman*)

Mr. Wong Man Li

Mr. Chau Shing Yim, David

Mr. Kan Chung Nin, Tony

Ms. Yang Huiyan



Reed Smith Richards Butler
Esteria Management (Bermuda) Limited




Hang Seng Bank
Hong Kong and Shanghai Banking Corporation Limited
Citibank, N.A.
China Construction Bank Corporation
Agricultural Bank of China Limited
Industrial and Commercial Bank of China Limited
Bank of China Limited



1999



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Chairman's Statement

On behalf of the Board (the "Board") of Directors (the "Directors") of Man Wah Holdings Limited ("Man Wah" or the "Company"), I hereby present the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2020 ("1HFY2021" or the "Review Period").

During the Review Period, the Group faces a series of opportunities and challenges from the international community and Chinese economic environment. At the beginning of the new year of 2020, the outbreak of the novel coronavirus (COVID-19) epidemic had a huge impact on the global economy. We took the first-mover advantage of new retail by using live streaming to boost sales and online sales, which together stimulated offline sales, achieving a smooth transition of sales in China during the epidemic. Under the obstruction of export due to the durative Sino-US trade war, we quickly expanded the production capacity of our Vietnamese factory and sales and finally achieved a stable supply to the North American market.

In the China market, we further expanded our offline channels by rapidly increasing stores to deeply cultivate the market, given rare opportunities during the pandemic. Due to our years of experience on refined management of stores, the sales result of each store improved. We also increased brand promotion to improve the market recognition and influence of CHEERS First-class Cabin among Chinese consumers. During the Reporting Period, the main products of the Group in the domestic market showed a continued high growth trend, and recliner sofas still had infinite potential and a relatively large room for growth in PRC. The Group will conform to the trend of diversity, youth and fashion to better cater to the demand of all consumer age groups in PRC and drive the market share and penetration of recliner sofas in China. Man Wah's share in China's recliner sofa market exceeded 50% and its global sales topped the list for another year, according to the recliner sofa market research report issued by Sullivan in early 2020. In the future, we will work to maintain our leading position in this field.

In the North America market, affected by the pandemic and other external environmental factors, our sales orders in America significantly decreased in the first quarter of this financial year, which to some extent brought down the Group's revenue and profit. Thanks to our staff's concerted effort to overcome difficulties and forge ahead, however, our orders picked up rapidly and we had sufficient production capacity to maintain stable supply in the aftermath of the outbreak. Up to the date of this report, the majority of production for US export has been moved to Vietnam, which substantially offset the influence on our operation in overseas markets due to the friction between China and the US.

Our European (including Home Group Limited) and other overseas markets were hit most hard by the pandemic in the last half of financial year and our orders exported to Europe were accordingly influenced badly. Facing an intense competition, the Group strived to provide more personalized, diversified, and highly competitive products with good value for money and high added value.

The Group adhered to artisan spirits in production and management and improved its production and operation efficiency and the vertical integration of its self-produced parts. For now, The Group has already been able to produce and supply itself all core components. The Group will continue to adopt the vertical integration so as to materially reduce cost and make the manufacturing more refined, intelligent and visualized, and to improve informatization of internal management, thereby strengthening the competitiveness of our products and laying a consolidated foundation for the leading development of the Company in the recliner sofa area. In terms of internal operations, Man Wah Holdings has been advancing with the times and introduced a VR system and CRM system, creating more abundant and diverse purchasing scenarios for consumers to ensure that what they see is what they get. Also, by using the CRM system, it improved its operation efficiency and control of the information and messages of the stores for dealers to sell and improve their results more easily.

The Group will continue to increase investment in product research & development and launch more series of very competitive products with trendy and generous looks, comfortable functions, guaranteed quality, high cost performance and superior services welcomed by more consumers. The Group will also continue to strengthen its core competitiveness in recliner sofas, including but not limited to brand recognition, product innovation, channels expansion, promotional marketing, team building and service upgrade to maintain its absolute leading position in the industry and rapidly increase its share in China's recliner sofa market.

The Group believes that it is our mission to bring healthy, comfortable, valuable and stylish home to thousands of families. The Group will further improve the recognition of "CHEERS" brand and continue to expand distribution channels and promote digitisation and experience marketing of virtual showrooms. Although the Group already has more than 3,500 stores at the end of the Review Period, it will continue to seize market opportunities to expand its store network in PRC and further develop its channels. The Group operates six recliner sofa series as its principal activity, while balancing eleven series such as bedding products, smart electrically-operated beds and customized household product, and expands a line of high-end, mid-range, and cost-effective products to comprehensively satisfy consumers' needs for a better life and improved living quality.

On the other hand, the Group has been continuing to boost the development of its online sales in various platforms with more input since 2015, combining with marketing methods such as live broadcast, VR, video, 5G big smart screen, which materially improved the experience and exposure of household consumer goods and therefore the sales experience frequency, conversion rate and average transaction amount. With an eye on the development trend of the consumer market, it keeps improving the building of a new retail platform, developing its people and upgrading its products. In the coming few years, the Group will combine its advantages in products, brands and channels to push its market share of sofas even higher.

The Europe and United States markets are two of the most important markets that the Group has explored for years. As the pandemic is gradually under control and the economy is recovering, we will speed up the layout of production localisation to establish the core competitiveness of overseas factories supply.

Depending on the market demand, the Group will expand production and increase its capacity to further improve the global production configuration while reducing the logistics cost to meet the increasing market demand. The first phase of Group's Plant in Shanxi Xianyang, PRC, as the Group's manufacturing base in Northwest region of China, will be constructed in stages and put into operation in two years. Once the operation of this Plant commences, it is expected that its capacity will increase approximately 300,000 sets of sofa per year, which further cut the Group's logistic cost in the Northwest region and of direct line to Europe in the Belt and Road Initiative and shorten delivery time, and meet the demand in the Northwest region.

The Group appointed Mr. Feng Guohua ("Mr. Feng"), former general Manager of the Greater China Corporate Services Department of Microsoft (China), as an executive Director and the Chief Executive Officer of the Company on 3 November 2020. Mr. Feng, aged 52, has over 25 years of experience in information technology and management consultancy services. He has abundant experience in the application of new retail models in the Internet field and years of cooperation experience in new retail with Man Wah. Mr. Feng also has extensive international exposure and experience in providing consulting services to multinational companies, state-owned enterprises and private enterprises. Looking forward, under the leadership of Mr. Feng, the Group will keep improving all processes from consumer front-end and store back-end management to factory production and distribution with such technologies as big data analysis and Internet wisdom to achieve an intelligent supply chain, information-based operations, and increased productivity. In addition, the Group will expedite the improvement of systematic, information-based corporate management, strengthen top-level design and team management, and accelerate new retail development to fuel its rapid growth.

On behalf of the Board of Directors, I am hereby to express my cordial gratitude to all of our shareholders, employees, partners and consumers for their devoted support and faith for the Group in the past. We believe that aspiration makes us a winner and adversity makes a good company even stronger. We will continue to work hard to forge head, improve the Company from inside to reward shareholders with better performance, and create more valuable and attractive products for consumers.

Man Wah Holdings Limited

Wong Man Li

Chairman

13 November 2020

Management Discussion and Analysis

China's Economic Situation

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 favourable market opportunities, increasing its product development capabilities, offering more extensive product lines and focusing on more business model innovation.

China's Economic Situation

According to data released by the National Bureau of Statistics of China, the national GDP growth reached approximately 3.6% in the first three quarters of 2020. During the Review Period, China's overall economic situation was facing a variety of challenges and opportunities. The pandemic has changed the daily routine of Chinese families, which requires more comfortable and humanized household products. The Group's strategy is to continuously decrease the cost by improving production efficiency and positioning its products a good quality product with high added value and cost performance. The pursuit for healthier, more comfortable, cost-effective and fashionable lifestyle is sure to bring strong demand and spending power 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 in the future.

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.

China's Economic Situation

During the Review Period, Sino-US economic and trade relation went through ups and downs, and the Federal Reserve's monetary policy also changed. The United States' nominal GDP reached approximately US\$10.11 trillion in the third quarter in 2020. According to the data released by the US Census Bureau, America's homeownership rates reached 67.9% in the second quarter this year, which rose for the fourth consecutive month and was higher than the first quarter of 65.3%. According to the US Bureau of Economic Analysis, the growth rate of furniture and household equipment consumer goods was higher than that of GDP. The Group will be inspired to obtain a bigger share and increased revenue in future competition by leveraging its advantages in large-scale production capacity, quality and cost.

China's Economic Situation

According to the data from Eurostat, the GDP of the Eurozone in the third quarter of this year grew by approximately 0.1% year-on-year, as compared with approximately 0.3% in the second quarter, which showed that the overall economy of the Eurozone remained stable. Meanwhile, Brexit has also brought uncertainties to the European economy.

▲ 業務回顧

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 中國市場

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 北美市場

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 歐洲及其他海外市場

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%.

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.

REVENUE AND GROSS PROFIT

	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	6,636,892	5,592,673	18.7%	100.0%	100.0%	35.0%	35.0%

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 sold approximately 662,000 sets of sofa products (1HFY2020: 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 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.

1.1 其他產品及業務

1 沙發及沙發配件業務

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 其他產品業務

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 家庭組合業務

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 地產、酒店及傢俬商場業務

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.

1.2 主要材料

	1HFY2021 HK\$'000	1HFY2020 HK\$'000	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	4,314,630	3,636,353	18.7%

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.

其他收入

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 HK\$'000	1HFY2020 HK\$'000	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	231,095	199,535	15.8%

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.

其他收益及虧損

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.

銷售及分銷開支

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

Financial Instruments

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%), and 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.

Restricted Bank Balances

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 22 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 contingent liabilities.

Currency Risk Management

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.

Investments, Acquisitions and Disposals of Subsidiaries, Associates or Joint Ventures

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 1H FY2021. The Group continues to seek opportunities to acquire furniture companies to accelerate the development of the Group.

EMPLOYEES

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.

INVESTMENT

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.

1. *Journal of the American Medical Association*, 1997; 277: 1039-1043.

Figure 1. The effect of the number of trials on the number of correct responses. The number of correct responses was significantly higher for the 10 trials condition than for the 5 trials condition. Error bars represent the standard error of the mean.

[illegible]

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 said 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 340,800 shares held by Mr. Dai and 589,200 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.

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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" below, 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.



On 5 March 2010, the Share Option Scheme 2010 which complies with the requirements of Chapter 17 of the Listing Rules as then in force was adopted by the Shareholders. Details of movements in the share options under the Share Option Scheme 2010 ("Share Options") during the Review Period were as follows:

Grantee	Date of grant ²	Vesting period	Exercisable period	Exercise price per share	Number of Share Options ¹					Outstanding at 30.9.2020	
					Adjusted Exercise price	Outstanding at 1.4.2020	Granted during the Review Period	Cancelled/Lapsed during the Review Period	Exercised during the Review Period		
Mr. Wong Man Li	13.1.2017	13.1.2017-12.1.2019	13.1.2019-12.1.2021	5.17	N/A	74,000	-	-	-	74,000	
		13.1.2017-12.1.2020	13.1.2020-12.1.2022	5.17	N/A	74,000	-	-	-	74,000	
		13.1.2017-12.1.2021	13.1.2021-12.1.2023	5.17	N/A	73,200	-	-	-	73,200	
	12.2.2018	12.2.2018-11.2.2020	12.2.2020-11.2.2022	7.18	N/A	40,400	-	-	-	40,400	
		12.2.2018-11.2.2021	12.2.2021-11.2.2023	7.18	N/A	40,400	-	-	-	40,400	
		12.2.2018-11.2.2022	12.2.2022-11.2.2024	7.18	N/A	40,400	-	-	-	40,400	
	28.1.2019	28.1.2019-27.1.2021	28.1.2021-27.1.2023	3.91	N/A	60,400	-	-	-	60,400	
		28.1.2019-27.1.2022	28.1.2022-27.1.2024	3.91	N/A	60,400	-	-	-	60,400	
		28.1.2019-27.1.2023	28.1.2023-27.1.2025	3.91	N/A	60,400	-	-	-	60,400	
	17.1.2020	17.1.2020-16.1.2022	17.1.2022-16.1.2024	6.53	N/A	23,600	-	-	-	23,600	
		17.1.2020-16.1.2023	17.1.2023-16.1.2025	6.53	N/A	23,600	-	-	-	23,600	
		17.1.2020-16.1.2024	17.1.2024-16.1.2026	6.53	N/A	22,800	-	-	-	22,800	
Ms. Hui Wai Hing	27.1.2016	27.1.2016-26.1.2019	27.1.2019-26.1.2021	8.92	4.46	171,200	-	-	-	171,200	
	13.1.2017	13.1.2017-12.1.2019	13.1.2019-12.1.2021	5.17	N/A	69,200	-	-	-	69,200	
		13.1.2017-12.1.2020	13.1.2020-12.1.2022	5.17	N/A	69,200	-	-	-	69,200	
		13.1.2017-12.1.2021	13.1.2021-12.1.2023	5.17	N/A	68,800	-	-	-	68,800	
	12.2.2018	12.2.2018-11.2.2020	12.2.2020-11.2.2022	7.18	N/A	31,200	-	-	-	31,200	
		12.2.2018-11.2.2021	12.2.2021-11.2.2023	7.18	N/A	31,200	-	-	-	31,200	
		12.2.2018-11.2.2022	12.2.2022-11.2.2024	7.18	N/A	30,400	-	-	-	30,400	
	17.1.2020	17.1.2020-16.1.2022	17.1.2022-16.1.2024	6.53	N/A	18,400	-	-	-	18,400	
		17.1.2020-16.1.2023	17.1.2023-16.1.2025	6.53	N/A	18,400	-	-	-	18,400	
		17.1.2020-16.1.2024	17.1.2024-16.1.2026	6.53	N/A	17,600	-	-	-	17,600	
Mr. Dai Quania	13.1.2017	26.1.2016-25.1.2019	26.1.2019-25.1.2021	8.92	4.46	222,400	-	-	(222,400)	-	
		13.1.2017-12.1.2019	13.1.2019-12.1.2021	5.17	N/A	59,200	-	-	(59,200)	-	
		13.1.2017-12.1.2020	13.1.2020-12.1.2022	5.17	N/A	59,200	-	-	(59,200)	-	
	12.2.2018	13.1.2017-12.1.2021	13.1.2021-12.1.2023	5.17	N/A	59,200	-	-	-	59,200	
		12.2.2018-11.2.2020	12.2.2020-11.2.2022	7.18	N/A	42,400	-	-	-	42,400	
		12.2.2018-11.2.2021	12.2.2021-11.2.2023	7.18	N/A	42,400	-	-	-	42,400	
	28.1.2019	12.2.2018-11.2.2022	12.2.2022-11.2.2024	7.18	N/A	42,000	-	-	-	42,000	
		28.1.2019-27.1.2021	28.1.2021-27.1.2023	3.91	N/A	95,200	-	-	-	95,200	
		28.1.2019-27.1.2022	28.1.2022-27.1.2024	3.91	N/A	95,200	-	-	-	95,200	
	17.1.2020	28.1.2019-27.1.2023	28.1.2023-27.1.2025	3.91	N/A	95,200	-	-	-	95,200	
		17.1.2020-16.1.2022	17.1.2022-16.1.2024	6.53	N/A	39,200	-	-	-	39,200	
		17.1.2020-16.1.2023	17.1.2023-16.1.2025	6.53	N/A	39,200	-	-	-	39,200	
Ms. Wong Ying Ying	27.1.2016	27.1.2016-26.1.2019	27.1.2019-26.1.2021	8.92	4.46	80,800	-	-	-	80,800	
	13.1.2017	13.1.2017-12.1.2019	13.1.2019-12.1.2021	5.17	N/A	31,200	-	-	-	31,200	
		13.1.2017-12.1.2020	13.1.2020-12.1.2022	5.17	N/A	31,200	-	-	-	31,200	
		13.1.2017-12.1.2021	13.1.2021-12.1.2023	5.17	N/A	31,200	-	-	-	31,200	
	12.2.2018	12.2.2018-11.2.2020	12.2.2020-11.2.2022	7.18	N/A	24,800	-	-	-	24,800	
		12.2.2018-11.2.2021	12.2.2021-11.2.2023	7.18	N/A	24,800	-	-	-	24,800	
		12.2.2018-11.2.2022	12.2.2022-11.2.2024	7.18	N/A	24,000	-	-	-	24,000	
	28.1.2019	28.1.2019-27.1.2021	28.1.2021-27.1.2023	3.91	N/A	22,800	-	-	-	22,800	
		28.1.2019-27.1.2022	28.1.2022-27.1.2024	3.91	N/A	22,800	-	-	-	22,800	
		28.1.2019-27.1.2023	28.1.2023-27.1.2025	3.91	N/A	22,400	-	-	-	22,400	
	17.1.2020	17.1.2020-16.1.2022	17.1.2022-16.1.2024	6.53	N/A	12,800	-	-	-	12,800	
		17.1.2020-16.1.2023	17.1.2023-16.1.2025	6.53	N/A	12,800	-	-	-	12,800	
17.1.2020-16.1.2024		17.1.2024-16.1.2026	6.53	N/A	12,800	-	-	-	12,800		
Other employees	26.1.2016	26.1.2016-25.1.2019	26.1.2019-25.1.2021	8.92	4.46	4,342,400	-	(164,800)	(3,816,000)	361,600	
	13.1.2017	13.1.2017-12.1.2019	13.1.2019-12.1.2021	5.17	N/A	1,244,800	-	(58,400)	(1,091,200)	95,200	
		13.1.2017-12.1.2020	13.1.2020-12.1.2022	5.17	N/A	1,378,800	-	(66,400)	(949,600)	362,800	
		13.1.2017-12.1.2021	13.1.2021-12.1.2023	5.17	N/A	1,410,000	-	(98,400)	-	1,311,600	
	12.2.2018	12.2.2018-11.2.2020	12.2.2020-11.2.2022	7.18	N/A	1,203,200	-	(48,400)	(326,000)	828,800	
		12.2.2018-11.2.2021	12.2.2021-11.2.2023	7.18	N/A	1,193,200	-	(60,400)	-	1,132,800	
		12.2.2018-11.2.2022	12.2.2022-11.2.2024	7.18	N/A	1,074,400	-	(51,600)	-	1,022,800	
	28.1.2019	28.1.2019-27.1.2021	28.1.2021-27.1.2023	3.91	N/A	3,790,800	-	(427,600)	-	3,363,200	
		28.1.2019-27.1.2022	28.1.2022-27.1.2024	3.91	N/A	3,784,000	-	(427,200)	-	3,356,800	
		28.1.2019-27.1.2023	28.1.2023-27.1.2025	3.91	N/A	3,604,800	-	(412,000)	-	3,192,800	
	17.1.2020	17.1.2020-16.1.2022	17.1.2022-16.1.2024	6.53	N/A	2,141,200	-	(174,400)	-	1,966,800	
		17.1.2020-16.1.2023	17.1.2023-16.1.2025	6.53	N/A	2,084,400	-	(168,800)	-	1,915,600	
		17.1.2020-16.1.2024	17.1.2024-16.1.2026	6.53	N/A	1,793,600	-	(140,000)	-	1,653,600	
							31,449,200	-	(2,298,400)	(6,523,600)	22,627,200

Number of share options exercisable as at 30 September 2020

2,388,000

Notes:

1. Number of Shares in the Company over which options granted under the Share Option Scheme 2010 are exercisable.
2. Share Options under each grant are subject to the restrictions that up to 50% and 100% of the total options granted will be exercisable during the period of 18th and 60th months respectively from the date of acceptance of the grant of options by the relevant grantees.
3. The weighted average closing price immediately before the dates on which the options were exercised was HK\$8.24.
4. Share Option Scheme 2010 was expired on 4 March 2020. New Option Scheme has been adopted by the Company on 3 July 2020.

The Company adopted a share award scheme (the “Share Award Scheme”) on 27 January 2011 (the “Adoption Date”) with a duration of 10 years commencing from the Adoption Date. The objective of the Share Award Scheme is to recognise the contributions by certain directors and employees of the Group and to give incentive to them in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group. Please refer to the Company’s announcement dated 31 January 2011 for further information on the Share Award Scheme.

As at 30 September 2020, the Share Award Scheme remained in place. There were no Shares granted by the Company to employees of the Company and Directors pursuant to the Share Award Scheme during the Review Period.

Given that all distributions under the Share Award Scheme for the past financial year have been made, no Shares were held by the trustee of the Share Award Scheme as at 30 September 2020.

During the Review Period, the Company and the Group had continuing connected transactions, certain details of which have been disclosed in the prospectus of the Company dated 18 March 2010 and Note 23 to the condensed consolidated interim financial information. Such continuing connected transaction are exempted from the reporting, announcement, shareholders’ approval and annual review requirements under the Listing Rules. Save as the above continuing connected transactions, there were no transactions which need to be disclosed as connected transactions and continuing connected transactions in accordance with the requirements of the Listing Rules.

No contracts of significance, to which the Company or any of its subsidiaries was a party, and in which a Director had a material interest, whether directly and indirectly, subsisted at the end of 30 September 2020 or at any time during the Review Period.

Each of Man Wah Investments Limited and Mr. Wong Man Li has entered into a deed of non-competition dated 5 March 2010 with the Company, to the effect that each of them will not directly or indirectly participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with the business of the Group from time to time.

During the Review Period, sales to the Group's five largest customers and purchases from the five largest suppliers accounted for approximately 10.5% and 18.8% of the total revenue and purchases for the Review Period, respectively. The Group's largest supplier accounted for approximately 8.6% of the total purchase for the Review Period.

At no time during the Review Period did a Director, a close associate of a Director or a Shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest customers or suppliers.

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".

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

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.

There is no other information required to be disclosed under Rule 13.51B(1) of the Listing Rules during the Review Period.



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. Please refer to the section headed “Prospects” above regarding to the background of Mr. Feng.



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

Report on Review of Inter

[Redacted content]



Condensed Consolidated Interim Statement of Comprehensive Income

For the six months ended 30 September 2020

		Six months ended 30 September 2020	2019
	Notes	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Revenue	6	6,636,892	5,592,673
Cost of goods sold	9	(4,314,630)	(3,636,353)
Gross profit		2,322,262	1,956,320
Other income	7	231,095	199,535
Other (losses)/gains, net	8	(76,552)	76,795
Selling and distribution expenses	9	(1,162,791)	(958,463)
Administrative and other expenses	9	(339,969)	(283,173)
Operating profit		974,045	991,014
Finance costs	10	(55,186)	(83,052)
Share of results of joint ventures		1,659	228
Profit before income tax		920,518	908,190
Income tax expense	11	(132,169)	(174,036)
Profit for the period		788,349	734,154
Profit for the period attributable to:			
Owners of the Company		749,303	705,679
Non-controlling interests		39,046	28,475
		788,349	734,154

Condensed consolidated interim statement of comprehensive income

For the six months ended 30 September 2020

		Six months ended 30 September 2020	2019
	Notes	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Profit for the period		788,349	734,154
Other comprehensive income/(loss):			
<i>Item that may be reclassified to profit or loss</i>			
Currency translation differences		262,384	(481,312)
Other comprehensive income/(loss) for the period, net of tax		262,384	(481,312)
Total comprehensive income for the period		1,050,733	252,842
Total comprehensive income for the period attributable to:			
Owners of the Company		1,020,623	236,708
Non-controlling interests		30,110	16,134
		1,050,733	252,842
Earnings per share attributable to owners of the Company			
– Basic (HK cents per share)	12	19.73	18.46
– Diluted (HK cents per share)	12	19.68	18.46

The above condensed consolidated interim statement of comprehensive income should be read in conjunction with the accompanying notes.

Condensed Consolidated Interim Statement of Financial Position

As at 30 September 2020

	Notes	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	14	4,240,467	3,949,987
Investment properties		464,175	455,215
Right-of-use assets		2,276,252	2,228,518
Goodwill	15	536,265	524,048
Other intangible assets	15	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
		7,992,114	7,547,627
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	16	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		6,810,180	5,666,175
Total assets		14,802,294	13,213,802
EQUITY			
Equity attributable to owners of the Company			
Share capital	20	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
Total equity		7,874,292	7,232,696

Condensed consolidated interim statement of financial position

As at 30 September 2020

	Notes	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities		27,931	29,533
Bank borrowings – non-current portion	19	145,428	701,786
Deferred tax liabilities		130,491	128,896
Other non-current liabilities		1,419	1,333
		<u>305,269</u>	<u>861,548</u>
Current liabilities			
Trade and bills payables	17	1,005,739	967,090
Other payables and accruals		691,999	452,160
Lease liabilities		27,586	28,755
Contract liabilities	18	634,438	260,856
Bank borrowings – current portion	19	4,069,859	3,277,499
Tax payable		193,112	133,198
		<u>6,622,733</u>	<u>5,119,558</u>
Total liabilities		<u>6,928,002</u>	<u>5,981,106</u>
Total equity and liabilities		<u>14,802,294</u>	<u>13,213,802</u>

The above condensed consolidated interim statement of financial position should be read in conjunction with the accompanying notes.

Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 30 September 2020

	Attributable to owners of the Company												
	Share Capital HK\$'000	Share Premium HK\$'000	Special reserve HK\$'000 (Note ii)	Other reserve HK\$'000 (Note iii)	Statutory reserve HK\$'000 (Note iv)	Translation reserve HK\$'000	Revaluation surplus HK\$'000	Shares held under	Share option reserve HK\$'000	Retained earnings HK\$'000	Sub-total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
								award scheme HK\$'000					
Balance at 1 April 2020	1,518,376	–	(16,132)	(11,811)	641,044	(852,485)	37,099	(448)	26,906	5,361,598	6,704,147	528,549	7,232,696
Comprehensive income													
Profit for the period	–	–	–	–	–	–	–	–	–	749,303	749,303	39,046	788,349
Other comprehensive income													
Currency translation differences	–	–	–	–	–	271,320	–	–	–	–	271,320	(8,936)	262,384
Total comprehensive income	–	–	–	–	–	271,320	–	–	–	749,303	1,020,623	30,110	1,050,733
Transactions with owners													
Capital contribution by non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	10,420	10,420
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	–	4,865	–	4,865	–	4,865
Issue of shares upon exercise of share options	2,609	34,180	–	–	–	–	–	–	(5,275)	–	31,514	–	31,514
Dividends paid (Note 13)	–	–	–	–	–	–	–	–	–	(455,936)	(455,936)	–	(455,936)
Total transactions with owners	2,609	34,180	–	–	–	–	–	–	(410)	(455,936)	(419,557)	10,420	(409,137)
Balance at 30 September 2020 (Unaudited)	1,520,985	34,180	(16,132)	(11,811)	641,044	(581,165)	37,099	(448)	26,496	5,654,965	7,305,213	569,079	7,874,292

Statement of Financial Position

For the six months ended 30 September 2020

	Attributable to owners of the Company													
	Share Capital HK\$'000	Treasury shares HK\$'000 (Note i)	Share Premium HK\$'000	Special reserve HK\$'000 (Note ii)	Other reserve HK\$'000 (Note iii)	Statutory reserve HK\$'000 (Note iv)	Translation reserve HK\$'000	Revaluation surplus HK\$'000	Shares held under share award scheme HK\$'000	Share option reserve HK\$'000	Retained earnings HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
Balance at 1 April 2019	1,529,249	–	70,039	(16,132)	(11,811)	537,591	(312,229)	37,099	(448)	20,462	4,369,417	6,223,237	492,826	6,716,063
Comprehensive income														
Profit for the period	–	–	–	–	–	–	–	–	–	–	705,679	705,679	28,475	734,154
Other comprehensive income														
Currency translation differences	–	–	–	–	–	–	(468,971)	–	–	–	–	(468,971)	(12,341)	

Notes:

- (i) Treasury shares represent 10,450,800 ordinary shares of the Company of HK\$0.4 each which were repurchased at a price ranging from HK\$3.73 to HK\$4.80 per share during the six months ended 30 September 2019. Treasury shares were cancelled in October 2019.
- (ii) Special reserve arose from the acquisition of equity interest of certain subsidiaries through a corporate reorganisation. It represents the difference between the nominal value of share capital of those subsidiaries at the date of acquisition and the nominal value of the shares issued by the Company as consideration for the acquisition.
- (iii) Other reserve arose from the acquisition of the additional equity interest of subsidiaries. It represents the difference between the carrying amount of the net assets of the subsidiaries attributable to the additional interest at the dates of acquisition and the fair value of consideration paid by the Company.
- (iv) The statutory reserve represents the amount transferred from profit after taxation of the subsidiaries established in the Mainland of People's Republic of China (the "PRC") in accordance with the relevant PRC laws until the PRC statutory reserve reaches 50% of the registered capital of the respective subsidiaries. The statutory reserve can be applied either in setting off the accumulated losses or increasing capital.

The above condensed consolidated interim statement of changes in equity should be read in conjunction with the accompanying notes.

Condensed Consolidated Interim Statement of Cash Flows

For the six months ended 30 September 2020

		Six months ended 30 September 2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
	Note		
Cash flows from operating activities			
Cash generated from operations		1,378,226	1,664,119
Interest paid		(54,074)	(81,738)
Interest received		4,139	28,535
Income tax paid, net		(98,150)	(133,744)
Net cash generated from operating activities		1,230,141	1,477,172
Cash flows from investing activities			
Investment in structured deposits		(8,962,411)	(3,169,641)
Payment for acquisition of property, plant and equipment		(479,897)	(536,726)
Withdrawal of restricted bank balances		6,848	239,579
Placement of restricted bank balances		(5,147)	(167,004)
Purchase of other intangible assets		(180)	(5,226)
Proceeds from disposal of structured deposits		8,971,027	3,171,283
Proceeds from disposal of property, plant and equipment		3,819	–
Proceeds from disposal of financial assets at fair value through profit or loss		128,684	–
Payment for acquisition of financial assets at fair value through profit or loss		(1,817)	–
Net cash used in investing activities		(339,074)	(467,735)
Cash flows from financing activities			
Dividends paid	13	(455,936)	(229,398)
Repurchase of shares		–	(47,968)
Repayment of borrowings		(731,854)	(953,359)
Payment to non-controlling interests upon deregistration of a subsidiary		–	(13,741)
Net cash used in financing activities		(1,187,740)	(1,244,020)
Net change in cash and cash equivalents		(296,603)	(834,583)
Cash and cash equivalents at the beginning of the period		1,111,111	1,945,754
Cash and cash equivalents at the end of the period		814,508	1,111,171

Notes to the Condensed Consolidated Interim Financial Information

1

Principal activities and nature of operations

Man Wah Holdings Limited (the “Company”) and its subsidiaries (together the “Group”) are principally engaged in the manufacturing and trading of sofa, ancillary products and chairs and other products.

The Company is a limited liability company incorporated in Bermuda under the Companies Act 1981 of Bermuda (as amended) and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) (Stock Code: 01999). The address of its registered office is Canon’s Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

The Group is controlled by Man Wah Investments Limited which is owned by Mr. Wong Man Li and Ms. Hu Wai Hing, directors of the Group.

The functional currency of the Company is United States dollars (“USD”). The condensed consolidated interim financial information of the Company is presented in thousands of units of Hong Kong dollars (“HK\$’000”), unless otherwise stated, for the convenience of the shareholders as the Company is listed in Hong Kong.

The condensed consolidated interim financial information has been approved for issue on 13 November 2020.

The condensed consolidated interim financial information has not been audited.

2

Preparation of condensed consolidated interim financial information

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”).

3

Accounting policies and accounting estimates

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.

3

3.1 New standards and amendments to standards issued but not yet effective

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"	Note

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.

4

4.1 The preparation of condensed consolidated interim financial information

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 March 2020.

5

5.1 Financial risk management

The Group's activities expose it to a variety of financial risks: including currency risk, cash flow interest rate risk, credit risk and liquidity risk. The Group's overall risk management procedures focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the Group's financial performance.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 31 March 2020. There have been no significant changes in the risk management policies since the year end.

5.1.2 董事及高級管理人員的履歷資料

5 附屬公司資料

5.2 附屬公司資料

6 Segment revenue and segment 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 HK\$'000	Other products HK\$'000	Other business HK\$'000	Home Group business HK\$'000	Total HK\$'000
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>

6

綜合收益表

For the six months ended 30 September 2019 (Unaudited)

	Sofa and ancillary products HK\$'000	Other products HK\$'000	Other business HK\$'000	Home Group business HK\$'000	Total HK\$'000
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>

6 地區及客戶分析

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

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(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).

6

For the six months ended 30 September 2020 (Unaudited)				
Segments	Sofa and ancillary products HK\$'000	Other products HK\$'000	Other Business HK\$'000	Home Group business HK\$'000
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	–
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	–	–
Total	<u>4,640,663</u>	<u>1,494,812</u>	<u>168,220</u>	<u>333,197</u>

6

MAN WAH HOLDINGS LIMITED 萬華控股有限公司

Segments	For the six months ended 30 September 2019 (Unaudited)			
	Sofa and ancillary products HK\$'000	Other products HK\$'000	Other Business HK\$'000	Home Group business HK\$'000
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	—	—
	3,830,500	1,122,619	267,837	355,259
Service income – recognised over time	—	—	16,458	—
Total	3,830,500	1,122,619	284,295	355,259
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	—	—
Total	3,830,500	1,122,619	284,295	355,259

7 其他收入

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Sales of raw material & scrap	59,423	60,334
Income on structure deposits	8,604	1,642
Interest income	23,189	28,413
Government subsidies	102,477	82,961
Others	37,402	26,185
	<u>231,095</u>	<u>199,535</u>

8 其他收益及虧損

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Exchange (losses)/gains – net	(12,395)	77,169
Loss on disposal of property, plant and equipment	(4,974)	(1,161)

Operating Profit/(Loss) Details

The following items have been charged/(credited) to the operating profit during the period:

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of inventories	4,225,304	3,561,056
Amortisation of intangible assets	16,385	16,187
Depreciation of property, plant and equipment	172,084	129,766
Depreciation of right-of-use assets	45,160	46,146
Employee benefit expenses (including directors' emoluments)	955,956	767,373
(Reversal of)/provision for impairment of inventories	(13,900)	746

10 Finance Costs

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings	53,838	79,473
Interest on lease liabilities	1,259	1,314
Others	89	2,265
	<u>55,186</u>	<u>83,052</u>

11 Income tax

	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
	132,169	174,036

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.

12 Earnings per share

Earnings per share is computed as follows:

	Six months ended 30 September 2020 (Unaudited)	2019 (Unaudited)
Basic		
Profit attributable to owners of the Company for the period (HK\$'000)	749,303	705,679
Weighted average outstanding ordinary shares, in thousands	3,798,745	3,822,976
Basic earnings per share for the period in HK cents	19.73	18.46
Diluted		
Profit attributable to owners of the Company for the period (HK\$'000)	749,303	705,679
Weighted average outstanding ordinary shares, in thousands	3,798,745	3,822,976
Effect of dilutive potential ordinary shares on exercise of share options	9,088	155
Weighted average outstanding ordinary shares after assuming dilution, in thousands	3,3,13155	

	Property, plant and equipment HK\$'000
As at 31 March 2020 (Audited)	
Cost	5,221,863
Accumulated depreciation	(1,271,876)
Net book amount	<u>3,949,987</u>
For the period ended 30 September 2020	
Opening net book amount	3,949,987
Exchange adjustments	149,032
Additions	417,636
Disposals	(47,553)
Transfer	(56,551)
Depreciation	(172,084)
Closing net book amount	<u>4,240,467</u>
As at 30 September 2020 (Unaudited)	
Cost	5,705,444
Accumulated depreciation	(1,464,977)
Net book amount	<u>4,240,467</u>
As at 31 March 2019 (Audited)	
Cost	4,897,437
Accumulated depreciation	(1,098,689)
Net book amount	<u>3,798,748</u>
For the period ended 30 September 2019	
Opening net book amount	3,798,748
Exchange adjustments	(186,621)
Additions	483,781
Disposals	(3,903)
Transfer	(11,643)
Depreciation	(129,766)
Closing net book amount	<u>3,950,596</u>
As at 30 September 2019 (Unaudited)	
Cost	5,109,601
Accumulated depreciation	(1,159,005)
Net book amount	<u>3,950,596</u>

	Goodwill HK\$'000	Other intangible assets HK\$'000	Total HK\$'000
As at 31 March 2020 (Audited)			
Cost	524,048	278,968	803,016
Accumulated amortisation	—	(90,528)	(90,528)
Net book amount	<u>524,048</u>	<u>188,440</u>	<u>712,488</u>
For the period ended 30 September 2020			
Opening net book amount	524,048	188,440	712,488
Exchange adjustments	12,217	9,772	21,989
Additions	—	180	180
Amortisation	—	(16,385)	(16,385)
Closing net book amount	<u>536,265</u>	<u>182,007</u>	<u>718,272</u>
As at September 2020 (Unaudited)			
Cost	536,265	294,651	830,916
Accumulated amortisation	—	(112,644)	(112,644)
Net book amount	<u>536,265</u>	<u>182,007</u>	<u>718,272</u>
As at 31 March 2019 (Audited)			
Cost	525,904	283,174	809,078
Accumulated amortisation	—	(61,141)	(61,141)
Net book amount	<u>525,904</u>	<u>222,033</u>	<u>747,937</u>
For the period ended 30 September 2019			
Opening net book amount	525,904	222,033	747,937
Exchange adjustments	(17,443)	(6,435)	(23,878)
Additions	—	5,225	5,225
Amortisation	—	(16,187)	(16,187)
Closing net book amount	<u>508,461</u>	<u>204,636</u>	<u>713,097</u>
As at 30 September 2019 (Unaudited)			
Cost	508,461	279,618	788,079
Accumulated amortisation	—	(74,982)	(74,982)
Net book amount	<u>508,461</u>	<u>204,636</u>	<u>713,097</u>

16 Trade and bills receivables

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Trade and bills receivables	1,516,209	1,215,294
Less: provision for impairment of trade and bills receivables	(4,899)	(4,540)
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 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (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.

17 應付賬款

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

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

1 銷售收入

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Sales of sofas	631,956	234,702
Sales of properties	2,482	26,154
	634,438	260,856

1. 借貸

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Secured (Note)	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 ended 31 March 2020: 2.70% to 3.92%.

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	Number of Shares	Amounts HK\$'000
Authorised:		
<i>Ordinary shares:</i>		
At 1 April 2019, 31 March 2020 and 30 September 2020		
– HK\$0.40 each	<u>5,000,000,000</u>	<u>2,000,000</u>
		HK\$'000
Issued and fully paid:		
At 1 April 2019	3,823,123,000	1,529,249
Repurchase of shares (Note)	(33,003,000)	(13,201)
Exercise of share options	<u>5,820,000</u>	<u>2,328</u>
At 31 March 2020	<u>3,795,940,000</u>	<u>1,518,376</u>
At 1 April 2020	3,795,940,000	1,518,376
Exercise of share options	<u>6,524,000</u>	<u>2,609</u>
At 30 September 2020	<u>3,802,464,000</u>	<u>1,520,985</u>

Note:

During the year ended 31 March 2020, 33,003,000 ordinary shares of the Company at HK\$0.40 each were repurchased at a price ranging from HK\$3.73 to HK\$6.53 per share.

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

	Number of share options	
	2020 '000	2019 '000
Outstanding as at 1 April	31,449	37,446
Cancelled/lapsed during the period	(2,298)	(3,228)
Exercised during the period	(6,524)	(182)
Outstanding as at 30 September	22,627	34,036

During the six months ended 30 September 2020, HK\$31,514,000 were received for the share options exercised (Six months ended 30 September 2019: HK\$613,000).

Details of specific categories of options are as follows:

Options	Date of grant	Number of share options outstanding as at 30 September 2020	Vesting period	Exercise period	Original exercise price	Adjusted exercise price
January 2016	26.1.2016	361,600	26.1.2016–25.1.2019	26.1.2019–25.1.2021	8.92	4.46
January 2016	27.1.2016	252,000	27.1.2016–26.1.2019	27.1.2019–26.1.2021	8.92	4.46
January 2017	13.1.2017	269,600	13.1.2017–12.1.2019	13.1.2019–12.1.2021	5.17	N/A
		537,200	13.1.2017–12.1.2020	13.1.2020–12.1.2022	5.17	N/A
		1,544,000	13.1.2017–12.1.2021	13.1.2021–12.1.2023	5.17	N/A
February 2018	12.2.2018	967,600	12.2.2018–11.2.2020	12.2.2020–11.2.2022	7.18	N/A
		1,271,600	12.2.2018–11.2.2021	12.2.2021–11.2.2023	7.18	N/A
		1,159,600	12.2.2018–11.1.2022	12.2.2022–11.1.2024	7.18	N/A
January 2019	28.1.2019	3,541,600	28.1.2019–27.1.2021	28.1.2021–27.1.2023	3.91	N/A
		3,535,200	28.1.2019–27.1.2022	28.1.2022–27.1.2024	3.91	N/A
		3,370,800	28.1.2019–27.1.2023	28.1.2023–27.1.2025	3.91	N/A
January 2020	17.1.2020	2,060,800	17.1.2020–16.1.2022	17.1.2022–16.1.2024	6.53	N/A
		2,009,600	17.1.2020–16.1.2023	17.1.2023–16.1.2025	6.53	N/A
		1,746,000	17.1.2020–16.1.2024	17.1.2024–16.1.2026	6.53	N/A
		22,627,200				

22 資本承諾 (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
	<u>533,272</u>	<u>256,659</u>
Other commitments in respect of		
– construction of property under development	22,460	24,534
– investments in joint ventures	11,358	10,917
	<u>33,818</u>	<u>35,451</u>
	<u>567,090</u>	<u>292,110</u>

23 與關聯方的交易 (Transactions with Related Parties)

During the current interim period, the Group entered into the following transactions with related parties:

	Six months ended 30 September 2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Rental expense paid to related parties (Note)	<u>1,458</u>	<u>1,458</u>

Note: Mr. Wong Man Li and Ms. Hui Wai Hing, who are directors of the Company, are also directors and shareholders of these related companies.

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(4) 董事及高級管理人員酬金

The emoluments of executive directors who are also identified as members of key management of the Group during the period was as follows:

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short-term employee benefits	7,210	7,115
Post-employment benefits	25	30
Equity-settled share-based payment expenses	344	460
	<u>7,579</u>	<u>7,605</u>