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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 2011
PROFIT WARNING
FOR THE FINANCIAL YEAR ENDING 31 MARCH 2012
AND
ON-MARKET SHARE REPURCHASE PLAN**

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 (together the “Group”) for the six months ended 30 September 2011 (“1HFY2012” or the “Review Period”). These interim results have been reviewed by the Company’s audit committee (“Audit Committee”) and its auditor.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

		Six months ended	
		30 September	
	<i>NOTES</i>	2011	2010
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	3	2,126,378	1,979,301
Cost of goods sold		(1,391,044)	(1,106,047)
Gross profit		735,334	873,254
Other income		33,374	14,955
Other gains and losses		9,590	8,499
Selling and distribution expenses		(462,037)	(393,933)
Administrative expenses		(145,702)	(106,006)
Share of profit of jointly controlled entities		1,593	199
Finance costs		(1,694)	(972)
Profit before income tax		170,458	395,996
Income tax expense	4	(28,034)	(24,500)
Profit for the period	5	142,424	371,496
Other comprehensive income			
Exchange difference arising on translation		43,314	11,008
Total comprehensive income for the period		185,738	382,504
Profit for the period attributable to:			
Owners of the Company		142,749	371,868
Non-controlling interests		(325)	(372)
		142,424	371,496
Total comprehensive income for the period attributable to:			
Owners of the Company		185,549	382,876
Non-controlling interests		189	(372)
		185,738	382,504
EARNINGS PER SHARE	7		
Basic (HK cents)		14.71	38.74
Diluted (HK cents)		14.70	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2011

		30 September 2011	31 March 2011
	<i>NOTES</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment		1,152,579	877,001
Investment properties		28,904	28,547
Lease premium for land		101,701	98,802
Intangible assets		1,391	1,465
Interests in jointly controlled entities		1,788	195
Loan to a jointly controlled entity		4,995	4,995
Deferred tax assets		453	453
Refundable earnest money paid for lease premium for land		23,669	23,669
Deposits paid for acquisition of property, plant and equipment		19,440	15,737
		1,334,920	1,050,864
Current assets			
Inventories		575,539	395,017
Trade receivables	8	344,853	331,844
Other receivables and prepayments		219,520	130,843
Amount due from a non-controlling interest		–	1,109
Lease premium for land		2,278	2,206
Derivative financial instruments		–	1,997
Bank balances and cash		1,370,107	1,611,164
		2,512,297	2,474,180
Current liabilities			
Trade payables	9	292,999	221,475
Other payables and accruals		231,084	176,742
Tax payable		8,723	9,231
Derivative financial instruments		–	692
Bank borrowings		130,000	17,500
		662,806	425,640
Net current assets		1,849,491	2,048,540
Total assets less current liabilities		3,184,411	3,099,404

	30 September 2011 <i>HK\$'000</i> (Unaudited)	31 March 2011 <i>HK\$'000</i> (Audited)
Non-current liability		
Deferred tax liabilities	<u>4,669</u>	<u>4,669</u>
	<u>3,179,742</u>	<u>3,094,735</u>
Capital and reserves		
Share capital	388,454	388,454
Reserves	<u>2,770,652</u>	<u>2,706,153</u>
Equity attributable to owners of the Company	3,159,106	3,094,607
Non-controlling interests	<u>20,636</u>	<u>128</u>
	<u>3,179,742</u>	<u>3,094,735</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2011 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2011, except as described below.

In the current period, the Group acquired an additional equity interest in a non-wholly owned subsidiary and adopted the following accounting policy in IAS27 (as revised in 2008) *Consolidated and Separate Financial Statements* for the first time.

Changes in the Group’s ownership interests in existing subsidiaries

Changes in the Group’s ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group’s interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Adoption of new and revised IFRSs effective in the current period

In the current interim period, the Group has applied, for the first time, a number of new or revised Standards and Interpretations (“new and revised IFRSs”) issued by the IASB.

The application of these new or revised IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

IFRSs issued but not yet effective

The Group has not early applied new or revised standards and interpretations that have been issued but are not yet effective. These new or revised standards and interpretations have been disclosed in the consolidated financial statements for the year ended 31 March 2011.

The directors of the Company anticipate that the application of the new or revised standards and interpretations will have no material impact on the results and financial position of the Group.

3. SEGMENT INFORMATION

The Group's operating segments, based on information reported to the Company's executive directors, for the purposes of resource allocation and performance assessment are as follows:

- Sofa (export sales) – manufacture and sale of sofa for customers located outside the PRC
- Sofa (retail and wholesale in Mainland China) – manufacture and distribution of sofa in Mainland China through self-owned shops and distributors
- Sofa (retail and wholesale in Hong Kong) – distribution of sofa in Hong Kong through wholesale and self-owned shops
- Bedding products – manufacture and distribution of mattress and bedding products in the PRC

Information regarding the above segments is reported below.

For the six months ended 30 September 2011

	Sofa (export sales) <i>HK\$'000</i>	Sofa (retail and wholesale in Mainland China) <i>HK\$'000</i>	Sofa (retail and wholesale in Hong Kong) <i>HK\$'000</i>	Bedding Products <i>HK\$'000</i>	Total segments <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
REVENUE							
External sales	1,495,504	466,142	48,782	115,950	2,126,378	–	2,126,378
Inter-segment sales	27,584	16,929	–	19,181	63,694	(63,694)	–
	<u>1,523,088</u>	<u>483,071</u>	<u>48,782</u>	<u>135,131</u>	<u>2,190,072</u>	<u>(63,694)</u>	<u>2,126,378</u>
RESULTS							
Segment results	<u>124,619</u>	<u>51,278</u>	<u>2,587</u>	<u>7,875</u>	<u>186,359</u>	<u>(5,981)</u>	180,378
Interest income							23,315
Rental income							412
Exchange gain – net							8,045
Gain on changes in fair value of derivative financial instruments							1,712
Finance costs							(1,694)
Central administrative costs and directors' remunerations							(43,303)
Share of profit of jointly controlled entities							<u>1,593</u>
Profit before income tax							<u>170,458</u>

For the six months ended 30 September 2010

	Sofa (export sales) <i>HK\$'000</i>	Sofa (retail and wholesale in Mainland China) <i>HK\$'000</i>	Sofa (retail and wholesale in Hong Kong) <i>HK\$'000</i>	Bedding Products <i>HK\$'000</i>	Total segments <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
REVENUE							
External sales	1,513,210	312,242	58,962	94,887	1,979,301	–	1,979,301
Inter-segment sales	23,674	8,989	–	4,365	37,028	(37,028)	–
	<u>1,536,884</u>	<u>321,231</u>	<u>58,962</u>	<u>99,252</u>	<u>2,016,329</u>	<u>(37,028)</u>	<u>1,979,301</u>
RESULTS							
Segment results	<u>342,254</u>	<u>56,039</u>	<u>3,628</u>	<u>17,904</u>	<u>419,825</u>	<u>(4,373)</u>	415,452
Interest income							7,131
Rental income							1,424
Exchange gain – net							1,306
Gain on changes in fair value of derivative financial instruments							7,154
Finance costs							(972)
Central administrative costs and directors' remunerations							(35,698)
Share of profit of jointly controlled entities							199
Profit before income tax							<u>395,996</u>

Inter-segment sales are charged at prevailing market price.

Segment results represent the profits before income tax earned by each segment without allocation of interest income, finance costs, rental income, net exchange gain, central administrative costs and director's remunerations, share of profit of jointly controlled entities and gain on changes in fair value of derivative financial instruments.

4. INCOME TAX EXPENSE

	Six months ended	
	30 September	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax:		
Hong Kong	–	35
PRC Enterprise income tax	22,461	23,808
United States of America (“U.S.”)	2,627	831
	<u>25,088</u>	<u>24,674</u>
Under (over) provision in prior years:		
PRC Enterprise income tax	2,011	(174)
U.S.	935	–
	<u>2,946</u>	<u>(174)</u>
	<u>28,034</u>	<u>24,500</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

Under the Laws of the PRC on Enterprise Income Tax (the “EIT Laws”) and Implementation Regulation of the EIT Laws, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. Certain subsidiaries of the Group operating in the PRC are eligible for certain tax holidays and concessions pursuant to the relevant laws and regulations of local government.

The U.S. income tax charge comprises federal income tax calculated at 34% and state income tax calculated at 6.9% on the estimated assessable profits of the subsidiary of the Company which was incorporated in the U.S..

5. PROFIT FOR THE PERIOD

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

	Six months ended	
	30 September	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Staff costs	219,370	159,559
Rents and rates	62,690	44,439
Release of lease premium for land	1,167	1,078
Amortisation of intangible assets (recognised in selling and distribution expenses)	109	105
Depreciation	39,193	23,438
Listing expenses	–	6,475
Interest income	(23,315)	(7,131)
	<u>219,370</u>	<u>159,559</u>

6. DIVIDENDS

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

	Six months ended 30 September	
	2011	2010
	HK\$'000	HK\$'000
Final dividend for the year ended 31 March 2011 of HK\$0.13 per share (2010: HK\$0.16 per share for the year ended 31 March 2010)	126,248	155,382
Special dividend for the year ended 31 March 2010 of HK\$0.06 per share	–	58,268
Total paid	<u>126,248</u>	<u>213,650</u>

The directors have determined that an interim dividend of HK6 cents per share (six months ended 30 September 2010: HK13.4 cents per share) will be paid to the shareholders of the Company whose names appear in the Company's Register of Members on 2 December 2011.

7. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2011	2010
	HK\$'000	HK\$'000
Earnings		
Profit for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share (HK\$'000)	<u>142,749</u>	<u>371,868</u>
Number of shares		
Weighted average number of ordinary shares in issue during the period for the purpose of basic earnings per share ('000)	970,636	959,894
Effect of dilutive potential ordinary shares – Unvested awarded shares	<u>368</u>	<u>N/A</u>
Weighted average number of ordinary shares in issue during the period for the purpose of diluted earnings per share ('000)	<u>971,004</u>	<u>N/A</u>

The computation of diluted earnings per share for the current period does not assume the exercise of the Company's outstanding share options because the adjusted exercise price of these options was higher than the average market price for shares for the period.

No diluted earnings per share is presented for the period ended 30 September 2010 as the Company did not have any potential ordinary shares in issue during that period or at the end of that reporting period.

8. TRADE RECEIVABLES

Other than cash and credit card sales for retail transactions, the Group generally allows a credit period of 30 to 90 days. The aged 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 2011 HK\$'000	31 March 2011 HK\$'000
0 – 30 days	193,246	201,858
31 – 60 days	112,862	70,976
61 – 90 days	14,835	45,459
Over 90 days	23,910	13,551
	344,853	331,844

9. TRADE PAYABLES

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

	30 September 2011 HK\$'000	31 March 2011 HK\$'000
0 – 30 days	249,436	207,411
31 – 60 days	37,750	11,861
61 – 90 days	2,214	706
Over 90 days	3,599	1,497
	292,999	221,475

10. CAPITAL COMMITMENTS

	30 September 2011 HK\$'000	31 March 2011 HK\$'000
Capital expenditure contracted but not provided in the condensed consolidated financial statements in respect of		
– acquisition of property, plant and equipment	3,571	45,441
– construction of production plant	48,336	374,304
– lease premium for land	1,121	–
	53,028	419,745
Capital expenditure authorised for but not contracted for in the condensed consolidated financial statements in respect of		
– construction of production plant	–	254,202
– acquisition of property, plant and equipment	–	1,547,619
– lease premium for land	87,289	134,125
	87,289	1,935,946

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

The business environment for the six months ended 30 September 2011 posed severe economic challenges. The increased production costs in the price of raw materials, transportation and labor cost added operational pressures onto different industries. However, the Group benefitted from the PRC local government's continuous active implementation of development policies in boosting domestic demand supporting the rapid development of the domestic consumer products industry and in time of adversity, the Group recorded an increase in revenue year on year.

Stable Development of China's Economy

The economy of the People's Republic of China (the "PRC" or "China") had been developing steadily during the year. During the year, in order to prevent the economy from a "hard landing", the central government continued to moderately regulate the economy including tightening excessive liquidity in the market several times by the interest rate policy to avoid the overheating of the economy and to curb inflation. These measures had achieved initial success. According to the data from the National Bureau of Statistics of China, China's GDP in the third quarter of 2011 grew 9.4% year on year, which is comparatively slower than the second quarter of 2011, reflecting the effective implementation of the macro-control measures. Experts expect that a steady and healthy growth of approximately 9.0% will be recorded in China's economy in this year's GDP.

The per capita disposable income of urban residents continued to increase. From January to September 2011, the per capita disposable income of urban residents in China is RMB16,301 with the actual growth of 7.8% year on year, directly contributing to the development of the domestic consumer goods market. The National Bureau of Statistics of China indicated that China's total retail sales of social consumer goods in the first three quarters attained RMB13,081.1 billion with the actual growth of 11.3% year on year, reflecting the strong purchasing power of Chinese consumers, especially in brands with superior quality and those positioned as high-end brands. This contributes to the strong growth momentum in the Group's future business development.

Huge potential in the overseas market

In 2011, many countries in Europe have been affected by the debt crisis and consumers' confidence remains weak. However, with the recent active introduction of new policies by member states of the European Union and the International Monetary Fund striving to resolve the debt crisis in Europe, coupled with the economic downturn, customers are beginning to abandon the traditional European high-end furniture and turn to purchase products with superior functions at competitive prices, which are the advantage of the Group's products. The Company believes that the European market will become the new business growth in the second half of 2011 and in 2012.

In the US market, according to the preliminary data released by the US Department of Commerce, the advance estimate of GDP of the US for the third quarter of 2011 grew at a rate of 2.5% from 2010, the fastest pace since the third quarter of 2010. Consumption expenditures increased by 2.4% in the third quarter of 2011, which was better than market expectations. In respect of the figures in relation to housing in the US, privately-owned houses that commenced construction in September 2011 had increased by 15% since August 2011, reaching 658,000 houses per year and an increase of 10.2% of the rate in September 2010 and was the highest level during previous 17 months. Sales of new homes in September 2011 increased by 5.7% from the August 2011 level. Such figures show that the US economy and US property market had been improving. In addition, the Federal Reserve System of the US launched a new monetary policy to assist the enterprises in financing, increasing jobs and restoring consumers' confidence. The Group believes that the US market will recover gradually.

Financial Review

Revenue and gross profit margin breakdown by export and the PRC sales

	Revenue			As a percentage of sales (%)		Gross profit margin (%)	
	1HFY2012 (HK\$'000)	1HFY2011 (HK\$'000)	Change	1HFY2012	1HFY2011	1HFY2012	1HFY2011
Sofa export sales	1,495,504	1,513,210	-1.2%	70.3%	76.4%	30.8%	42.0%
Mainland China Sofa sales	466,142	312,242	49.3%	21.9%	15.8%	42.1%	46.9%
Bedding sales	115,950	94,887	22.2%	5.5%	4.8%	48.3%	62.1%
HK retail & wholesale sales	48,782	58,962	-17.3%	2.3%	3.0%	47.2%	53.9%
Total	<u>2,126,378</u>	<u>1,979,301</u>	<u>7.4%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>34.6%</u>	<u>44.1%</u>

For 1HFY2012, the total revenue of the Group increased by approximately 7.4% to approximately HK\$2,126.4 million (For the six months ended 30 September 2010 (“1HFY2011” or “Last Corresponding Period”): approximately HK\$1,979.3 million). The increase in revenue was mainly contributed by the increase of sales in the mainland China market. However, such increase was partly offset by the decrease in sales revenue in the US market. Gross profit margin of the Group was approximately 34.6% for 1HFY2012, which recorded a significant decline mainly due to high material costs. The increase in products' price could not fully offset the increase in raw material cost.

Sales Revenue Analysis (by region)

	Mainland China	US	Europe	Canada	Hong Kong	Other areas
1HFY2012 (HK\$'000)	582,092	1,088,567	173,687	123,640	48,782	109,610
1HFY2011 (HK\$'000)	407,129	1,184,976	158,193	83,235	58,962	86,806
Change(%)	43.0%	-8.1%	9.8%	48.5%	-17.3%	26.3%
Percentage of total revenue(%)	27.4%	51.1%	8.2%	5.8%	2.3%	5.2%

Sales Volume and Average Selling Price of “Cheers” Sofa and Gross Profit Margin Analysis

	1HFY2012	1HFY2011	Change
Sales volume (sets)	262,828	275,100	-4.5%
Average selling price of each set of sofa (HK\$)	7,193	6,697	7.4%
Sales revenue of sofa products (HK\$'000)	1,890,635	1,842,345	2.6%
Gross profit margin (%)	34.3%	43.0%	-20.2%

Note: In calculating the selling price, some business customers' products and accessories which are not applicable for calculating comparable average price were excluded.

During the Review Period, revenue from sofa products increased by approximately 2.6% to approximately HK\$1,890.6 million (approximately HK\$1,842.3 million for Last Corresponding Period), accounting for approximately 88.9% of the total revenue of the Group. The increase in sales was mainly due to the increase in the average selling price of each sofa set. The average selling price of each set of sofa increased by approximately 7.4% to approximately HK\$7,193 (approximately HK\$6,697 for the Last Corresponding Period), from which the average selling price of each sofa set in mainland China (including wholesale and retail) increased by approximately 7.8% from approximately HK\$11,985 in the Last Corresponding Period to approximately HK\$12,922 during the Review Period. The average selling price from export (wholesale price) increased approximately 4.9% from approximately HK\$6,144 in the Last Corresponding Period to approximately by HK\$6,447. Total sales volume of sofa was 262,828 sets during the Review Period, which decreased by approximately 4.5% from 275,100 sets in the Last Corresponding Period. Such decrease was mainly due to the decrease in sales volume in the US.

Sales Revenue of “Cheers” Sofa in the mainland China

During the Review Period, the sales revenue of sofa in mainland China increased by approximately 49.3%. From which the sales revenue from self-owned retail store increased by approximately 26.7% to approximately HK\$219.6 million with same-store-growth of approximately 3.6%. The sales revenue from distributor-operated retail stores was approximately HK\$208.6 million, representing a growth of approximately 50.1%, such percentage growth in revenue was higher than the growth rate of the number of retail stores. The growth in revenue during the Review Period was mainly attributed to the following measures adopted by the Group:

(1) Marketing

The Company continued strengthening its marketing efforts during the Review Period to ensure consumers have a better understanding of functional sofas and to boost the Company's brand awareness. Over 600 promoting events were held to effectively increase sales revenue during the Review Period.

(2) Development of Retails Stores

The Group set up brand stores in furniture shopping malls and independent flagship stores. The number of brand stores and independent flagship stores are as follows:

	1HFY2012 <i>Units</i>	1HFY2011 <i>Units</i>	Change
Self-owned retail stores	172	107	60.7%
Distributor-operated retail stores	290	246	17.9%
Total	462	353	30.9%

Sales revenue of sofa in the mainland China's stores	1HFY2012 <i>HK\$'000</i>	1HFY2011 <i>HK\$'000</i>	Change <i>HK\$'000</i>
Self-owned retail stores	219,585	173,301	46,284
Distributor-operated retail stores	208,589	138,941	69,648
Total	428,174	312,242	115,932

Note: The amounts stated above include sales of complementary products and exclude sales to business customers.

(3) Same-Store-Growth

During the Review Period, the Group strengthened its management in sales performance and staff training and implemented a new information system to achieve sustained growth in sales revenue. Same-store-growth (same-store represents the stores which are under operation as at 31 March 2010) of self-owned retail stores was 3.6%. At the same time, the sales revenue from distributor-operated stores also grew by 50.1%, much higher than the growth of store numbers. During the Review Period, the number of distributor-operated stores grew by 17.9%.

(4) Sales to Business Customers

During the Review Period, the sales revenue to high speed train manufacturers of the Group was approximately HK\$38.0 million.

In order to satisfy new requirements of high speed train manufacturers, the Group has continually focused on the research and development of high speed train related products. In addition to providing sofa products to high speed train manufacturers, the Group has also started selling other high speed train furniture. Moreover, the Group also established a department to conduct research and development for specific needs of different customers in order to expand its share in the business customer market.

(5) Expansion of Other Retail Networks

In addition to the sales network as stated above, the Group decided to explore other sales and distribution networks, for instance, establishing strategic cooperative relationships with other retailers and exploring online sales. These sales and distribution channels are still at an initial stage, the Group expects that they will bring the Group new business opportunities.

(6) Increase in Selling Price

With the enhanced awareness of our brand, the Group had competitive advantage in setting the selling price of its products in the mainland China market. In May and September 2011, the Group increased the wholesale and retail prices of “Cheers” sofa by 5% in mainland China. However, such increase could not fully offset the increase in production costs as material costs were still at a high level since last year, which resulted in decrease of the gross profit margin of products during the Review Period.

Sales Revenue from Enlanda Products in mainland China

During the Review Period, the sales revenue from Enlanda products in mainland China increased by approximately 22.2%, from which the sales revenue from self-owned retail stores increased by approximately 36.0%, same-store-growth was increased by approximately 0.2%, and the sales revenue from distributor-operated retail stores was approximately HK\$47.6 million, representing an increase of approximately 6.7%, such growth in sale revenue was higher than the increase in number of stores. As at 30 September 2011, the number of stores of Enlanda was 232 stores, representing an increase of 6 stores from 226 stores as at 30 September 2010.

REVIEW ON EXPORT BUSINESS

The sales revenue from export was approximately HK\$1,495.5 million during the Review Period, representing a decrease of approximately 1.2% as compared with the Last Corresponding Period.

The decrease in sales revenue of exporting during the Review Period was mainly due to the decline in sales revenue in the US while increase was recorded in other countries. Under the influence of the increasing uncertainty from the peripheral economics and weak consumers' confidence, the Group increased the proportion of sales in Europe and emerging markets by exploring new markets, expanding our investment in Europe and introducing new products. All these strategies resulted in a rapid increase of sales on these new areas in 1HFY2012.

During the Review Period, the Group acquired more than 30 new export customers with recognized sales contribution. For existing customers, the Group had been making every effort to satisfy their needs by developing more attractive products. Some of those customers had excellent performance. For instance, Macy's Inc increased its sales revenue by approximately 321.4% and became one of the top five customers of the Group during the Review Period.

Cost of sales breakdown

	1HFY2012 HK\$'000	1HFY2011 HK\$'000	Change
Costs of raw materials	1,262,745	999,789	26.3%
Labour costs	100,170	86,299	16.1%
Others	28,129	19,959	40.9%
Total	<u>1,391,044</u>	<u>1,106,047</u>	<u>25.8%</u>

Major Raw Material	Average unit cost compared change %	% of total cost of sales
Leather	32.9%	40.4%
Metal	15.4%	20.1%
PVC	38.1%	3.0%
Wood	6.7%	8.6%
Fabric	21.6%	6.8%
Chemicals	21.8%	10.2%

Costs of goods sold increased by approximately 25.8% to approximately HK\$1,391.0 million in 1HFY2012, such increase was higher than the increase in sales, therefore resulted in significant decrease in gross profit margin. Labour costs accounted for approximately 7.2% of the total costs of good sold, which was lower than that of approximately 7.8% in 1HFY2011. In addition, raw material costs consumed accounted for approximately 90.8% of the total costs of good sold, which was higher than that of approximately 90.4% in 1HFY2011. Main raw materials consuming include leather, metal, wood, fabric, chemicals and PVC.

OTHER INCOME, OTHER GAINS AND LOSSES

Other income, other gains and losses for 1HFY2012 increased by approximately 83.2% to approximately HK\$43.0 million from approximately HK\$23.5 million in 1HFY2011. Such increase was mainly due to the exchange gain and increase in interest income.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses increased by approximately 17.3% to approximately HK\$462.0 million from approximately HK\$393.9 million. Selling and distribution expenses also increased as a percentage of revenues from approximately 19.9% in 1HFY2011 to approximately 21.7%. The increase was mainly due to the increase in related distribution expense associated with the increase in sales, including:

- (a) rent, property management fee and utility increased by approximately 52.4% from approximately HK\$54.1 million to approximately HK\$82.4 million;
- (b) advertising, promotion and brand building expenses increased by approximately 18.2% from approximately HK\$37.3 million to approximately HK\$44.1 million;

- (c) salaries, allowance of sales staff and commission increased by approximately 47.0% from approximately HK\$35.4 million to approximately HK\$52.1 million;
- (d) depreciation and amortization expenses increased by approximately 194.8% from approximately HK\$4.6 million to approximately HK\$13.4 million; and
- (e) domestic transportation expense increased by approximately 30.3% from approximately HK\$22.7 million to approximately HK\$29.6 million.

However, the export ocean shipping price per container decreased during the Review Period. Offshore transportation and port charges decreased by approximately 5.5% from approximately HK\$214.0 million to approximately HK\$202.2 million.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by approximately 37.4% from approximately HK\$106.0 million in 1HFY2011 to approximately HK\$145.7 million in 1HFY2012. As a percentage of revenue, administrative expenses increased from approximately 5.4% in 1HFY2011 to approximately 6.9% in 1HFY2012. The increase was mainly attributed to the following factors, among others:

- (a) salaries and allowance of employees increased by approximately 77.5% from approximately HK\$36.9 million to approximately HK\$65.5 million including share option expense increased by approximately HK\$4.7 million;
- (b) depreciation expenses increased by approximately 49.8% from approximately HK\$10.7 million to approximately HK\$16.1 million; and
- (c) training expense increased by approximately 176.2% from approximately HK\$1.8 million to approximately HK\$5.1 million.

SHARE OF RESULTS OF JOINTLY CONTROLLED ENTITIES

Share of gain of jointly controlled entities for the Review Period increased by approximately 701.0% to approximately HK\$1.6 million in 1HFY2012 from approximately HK\$199,000 in 1HFY2011.

FINANCE COSTS

In 1HFY2012, the finance costs was approximately HK\$1.7 million, representing an increase of approximately 74.3% from approximately HK\$972,000 in 1HFY2011, such increase was mainly due to the optimization of financial structure where the Group strategically increased its HK\$ loans. Short term loan increased by approximately HK\$82.9 million to HK\$130.0 million at the end of the Review Period as compared with the Last Corresponding Period.

INCOME TAX EXPENSE

Income tax expense increased by approximately 14.4% from approximately HK\$24.5 million in 1HFY2011 to approximately HK\$28.0 million in 1HFY2012. Effective tax rate was approximately 16.4% and 6.2% in 1HFY2012 and 1HFY2011, respectively. Such increase was mainly due to the increased operation profits in relatively high tax rate areas.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY AND NET PROFIT MARGIN

Profit attributable to owners of the Company during the Review Period decreased by approximately 61.6% from approximately HK\$371.9 million in 1HFY2011 to approximately HK\$142.7 million in 1HFY2012. The net profit margin for 1HFY2012 was approximately 6.7% and it was lower compared to approximately 18.8% in 1HFY2011. This was attributed mainly to significant decrease in gross profit margin. Gross profit margin decreased by approximately 9.5% from approximately 44.1% in 1HFY2011 to approximately 34.6% in 1HFY2012. In addition, the proportion of selling and distribution expenses and administration expenses as percentage of revenue increased by approximately 3.3% from approximately 25.3% in 1HFY2011 to approximately 28.6% for the Review Period.

PROFIT WARNING FOR THE FINANCIAL YEAR ENDING 31 MARCH 2012

The Group expects its net profit attributable to owners of the Company in the second half of financial year ending 31 March 2012 will improve compared with the Review Period. Considering the net profit attributable to owners of the Company for the Review Period was significantly lower than the net profit for the Last Corresponding Period, the Company expects that the net profit attributable to owners of the Company for the financial year ending 31 March 2012 will be significantly lower than that of financial year ended 31 March 2011.

Shareholders of the Company (“Shareholders”) and potential investors are advised to exercise caution in dealing in shares of the Company (“Shares”).

WORKING CAPITAL

As at 30 September 2011, bank balance and cash was approximately HK\$1,370.1 million.

During the Review Period, the Group operated with very healthy working capital. The Group was able to generate sufficient working capital from operation for existing business and also for expanding new business.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 September 2011, the Group’s bank borrowings amounted to HK\$130.0 million and are repayable within twelve months from 30 September 2011. The loans bore interest at variable rates.

The Group’s primary source of operating funds are cash flow from operating activities, cash and bank balances. As at 30 September 2011, the Group’s current ratio was 3.79 (31 March 2011: 5.81). The Group maintained a net cash position, reflecting its healthy financial position, paving the way for future development. As at 30 September 2011, the Group’s gearing ratio was 4.1% (31 March 2011: 0.6%), which is defined as total borrowings divided by the sum of share capital and reserves of the Group.

IMPAIRMENT LOSS ON INVENTORY

During the Review Period, the Group did not have any provision of impairment loss on inventory (31 March 2011: approximately HK\$1.1 million).

IMPAIRMENT LOSS ON TRADE RECEIVABLES

As at 30 September 2011, the Group did not have any provision on impairment loss on trade receivables (31 March 2011: approximately HK\$477,000).

PLEDGE OF ASSETS

As at 30 September 2011 and 31 March 2011, the Group did not pledge any of its assets.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Save as disclosed in note 10 to the condensed consolidated financial statements, the Group did not have any material capital commitment. As at 30 September 2011, the Group did not have any contingent liabilities.

FOREIGN CURRENCY RISKS

The Group's exposure to currency risk attributable to the trade and other receivables, bank balances, trade and other payables and bank borrowings, which are denominated in currencies other than the functional currency of the entity to which they related. The Group currently does not have a foreign currency hedging policy. However, the Group's management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

Except for the investments disclosed in the section "Events After Review Period", the Group did not have any significant investments or acquisitions or sales of subsidiaries during the Review Period.

EVENTS AFTER REVIEW PERIOD

On 26 October 2011, Man Wah Furniture Headquarter (Wujiang) Limited ("Man Wah Furniture"), an indirect wholly-owned subsidiary of the Company, successfully tendered for the land located in Wujiang, PRC, for approximately RMB217.2 million (equivalent to approximately HK\$266.4 million) in order to satisfy our customers' needs in East China area. The Group may be eligible for financial incentives of approximately RMB146.6 million (equivalent to approximately HK\$179.8 million) in respect of facilities and accessories. In connection with the construction, development and refurbishment of the land and related buildings, further financial incentives of at least approximately RMB29.9 million (equivalent to approximately HK\$36.7 million) may be available over time but these and other incentives will be subject to such terms and conditions as imposed by the Wujiang government. There is no assurance that Man Wah Furniture will be granted such financial incentives nor is there any assurance it will in fact receive any of such financial incentives. For further information on this acquisition, please refer to the Company's announcement dated 26 October 2011.

On 16 November 2011, Man Wah Industrial Company Limited (“Man Wah Industrial”), an indirect wholly-owned subsidiary, entered into an agreement with Tianjin New Technology Area Wuqing Company (“Tianjin New Technology”), pursuant to which Tianjin New Technology shall assist the Group to acquire a land in Tianjin, PRC, for a consideration of approximately RMB76,763,000 (equivalent to approximately HK\$94,142,000) through the participation of an open tender auction. The Group may be eligible for financial incentives of approximately RMB64,202,000 (equivalent to approximately HK\$78,736,000) in respect of facilities and accessories after the consideration for the acquisition of the land is fully settled. There is no assurance that Man Wah Industrial will be granted such financial incentives nor is there any assurance it will in fact receive any of such financial incentives. For further information on this possible acquisition, please refer to the announcement of the Company dated 16 November 2011.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

We have received gross proceeds from the listing of the Shares on the Main Board of The Stock Exchange of Hong Kong Limited (“Stock Exchange”) of approximately HK\$1,681.8 million. With reference to the supplemental prospectus of the Company dated 29 March 2010, the proceeds will be used for (i) establishing 25 furniture outlets in the PRC, (ii) establishing a production and distribution centre in northern PRC, (iii) construction of new production and distribution facility in Wujiang, Jiangsu, (iv) expansion of “CHEERS” and “ENLANDA” specialty stores, (v) construction of phase 3 of our Huizhou facility, (vi) increasing marketing and advertising to strengthen our brand and (vii) for daily operation.

As at 30 September 2011, we have spent part of the proceeds on the above projects: (i) approximately HK\$316.6 million on construction of phase 3 of our Huizhou facility, (ii) approximately HK\$284.5 million on construction of new production and distribution facility in Wujiang, Jiangsu, (iii) approximately HK\$87.9 million on expansion of “CHEERS” and “ENLANDA” specialty stores, and (iv) approximately HK\$118.5 million on promotion and brand building.

HUMAN RESOURCES

As at 30 September 2011, the Group had 7,163 employees (31 March 2011: 6,271 employees).

The Group provides introductory orientation programs and continuous training to its employees that cover industry knowledge, technology and product knowledge, industry quality standards and work safety standards to enhance the service quality and standard of its staff. The Group will strive to strengthen human resources management to provide strong support for the development of the Group’s business through staff recruitment initiatives and the optimisation of the development of its organisation structure and corporate culture to ensure that the Group will be able to maintain sustainable development in the future.

INTERIM DIVIDEND

Considering the profitability of the Review Period and the solid financial position of the Group, the Board declared an interim dividend of 40.8% of profit attributable to owners of the Company for the six months ended 30 September 2011.

The Board has resolved to declare an interim dividend of HK6.0 cents per share for the six months ended 30 September 2011 (six months ended 30 September 2010: HK13.4 cents per share) payable to those Shareholders whose names appear on the Company’s register of members on 2 December 2011.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (whether on the Stock Exchange or otherwise) during the Review Period.

CLOSURE OF REGISTER OF MEMBERS

Shareholders whose names appear on the Company's register of members on Friday, 2 December 2011, will be eligible for the interim dividend. The transfer books and the register of members of the Company will be closed from Wednesday, 30 November 2011 to Friday, 2 December 2011, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 29 November 2011. The interim dividend is to be payable on or after Monday, 12 December 2011 to the Shareholders whose names appear on the register of members of the Company on Friday, 2 December 2011.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules during the six months ended 30 September 2011 except for the deviation as mentioned below.

Code Provision A.2.1 of the Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Wong Man Li currently holds both positions. The Board believes that with the support of the executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information in a timely manner.

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 2011.

ON-MARKET SHARE REPURCHASE PLAN

A general mandate to repurchase Shares was granted to the Board at the annual general meeting of the Company held on 25 July 2011 (the "Repurchase Mandate"), authorizing the Directors to repurchase up to 97,113,560 Shares. For details of the Repurchase Mandate, please refer to the circular of the Company dated 24 June 2011.

The Board authorized, at its meeting held on 16 November 2011, among other things, the repurchase of ordinary Shares by the Company up to 97,113,560 Shares in on-market transactions pursuant to the Repurchase Mandate commencing from the date after 16 November 2011 (being the end of the black-out period in relation to the release of the Company's 2011 interim results) and ending on the earlier on which the Repurchase Mandate is revoked by Shareholders in general meeting or when it lapses at the next annual general meeting ("Share Repurchase Plan"). Pursuant to such board authorization, Mr. Wong Man Li has been designated to decide, in his discretion, the timing of actual repurchases after taking into account market conditions. Any such Shares so repurchased will be cancelled.

The Company will finance the repurchases (if any) from the Company's existing available cash reserves. The Share Repurchase Plan will be carried out subject to compliance with the Repurchase Mandate and applicable provisions of the Company's Bye-Laws, the Listing Rules, Hong Kong and Bermuda law.

Shareholders and investors should note that as at the date of this announcement, the Company has not repurchased any Shares under the Repurchase Mandate, and any share repurchase the Company may make under the Repurchase Plan will be subject to market conditions and will be at the Company's management's absolute discretion. There is no assurance of the timing, quantity or price of any share repurchases or whether the Company will make any repurchases at all. Shareholders and investors should therefore exercise caution when dealing in the Shares.

Should the Company repurchase any Shares pursuant to the exercise of the Repurchase Mandate and the Share Repurchase Plan, the Company will comply with the relevant reporting requirements under the Listing Rules. The Company will also comply with all relevant regulatory requirements in connection with any share repurchases under the Company's Bye-Laws, the laws of Bermuda, as well as all applicable laws and provisions of the Listing Rules and the Hong Kong Code on Share Repurchases.

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

Hong Kong, 16 November 2011

As at the date of this announcement, the executive Directors are Mr. Wong Man Li, Ms. Hui Wai Hing, Mr. Stephen Allen Barr, Mr. Wang Guisheng and Mr. Alan Marnie. The non-executive Directors are Mr. Ong Chor Wei and Mr. Francis Lee Fook Wah. The independent non-executive Directors are Mr. Lee Teck Leng, Robson, Ms. Chan Wah Man, Carman and Mr. Chau Shing Yim, David.