MANWAH

MAN WAH HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 01999)

Interim Report 2010

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Wong Man Li *(Chairman and Managing Director)*
Hui Wai Hing
Li Jianhong
Stephen Allen Barr
Yu Tung Wan
Francis Lee Fook Wah
Ong Chor Wei *(Non-executive Director)*
Chau Shing Yim, David *(Independent non-executive Director)*
Lee Teck Leng, Robson *(Independent non-executive Director)*
Chan Wah Man, Carman *(Independent non-executive Director)*

AUDIT COMMITTEE

Chau Shing Yim, David *(Chairman)*
Lee Teck Leng, Robson
Chan Wah Man, Carman
Ong Chor Wei

NOMINATION COMMITTEE

Wong Man Li *(Chairman)*
Lee Teck Leng, Robson
Chan Wah Man, Carman
Chau Shing Yim, David

REMUNERATION COMMITTEE

Lee Teck Leng, Robson *(Chairman)*
Wong Man Li
Chan Wah Man, Carman
Chau Shing Yim, David

COMPANY SECRETARY

Yau Sze Yeung

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
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Hong Kong

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STOCK CODE

1999

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Hong Kong

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

	NOTES	Six months ended 30 September 2010 HK$'000 (Unaudited)	2009 HK$'000 (Audited)
Revenue	4	**1,979,301**	1,326,646
Cost of goods sold		**(1,106,047)**	(777,222)
Gross profit		**873,254**	549,424
Other income		**14,955**	5,147
Other gains and losses	5	**8,499**	6,002
Selling and distribution expenses		**(393,933)**	(207,173)
Administrative expenses		**(106,006)**	(68,383)
Share of profit (loss) of jointly controlled entities		**199**	(1,837)
Finance costs		**(972)**	(2,318)
Profit before income tax		**395,996**	280,862
Income tax expense	6	**(24,500)**	(18,640)
Profit for the period	7	**371,496**	262,222
Other comprehensive income			
Exchange difference arising on translation		**11,008**	–
Total comprehensive income for the period		**382,504**	262,222
Profit (loss) for the period attributable to:			
Owners of the Company		**371,868**	255,311
Non-controlling interests		**(372)**	6,911
		371,496	262,222
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**382,876**	255,311
Non-controlling interests		**(372)**	6,911
		382,504	262,222
EARNINGS PER SHARE	9		
Basic (HK cents)		**38.74**	36.14

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2010

	NOTES	**30 September 2010 HK$'000 (Unaudited)**	31 March 2010 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	10	**666,419**	530,762
Investment properties	10	**23,059**	22,914
Lease premium for land		**98,857**	98,888
Intangible assets		**1,519**	1,606
Interests in jointly controlled entities		**354**	155
Loan to a jointly controlled entity		**4,995**	4,995
Deferred tax assets		**280**	280
Deposits paid for acquisition of property, plant and equipment		**12,593**	6,281
		808,076	665,881
Current assets			
Inventories		**383,414**	316,608
Trade receivables	11	**340,057**	192,916
Other receivables and prepayments		**149,784**	97,730
Amount due from a non-controlling interest shareholder of a subsidiary		**1,146**	–
Lease premium for land		**2,156**	2,134
Derivative financial instruments		**11,577**	14,711
Pledged bank deposits		**3,531**	3,531
Bank balances and cash		**1,705,942**	375,460
		2,597,607	1,003,090
Current liabilities			
Trade payables	12	**179,162**	167,305
Other payables and accruals		**236,585**	188,229
Tax payable		**6,936**	10,108
Derivative financial instruments		**539**	984
Bank borrowings	13	**47,080**	125,240
		470,302	491,866
Net current assets		**2,127,305**	511,224
Total assets less current liabilities		**2,935,381**	1,177,105

	NOTES	30 September 2010 HK$'000 (Unaudited)	31 March 2010 HK$'000 (Audited)
Non-current liabilities			
Bank borrowings	13	–	21,960
Deferred tax liabilities		**4,535**	4,513
		4,535	26,473
		2,930,846	1,150,632
Capital and reserves			
Share capital	14	**388,454**	289,526
Reserves		**2,541,642**	861,106
Equity attributable to owners of the Company		**2,930,096**	1,150,632
Non-controlling interests		**750**	–
		2,930,846	1,150,632

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

	Attributable to owners of the Company									
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Special reserve** *HK$'000* *(note i)*	**Other reserve** *HK$'000* *(note ii)*	**PRC Statutory reserve** *HK$'000* *(note iii)*	**Translation reserve** *HK$'000*	**Retained profits** *HK$'000*	**Sub total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total** *HK$'000*
At 1 April 2009 (audited)	266,480	–	–	–	15,650	29,607	492,508	804,245	10,007	814,252
Profit for the period and total comprehensive income for the period	–	–	–	–	–	–	255,311	255,311	6,911	262,222
Dividend paid by Famous Bedding (as defined below) prior to its acquisition by the Group *(note 8)*	–	–	–	–	–	–	(8,400)	(8,400)	(3,600)	(12,000)
At 30 September 2009 (audited)	266,480	–	–	–	15,650	29,607	739,419	1,051,156	13,318	1,064,474
Profit for the period	–	–	–	–	–	–	350,488	350,488	4,635	355,123
Other comprehensive expense for the period	–	–	–	–	–	(565)	–	(565)	–	(565)
Total comprehensive (expense) income for the period	–	–	–	–	–	(565)	350,488	349,923	4,635	354,558
Acquisition of 70% of interests in Famous Bedding (as defined below)	16,132	–	(16,132)	–	–	–	–	–	–	–
Issue of shares for acquisition of additional 30% equity interest of Famous Bedding	6,914	14,753	–	(3,714)	–	–	–	17,953	(17,953)	–
Transfer to PRC statutory reserves	–	–	–	–	11,743	–	(11,743)	–	–	–
Dividend paid	–	–	–	–	–	–	(268,400)	(268,400)	–	(268,400)
At 31 March 2010 (audited)	289,526	14,753	(16,132)	(3,714)	27,393	29,042	809,764	1,150,632	–	1,150,632
Profit (loss) for the period	–	–	–	–	–	–	371,868	371,868	(372)	371,496
Other comprehensive income for the period	–	–	–	–	–	11,008	–	11,008	–	11,008
Total comprehensive income (expense) for the period	–	–	–	–	–	11,008	371,868	382,876	(372)	382,504
Shares issued	98,928	1,582,845	–	–	–	–	–	1,681,773	–	1,681,773
Transaction costs attributable to issue of shares	–	(71,535)	–	–	–	–	–	(71,535)	–	(71,535)
Capital contribution by non-controlling interest	–	–	–	–	–	–	–	–	1,122	1,122
Transfer to PRC statutory reserves	–	–	–	–	9,022	–	(9,022)	–	–	–
Dividend paid *(note 8)*	–	–	–	–	–	–	(213,650)	(213,650)	–	(213,650)
At 30 September 2010 (unaudited)	388,454	1,526,063	(16,132)	(3,714)	36,415	40,050	958,960	2,930,096	750	2,930,846

Notes:

(i) Special reserve arising from the acquisition of 70% equity interest of Famous Bedding Company Limited ("Famous Bedding" and together with its subsidiaries referred to as "Famous Bedding Group") through the Corporate Reorganisation (as described in note 2) represents difference between the nominal value of share capital of Famous Bedding on the date of acquisition and the nominal value of the shares issued by the Company as consideration for the acquisition.

(ii) Other reserve arose from the acquisition of the additional 30% equity interest of Famous Bedding from Weston International Investment Limited ("Weston International"), which was wholly owned by Mr. Yu Tung Wan, a director of the Company, as described in note 2. It represents the difference between the carrying amount of net assets of Famous Bedding Group at the date of acquisition attributable to the additional interest and the fair value of consideration paid by the Company for this acquisition.

(iii) The statutory reserve represents the amount transferred from profit after taxation of the subsidiaries established in the mainland 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 cannot be reduced except where approval is obtained form the relevant PRC authority to apply the amount either in setting off the accumulated losses or increasing capital.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

	Six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Net cash from operating activities	**197,886**	349,290
Net cash used in investing activities		
Purchase of property, plant and equipment	**(148,888)**	(38,901)
Loan to a jointly controlled entity	**–**	(4,995)
Other investing cash flows	**(11,372)**	(9,152)
	(160,260)	(53,048)
Net cash from financing activities		
Gross proceeds from issue of shares	**1,681,773**	–
Dividend paid	**(213,650)**	(12,000)
Repayment of bank borrowings	**(100,120)**	(38,501)
Expenses on issue of shares	**(78,010)**	–
New bank borrowings raised	**–**	60,000
Other financing cash flows	**–**	2,183
	1,289,993	11,682
Net increase in cash and cash equivalents	**1,327,619**	307,924
Effect of foreign exchange rate changes	**2,863**	–
Cash and cash equivalents at beginning of the period	**375,460**	229,325
Cash and cash equivalents at end of the period	**1,705,942**	537,249

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. CORPORATE REORGANISATION AND BASIS OF PRESENTATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

In preparation for the listing of the Company's shares on the Stock Exchange, the entire equity interests of Famous Bedding was transferred to the Company by means of an exchange of shares on 7 December 2009 (the "Corporate Reorganisation"). Famous Bedding was incorporated on 26 April 2006 in Hong Kong with limited liabilities and was 70% owned by Man Wah Investments Limited ("Man Wah Investments") and 30% owned by Weston International which was wholly owned by Mr. Yu Tung Wan, a director of the Company, from the date of incorporation to the date of the exchange of shares. On 7 December 2009, the Company issued a total of 57,616,000 new shares of HK$0.40 each with 40,331,000 shares issued to Man Wah Investments and 17,285,000 shares issued to Weston International to acquire the respective interests. Famous Bedding became a wholly-owned subsidiary of the Company after the Corporate Reorganisation. Details of the Corporate Reorganisation were set out in the prospectus dated 18 March 2010 issued by the Company ("Prospectus").

The interim financial information of the Group for the six months ended 30 September 2009 have been prepared as if the Company had always been the holding company of Famous Bedding. The financial information of the Famous Bedding Group has been incorporated in the interim financial information using the principles of merger accounting as if the 70% equity interest in Famous Bedding held by Man Wah Investments was owned by the Company throughout the six months ended 30 September 2009 and the 30% equity interest in Famous Bedding attributable to Mr. Yu Tung Wan was treated as non-controlling interests up to 7 December 2009. Accordingly, the condensed consolidated statements of comprehensive income, condensed consolidated statements of changes in equity and condensed consolidated statements of cash flows for the period include the results, changes in equity and cash flows of the companies now comprising the Group including the Famous Bedding Group.

3. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2010, except as described below.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised IFRSs") issued by the IASB.

IFRSs (Amendments)	Amendment to IFRS 5 as part of Improvements to IFRSs 2008
IFRSs (Amendments)	Improvements to IFRSs 2009
IAS 27 (Revised)	Consolidated and Separate Financial Statements
IAS 32 (Amendment)	Classification of Rights Issues
IAS 39 (Amendment)	Eligible Hedged Items
IFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
IFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
IFRS 3 (Revised)	Business Combinations
IFRIC 17	Distributions of Non-cash Assets to Owners

The Group applies IFRS 3 (Revised) "Business Combinations" prospectively to business combinations of which the acquisition date is on or after 1 April 2010. The requirements in IAS 27 (Revised) of "Consolidated and Separate Financial Statements" in relation to accounting for the Group's changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 April 2010.

As there was no transaction during the current interim period to which IFRS 3 (Revised) and IAS 27 (Revised) are applicable, the application of IFRS 3 (Revised), IAS 27 (Revised) and the consequential amendments to other IFRSs has had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions to which IFRS 3 (Revised), IAS 27 (Revised) and the consequential amendments to the other IFRSs are applicable.

In addition, as part of Improvements to IFRSs issued in 2009, IAS 17 "Leases" has been amended in relation to the classification of leasehold land. Before the amendment to IAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the condensed consolidated statement of financial position. The amendment to IAS 17 has removed such a requirement. The amendment requires the classification of leasehold land should be based on the general principles set out in IAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendment to IAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 April 2010 based on information that existed at the inception of the leases. The application of amendment to IAS 17 has had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The application of the other new and revised IFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective:

IFRSs (Amendments)	Improvement to IFRSs 2010[1]
IAS 24 (Revised)	Related Party Disclosures[3]
IFRS 1 (Amendment)	Limited Exemption from Comparative IFRS 7 Disclosure for First-Time Adopters[2]
IFRS 7 (Amendments)	Transfers of Financial Assets[4]
IFRS 9	Financial Instruments[5]
IFRIC 14 (Amendment)	Prepayments of a Minimum Funding Requirement[3]
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 July 2011
5 Effective for annual periods beginning on or after 1 January 2013

IFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of IFRS 9 might affect the classification and measurement of the Group's financial assets.

IFRS 9 was revised in October 2010. The revised version adds the requirements for the classification and measurement of financial liabilities. One major change on the classification and measurement of financial liabilities relates to the accounting for change in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The application of IFRS 9 may affect the classification and measurement of the Group's financial assets and financial liabilities.

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

4. 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 the PRC excluding Hong Kong)	–	manufacture and distribution of sofa in the PRC (excluding Hong Kong) 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 2010

	Sofa (export sales) HK$'000	Sofa (retail and wholesales in the PRC) HK$'000	Sofa (retail and wholesales in Hong Kong) HK$'000	Bedding Products HK$'000	Elimination HK$'000	Total HK$'000
REVENUE						
External sales	1,513,210	312,242	58,962	94,887	-	1,979,301
Inter-segment sales	23,674	8,989	-	4,365	(37,028)	-
	1,536,884	321,231	58,962	99,252	(37,028)	1,979,301
RESULTS						
Segment results	342,254	56,039	3,628	17,904	(4,373)	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						395,996

For the six months ended 30 September 2009

	Sofa (export sales) HK$'000	Sofa (retail and wholesales in the PRC) HK$'000	Sofa (retail and wholesales in Hong Kong) HK$'000	Bedding Products HK$'000	Elimination HK$'000	Consolidated HK$'000
REVENUE						
External sales	942,912	226,529	55,328	101,877	–	1,326,646
Inter-segment sales	24,665	12,124	–	5,180	(41,969)	–
	967,577	238,653	55,328	107,057	(41,969)	1,326,646
RESULTS						
Segment results	207,757	48,682	7,657	30,823	(1,091)	293,828
Interest income						636
Rental income						1,269
Fair value gain on investment properties						855
Gain on changes in fair value of derivative financial instruments						9,856
Finance costs						(2,318)
Exchange loss – net						(3,490)
Central administrative costs and directors' remunerations						(17,937)
Share of loss of jointly controlled entities						(1,837)
Profit before income tax						280,862

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/loss, central administrative costs and director's salaries, fair value gain on investment properties, share of profit (losses) of jointly controlled entities and gain on changes in fair value of derivative financial instruments.

5. OTHER GAINS AND LOSSES

	Six months ended 30 September 2010 HK$'000	2009 HK$'000
Gain on changes in fair value of derivative financial instruments	**7,154**	9,856
Exchange gain (loss) – net	**1,306**	(3,490)
Gain (loss) on disposal of property, plant and equipment	**39**	(29)
Impairment loss on trade receivables	**–**	(1,190)
Fair value gain on investment properties	**–**	855
	8,499	6,002

6. INCOME TAX EXPENSE

	Six months ended 30 September 2010 HK$'000	2009 HK$'000
Current tax:		
Hong Kong	**35**	1,129
PRC Enterprise income tax	**23,808**	16,627
Other jurisdictions	**831**	–
	24,674	17,756
Under (over) provision in prior years:		
Hong Kong	**–**	(63)
PRC Enterprise income tax	**(174)**	33
	(174)	(30)
Deferred tax		
Current year	**–**	914
	24,500	18,640

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

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. For companies that were qualified under old law or regulations for incentive tax rate of 15%, the tax rate will progressively increase to 18%, 20%, 22%, 24% and 25% in year 2008, 2009, 2010, 2011 and 2012, respectively. For companies that were still entitled to certain exemption and reliefs ("Tax Benefit") for PRC income tax, the EIT Law allowed the companies to continue to enjoy the Tax Benefit and afterwards change the tax rate to 25%.

7. PROFIT FOR THE PERIOD

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

	Six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
Release of lease premium for land	**1,078**	511
Amortisation of intangible assets (recognised in selling and distribution expenses)	**105**	–
Depreciation	**23,438**	17,425
Impairment loss on inventories (included in cost of goods sold)	**–**	1,723
Impairment loss recognised on interest in a jointly controlled entity	**–**	2,039
Listing expenses	**6,475**	–
Interest income	**(7,131)**	(636)

8. DIVIDENDS

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

	Six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
Final dividend for the year ended 31 March 2010 of HK$0.16 per share	**155,382**	–
Special dividend for the year ended 31 March 2010 of HK$0.06 per share	**58,268**	–
Total paid	**213,650**	–

In addition, an interim dividend of HK$120,000 per share amounting to HK$12,000,000 in aggregate in respect of the six months ended 30 September 2009 was declared and paid by Famous Bedding prior to the completion of the Corporate Reorganisation.

The directors have determined that an interim dividend of HK13.4 cents per share (2009: Nil) will be paid to the shareholders of the Company whose names appear in the Company's Register of Members on 15 December 2010.

9. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2010	2009
Earnings		
Profit for the period attributable to owners of the Company *(HK$'000)*	**371,868**	255,311
Number of shares		
Weighted average number of ordinary shares *('000)*	**959,894**	706,531
Earnings per share		
Earnings per share *(HK cents)*	**38.74**	36.14

The weighted average number of shares for calculating basic earnings per share for the period ended 30 September 2009 has been retrospectively adjusted for the issuance of 40,331,000 shares of the Company to Man Wah Investments as a result of the acquisition of 70% equity interest of Famous Bedding as described in note 2.

No diluted earnings per share are presented as there was no potential ordinary share in issue during both periods.

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

During the current period, the Group acquired property, plant and equipment of HK$155,169,000 (six months ended 30 September 2009: HK$39,616,000) for the purpose of expanding the Group's business.

At 30 September 2010, the directors of the Company considered that the carrying amount of the Group's investment properties do not differ significantly from that which would be determined using fair values at the reporting date. Consequently, no gain or loss on fair value change of investment properties has been recognised in the current period.

11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

Other than cash and credit card sales for retail transactions, the Group generally allows an average 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 2010 *HK$'000*	31 March 2010 *HK$'000*
0 – 30 days	**139,252**	111,131
31 – 60 days	**110,025**	58,167
61 – 90 days	**70,037**	19,649
Over 90 days	**20,743**	3,969
	340,057	192,916

12. TRADE PAYABLES

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

	30 September 2010 *HK$'000*	31 March 2010 *HK$'000*
0 – 30 days	**157,440**	148,665
31 – 60 days	**19,370**	16,865
61 – 90 days	**166**	763
Over 90 days	**2,186**	1,012
	179,162	167,305

13. BANK BORROWINGS

During the current period, the Group did not obtain any new borrowings while for the six months ended 30 September 2009, approximately HK$60,000,000 borrowings was raised. The Group also repaid borrowings of approximately HK$100,120,000 (six months ended 30 September 2009: HK$38,501,000) during the period.

14. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.40 each		
Issued and fully paid:		
At 1 April 2009 and 30 September 2009	666,200	266,480
Issued during the period *(note a)*	57,616	23,046
At 31 March 2010	723,816	289,526
Issued during the period *(note b)*	247,320	98,928
At 30 September 2010	971,136	388,454

For the purposes of these consolidated financial statements, the balance of issued and fully paid share capital at 1 April 2009 and 30 September 2009 presented above represents the aggregate of the share capital of the Company as above and 70% of the share capital of Famous Bedding prior to the Corporate Reorganisation.

Notes:

(a) As detailed in note 2, on 7 December 2009 pursuant to the Corporate Reorganisation, the Company issued 57,616,000 new shares of HK$0.40 each, with 40,331,000 shares to Man Wah Investments and 17,285,000 shares to Weston International. These shares were credited as fully paid up as consideration for the acquisition of the entire equity interest in Famous Bedding. The new shares rank pari passu with the existing shares in all respects.

(b) On 9 April 2010, 241,272,000 shares of HK$0.4 each of the Company were issued at HK$6.8 per share by way of a global offering. The Company's shares have been listed on the Main Board of the Stock Exchange since then.

On 22 April 2010, an over-allotment option was partially exercised and a further 6,047,600 shares of HK$0.4 each of the Company were issued at HK$6.8 per share.

All new shares issued during the period rank pari passu with the existing shares in all respects.

15. CAPITAL COMMITMENTS

	30 September 2010 *HK$'000*	31 March 2010 *HK$'000*
Capital expenditure contracted but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	**167,543**	98,897
Capital expenditure authorised for but not provided for in the condensed consolidated financial statements in respect of construction of production plant	**672,412**	800,000

16. PLEDGE OF ASSETS

At the end of the reporting period, the following assets were pledged to banks for banking facilities of the Group:

	30 September 2010 *HK$'000*	31 March 2010 *HK$'000*
Bank deposits	**3,531**	3,531
Investment properties	**10,300**	10,300
Plant and machinery	**33,689**	17,616
	47,520	31,447

17. RELATED PARTY DISCLOSURES

(I) Related party transactions

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

	Six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
Rental expense paid to a fellow subsidiary	**782**	688
Rental expense paid to a jointly controlled entity	**1,837**	298
Purchase of goods from a jointly controlled entity	**4,022**	–
Purchase of property, plant and equipment from a jointly controlled entity	**57**	–

(II) Related party balances

Details of the Group's outstanding balances with related parties are set out in the condensed consolidated statement of financial position.

18. EVENTS AFTER THE END OF THE INTERIM PERIOD

Pursuant to the written resolution of shareholders of the Company on 5 March 2010, the Company has adopted a Share Option Scheme, details of which have been set out in the paragraph headed "Share Option Scheme" in the section headed "Statutory and General Information" in Appendix VI to the Prospectus. Subsequent to 30 September 2010, 4,100,000 share options with exercise price of HK$10.18 per share were granted to Mr. Stephen Allen Barr, an executive director of the Company, under the Share Option Scheme. These options are exercisable over a period of ten years from 18 October 2010 to 17 October 2020, subject to certain vesting conditions. The directors of the Company are in the process of considering and quantifying the potential impact of the grant of share options.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF MAN WAH HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 4 to 22, which comprises the condensed consolidated statement of financial position of Man Wah Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 September 2010 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

22 November 2010

CHAIRMAN’S STATEMENT

Dear Shareholders,

On behalf of the Board of Man Wah Holdings Limited (“Man Wah” or “Company”) (HK: 1999), it is my pleasure to present to you the interim results of our Company and its subsidiaries (together, the “Group”) for the six months ended 30 September 2010 (“1HFY2011” or “Review Period”). The Review Period began very auspiciously for Man Wah with our listing on the Main Board of The Stock Exchange of Hong Kong Limited on 9 April 2010 which raised gross proceeds of HK$1.68 billion. Since then, I am very happy to report that the closing price of our share price as of 9 November 2010 was HK$13.62, nearly twice our initial public offering offer price.

TRANSITION & TRIUMPH

The global financial crisis that began spreading from Wall Street to the main streets around the world beginning in 2008 left major markets such as the United States of America (“US”) and Europe (“EU”) mired in their worst downturns since the Great Depression of 1929.

However, thanks to the concerted efforts of governments worldwide, country-specific measures were taken to minimise the malaise as much as possible.

Though less impacted thanks in part to its continuously robust economic growth, the People’s Republic of China (“PRC” or “China”) – with its strong reliance on external demand – was greatly helped by the foresight of economic planners in Beijing who quickly unveiled a RMB4 trillion stimulus package to encourage both infrastructure spending and domestic consumption, all of which have helped the PRC economy shake off the worst of the doldrums and return to robust growth in the latter part of 2009.

Sofa export sales continues to make up the predominant portion of our overall revenue. Despite major markets in the US and the EU returning slowly to economic recovery, there has been a gradual reluctance of consumers in these markets to shell out top dollar for domestic name brand luxury sofas. Together with our more competitive selling prices, this presents a tremendous opportunity for Man Wah to gain market share from foreign brands in our key export markets, and our sales overseas these past few reporting periods bear this assertion out.

Additionally, due to continued domestic economic growth, retail outlet expansion and enhanced spending power, PRC consumers are helping the local market contribute more to our top line, and we anticipate seeing parity between export revenue and domestic retail sales revenue in the future.

Man Wah's improving sales performance both in Hong Kong, PRC and overseas has helped us achieve a very robust Review Period. During the Review Period, our total sales surged to approximately HK$1.98 billion, representing an increase of approximately 49.2% over the six months ended 30 September 2009 ("1HFY2010") (1HFY2010: HK$1.33 billion). Profit for the Review Period grew by approximately 41.7% over 1HFY2010 to approximately HK$371.5 million (1HFY2010: HK$262.2 million). Basic earnings per share over the Review Period were HK38.74 cents (1HFY2010: HK$36.14 cents per share), representing an increase of approximately 7.2%. In order to reward our shareholders ("Shareholders"), the Board has recommended the payment of an interim dividend of HK13.4 cents per share (1HFY2010: Nil). The total dividend payout ratio for the Review Period amounted to approximately 35%.

MOVING FORWARD WITH CONFIDENCE

Man Wah enjoyed impressive growth for all its major product categories in the Review Period. During the Review Period, total gross profit rose significantly to HK$873.3 million from the HK$549.4 million recorded in 1HFY2010.

Broken down by products and regions, our bedding products segment gross profits in the Review Period rose to HK$58.9 million from HK$57.8 million in 1HFY2010; PRC Sofa gross profits rose to HK$146.5 million from HK$102.7 million in 1HFY2010; and the gross profits of our biggest seller, sofa exports, saw a significant increase to HK$636.1 million from HK$354.2 million in 1HFY2010.

We were also very pleased to see gross profit margins for all these product categories improve in the Review Period, which allowed our total gross profit margin to improve to approximately 44.1% over the Review Period from approximately 41.4% in 1HFY2010.

Our commitment to the PRC market continues apace, as our total number of CHEERS brand retail stores in China grew from 296 as at 31 March 2010 to 353 as at 30 September 2010, of which 107 are self-owned and 246 are operated by distributors. To enhance our CHEERS brand in China, we have established our CHEERS brand flagship store in Wuhan in June 2010. Such new-generation flagship store, with its larger space and elegant decor, provide a much superior shopping experience for our customers.

We also made headlines when we announced in July this year that the Group entered into agreements with a China high speed train manufacturer and railway vehicle companies to supply furniture, including sofa beds and sofas, for the CRH series of high-speed trains in the PRC.

We believe this bold new undertaking holds tremendous growth potential for the Group given the rapid expansion of the country's high-speed rail network, the disconnect between sometimes unpredictable consumer demand that exposure to the transportation sector affords, and finally the extremely positive support that the CRH series and the high-speed rail network overall enjoys from the PRC government. It is a new milestone reached by the Group and a testament of our branding and expertise in this area.

A PERIOD OF HONING OUR COMPETITIVE STRENGTHS

Man Wah's success is founded on a deep understanding of the importance of "Partnership" in which the Group fully values both customers and Shareholders as long-term partners ensuring the continuous growth of the Company for the betterment of all parties. Therefore, we focus on the long-term sustainability of the business rather than short-term gains amid business volatility. This business philosophy has contributed to our strong, stable growth over the years, and is characterised by the following:

1) **Brand Building** – The Group views brand building and development as key elements in growing the Man Wah business. We have established CHEERS as the market leader in the PRC reclining sofa sector. To better promote our brand in China, we have also retained Mr. Sun Hong Lei, a leading movie star in the PRC, as our brand spokesman. In the US and EU, we are also putting together a series of promotional activities through international exhibitions to brand CHEERS as an alternative to the market leaders in the recliner sofa sector. We are seeing great success as we have rapidly expanded our market share in the US over the past three years. CHEERS is currently the only Chinese brand in the top 10 of the North America recliner sofa market.

   In addition, our mattress division is also committed to growing our premium ENLANDA brand in Hong Kong and China while our LAND brand is also gaining popularity for its wood-based furniture.

2) **Capacity** – We believe in controlling the quality of our products by keeping production inhouse rather than outsourcing. With the completion of the two phases in our Huizhou facility in 2007, our capacity has expanded to 516,000 sofa units per annum which allows the Company to expand rapidly over the last few years. We have plans to expand the Group capacity to 816,000 sofa units per annum by the financial year of 2012.

   We have also commenced work on a 300,000-unit production capacity facility in Wujiang, Jiangsu Province, China which will help expand our marketing reach and reduce logistics expenses. Currently, the Company's management is also exploring sites in northern China to set up a production/distribution centre to cater for the northern China market.

3) **Distribution Channel** – As Man Wah's business has grown, the importance of controlling brand image and positioning also became extremely important. During the Review Period, the Group accelerated its retail expansion plans in China to cater for a strong growing demand for CHEERS and ENLANDA products in the PRC.

RETAIL GROWTH, MARKET DEVELOPMENT

Our Group revenue in the Review Period rose sharply to HK$1.98 billion from HK$1.33 billion in 1HFY2010.

Over three-quarters of the revenue during the Review Period was derived from sofa export sales, but the Group expects the PRC market to continue to contribute more to the top line going forward.

As testimony to our confidence in the fast-growing Chinese market, we eventually plan to increase domestic sales to 50% of total sales.

Management believes that many of the factors that have contributed to the Group's strong growth during the Review Period will continue in the second half of financial year 2011 and beyond. Therefore, we plan to continue to follow our successful strategies while making adjustments where necessary to bring maximum value to our shareholders and premium service to our customers.

WORDS OF APPRECIATION

On behalf of the board, I would like to take this opportunity to extend my heartfelt thanks to all the staff for their loyalty and contributions to the Group during the Review Period. I would also like to express my sincere gratitude to our valued Shareholders, bankers and business associates for their support and trust. The Group will continue to build on our core competence to strengthen our leadership position.

Let us toast the bright prospects of Man Wah.

Cheers!

Wong Man Li
Chairman
Man Wah Holdings Limited

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

While it may be premature to completely downplay the lingering effects of the global economic downturn, we here at Man Wah Holdings Limited ("Man Wah" or the "Company" and together with its subsidiaries, the "Group") cannot help but feel the worst of the financial tsunami that first reared its head in 2008 and swept over the entire globe... is now over.

The fact that our retail sales and exports both grew at impressive rates for the six months ending 30 September 2010 ("1HFY2011" or "Review Period") gives us confidence to declare that the era of robust business growth has returned to Man Wah.

Fundamental economic drivers are bringing our export markets back to healthy states, supplemented by financial and monetary stimulus packages by various governments meant to return consumers to work, put money back in their pocket and give retailers the confidence to restock their inventories.

But the People's Republic of China (the "PRC") market has been the star performer of late.

The foresight of economic regulators in Beijing at the height of the global downturn in the form of a nearly RMB4 trillion stimulus package, pro-domestic consumption policy in the wake of anemic external demand and government support for key domestic industries has helped make the PRC, the world's most populous nation to become one of our biggest single country markets.

Experts are forecasting that the PRC's economy will have a double-digit full-year growth, and the fact that PRC's GDP for the third quarter of 2010 increased by 9.6% is testimony to the effectiveness of the economic growth measures.

A more important the indicator for us is retail sales, which grew significantly to 18.6% in October 2010. We at Man Wah stand to benefit tremendously from the vitality and growing confidence of the domestic market situation.

The domestic furniture market is no exception, and our current No.1 position in the PRC reclining sofa sector is looking increasingly unassailable because of our robust sales growth and aggressive retail outlet expansion.

As at 30 September 2010, Man Wah had 353 "CHEERS" specialty stores, comprising 246 distributors' stores and 107 self-owned stores.

We aim to increase the number of stores to more than 400 retail outlets by 31 March 2011 ("FY2011").

The National Day Golden Week holiday in early October 2010 was a "golden" opportunity for Man Wah, and augured very auspicious signals of robust domestic sales to come.

We are very encouraged by the strong response from consumers during our Golden Week sales in China in the first week of October 2010. Our self-owned stores alone recorded sales of RMB36.2 million, up a whopping 38.7% from the same 7 days period in 2009.

This is a strong testament of our brand recognition in the PRC market. We are seeing strong consumer sentiment in the market and we believe this is sustainable throughout the year with the substantial contribution from the Golden Week holiday to be reflected in the earnings for the second half of FY2011, the six months ending 31 March 2011 ("2HFY2011"). With the opening of more specialty stores, we expect our PRC retail sales to be even stronger going forward.

The labour market in China continues to charge forward, giving a rapidly expanding middle class the wherewithal and confidence to invest in the durable goods and furniture to make their living spaces, whether homes or apartments, reflective of the years of hard work they have put in.

Rising disposable incomes and a rising local currency mean more spending power and confidence for PRC consumers.

Housing statistics are by no means lagging behind GDP growth, with more and more rural residents adopting cities as their homes and residential complexes springing up across the country in cities of all sizes.

Financial review

Revenue and gross profit margin breakdown by export and PRC sales

	Revenue *(HK$'000)*			**As a percentage of sales** *(%)*		**Gross profit margin** *(%)*	
	1HFY2011	1HFY2010	**Change %**	**1HFY2011**	1HFY2010	**1HFY2011**	1HFY2010
Sofa export sales	**1,513,210**	942,912	60.5%	**76.4%**	71.1%	**42.0%**	37.6%
Sofa PRC sales	**312,242**	226,529	37.8%	**15.8%**	17.1%	**46.9%**	45.3%
Bedding PRC sales	**94,887**	101,877	-6.9%	**4.8%**	7.6%	**62.1%**	56.7%
HK retail & wholesale sales	**58,962**	55,328	6.6%	**3.0%**	4.2%	**53.9%**	62.9%
Total	**1,979,301**	1,326,646	49.2%	**100.0%**	100.0%	**44.1%**	41.4%

For 1HFY2011, the total revenue of the Group increased by approximately 49.2% to approximately HK$1,979.3 million (For the six months ended 30 September 2009 ("1HFY2010"): HK$1,326.6 million). The increase is attributed to a all-round performance from the sofa export segment which rose by approximately 60.5%; sofa PRC segment which rose by approximately 37.8%; and the Hong Kong ("HK") retail & wholesale segment which rose by approximately 6.6%. The increase was somewhat offset by a decline of approximately 6.9% in the bedding PRC sales over the corresponding period in 2009. Gross profit margin on a Group basis improved further from approximately 41.4% in 1HFY2010 to approximately 44.1% in 1HFY2011. The improved gross margin was attributed to better pricing and product mix from sofa export sales, sofa PRC sales and bedding PRC sales.

During 1HFY2011, we have gained more than 64 new export customers when comparing with 1HFY2010. This partly accounted for good showing in the sofa export sales segment where revenues rose from HK$942.9 million in 1HFY2010 to HK$1,513.2 million in 1HFY2011. Better consumer sentiments globally during the Review Period compared to the corresponding period in 2009 also boosted the Group's export sales. Average selling prices for the sofa export sales was higher by approximately 7.2% for 1HFY2011 at an average price of HK$6,144 per sofa unit. PRC sofa sales were the other major factor that contributed to the improved revenue for the Review Period, rising from HK$226.5 million in 1HFY2010 to HK$312.2 million in 1HFY2011. The higher revenues came about as a result of both higher number of "CHEERS" specialty stores and higher average selling price. The total number of specialty stores during the Review Period increased from 71 to 107 for self-operated stores and from 225 to 246 for stores operated by distributors. The average selling price was also higher by approximately 14.3% for 1HFY2011 compared to 1HFY2010 at approximately HK$12,000. Bedding PRC sales during the Review Period decreased by approximately 6.9% at HK$94.9 million. This was notwithstanding the total number of "ENLANDA" specialty stores increased from 200 in 1HFY2010 to 226 in 1HFY2011. Self-operated "ENLANDA" stores increased from 36 to 58 while distributors' operated stores rose from 164 to 168. The drop in comparative sales was attributed to the closure of 18 distributors' operated stores and average selling price was namely unchanged during the Review Period.

Revenue breakdown by region (HK$'000)

	PRC	**US**	**Europe**	**Canada**	**HK**	**Others**
1HFY2011	407,129	1,184,976	158,193	83,235	58,962	86,806
1HFY2010	328,406	643,958	171,559	66,698	55,328	60,697
Change *(%)*	24.0%	84.0%	-7.8%	24.8%	6.6%	43.0%
As percentage of total revenue	20.6%	59.9%	8.0%	4.2%	3.0%	4.3%

For 1HFY2011, United States of America ("US") remained as the fastest growing country with sales rising by approximately 84.0% from HK$643.9 million in 1HFY2010 to HK$1,185.0 million in 1HFY2011. Of the 64 new export customers, 32 came from the US including Macy's, an US department store. The next fast growing region came from 'Others' which counted improved sales arising from countries such as Australia and countries in Asia. Sales to Canada and the PRC also recorded double digit growth of approximately 24.8% and approximately 24.0%, respectively. Sales to Europe was however decreased by approximately 7.8% as a number of our retailers in the Europe undergone restructuring. This was due mainly to the worsened sentiment during the Review Period precipitated by the sovereign risk issues in the various European countries.

Growth in revenue from "CHEERS" brand in the PRC is summarised as follows:

	1HFY2011	1HFY2010	**Change** *(%)*
Revenue *(HK$'000)*	**312,242**	226,529	37.8%
Number of 'CHEERS' specialty stores as at 30 September	**353**	296	19.3%

Revenue, sales volume and average selling price of "CHEERS" brand sofa

	1HFY2011	1HFY2010	**Change** *(%)*
Sales volume *(sets)*	**275,100**	188,800	45.7%
Average selling price per sofa set *(HK$)*	**6,697**	6,330	5.8%
Gross profit margin *(%)*	**43.0%**	40.1%	7.2%

Revenue from "CHEERS" brand sofa products rose by approximately 55.2% to approximately HK$1,849.1 million in 1HFY2011 (1HFY2010: HK$1,191.6 million), accounting for approximately 93.4% of the Group's total revenue. The growth in revenue was mainly due to the increase in the sales volume by approximately 45.7% to 275,100 sets in 1HFY2011 (1HFY2010: 188,800 sets) and the average selling price by approximately 5.8% to HK$6,697 per sofa set in 1HFY2011 (1HFY2010: HK$6,330 per sofa set). The growth in average selling price was primarily as a result of increase in average selling price for the PRC market by approximately 14.3% from approximately HK$10,500 to HK$12,000 per sofa set and export market by approximately 7.2% from approximately HK$5,732 to HK$6,144 per sofa set. As a result of the higher average selling price and a better product mix during the Review Period, the gross profit margin increased from approximately 40.1% to approximately 43.0%.

PRC sofa sales (self-owned vs distributors)

Retail stores	**1HFY2011** *Units*	1HFY2010 *Units*	**Change** *(%)*
Self-owned retail stores	**107**	71	50.7%
Distributor-operated retail stores	**246**	225	9.3%
Total	**353**	296	19.3%

Cost of sales breakdown

	1HFY2011 *HK$'000*	1HFY2010 *HK$'000*	**Change** *(%)*
Cost of raw materials consumed	**999,789**	683,313	46.3%
Labour costs	**86,299**	76,576	12.7%
Others	**19,959**	17,333	15.2%
Total	**1,106,047**	777,222	42.3%

For 1HFY2011, cost of sales increased by approximately 42.3% over the 1HFY2010 to HK$1,106.0 million and this is in line with the increase in revenues. Direct labour as a portion of total cost of goods sold was approximately 7.8% in 1HFY2011 as compared to approximately 9.9% in 1HFY2010. On the other hand, cost of raw materials consumed as a portion of total cost of goods sold was approximately 90.4% as compared to approximately 87.9% in 1HFY2010. The main components for raw materials consumed comprised of leather, metal, wood, foam and pvc and on a comparative basis, these materials average cost has gone up between 4% to 39%.

OTHER GAINS AND LOSSES

Other gains and losses for 1HFY2011 increased by approximately 41.6% to approximately HK$8.5 million. This was attributed to an exchange gain of HK$1.3 million (1HFY2010: exchange loss of HK$3.5 million) and an absence of any impairment loss on trade receivables.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses increased by approximately 90.1% or HK$186.7 million from approximately HK$207.2 million to approximately HK$393.9 million. Selling and distribution expenses also increased as a percentage of revenues from approximately 15.6% in 1HFY2010 to approximately 19.9%. The increase was mainly due to the following factors, among others:

(a) transportation, port charges and freight costs increased by approximately HK$114.9 million to approximately HK$236.7 million;

(b) commissions and salaries related to sales increased by approximately HK$11.4 million to approximately HK$35.4 million;

(c) rental, rates and building management fee increased by approximately HK$24.5 million to approximately HK$50.8 million; and

(d) advertising, promotion and brand building expenses increased by approximately HK$31.7 million to approximately HK$37.3 million.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses increased by approximately HK$37.6 million or approximately 55.0% from approximately HK$68.4 million in 1HFY2010 to approximately HK$106.0 million in 1HFY2011. As a percentage of revenues, general and administrative expenses increased marginally from approximately 5.2% in 1HFY2010 to approximately 5.4% in 1HFY2011. The increase was mainly attributed to the following factors, among others:

(a) salaries, allowance and other staff costs increased by approximately HK$13.2 million to approximately HK$36.9 million;

(b) legal and professional fees increased by approximately HK$0.2 million to approximately HK$13.1 million;

(c) depreciation expenses increased by approximately HK$5.8 million to approximately HK$10.7 million; and

(d) advertising expenses increased by approximately HK$7.7 million to approximately HK$8.6 million.

SHARE OF RESULTS OF JOINTLY CONTROLLED ENTITIES

Share of gain of jointly controlled entities for the Review Period increased to approximately HK$199,000 in 1HFY2011 as compared to a loss of approximately HK$1.8 million in 1HFY2010.

FINANCE COSTS

Finance costs decreased by approximately HK$1.3 million to approximately HK$1.0 million in 1HFY2011 due to the decrease in interest rate and loan outstanding.

INCOME TAX EXPENSE

Income tax expense increased by approximately HK$5.9 million from approximately HK$18.6 million in 1HFY2010 to approximately HK$24.5 million in 1HFY2011 which is mainly due to the increase in operating profit and increase in tax rate for certain PRC subsidiaries. Effective tax rate for 1HFY2011 was lower at approximately 6.2% compared to approximately 6.6% in 1HFY2010.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY AND NET PROFIT MARGIN

Profit attributable to owners of the Company increased by approximately HK$116.6 million or approximately 45.7% from approximately HK$255.3 million in 1HFY2010 to approximately HK$371.9 million in 1HFY2011. The net profit margin for 1HFY2011 was lower at approximately 18.8% as compared to approximately 19.8% in 1HFY2010. This was attributed mainly to higher operating expenses for the Review Period.

WORKING CAPITAL

We seek to effectively manage our cash flow and capital commitments and to ensure that we have sufficient funds to meet our existing and future cash requirements. In general, we have the ability to generate adequate cash from our operations to fund our ongoing operating cash needs and the continuing expansion of our business. While we do not currently have any plans to raise material external debt financing, we may use short-term bank borrowings to finance operations and repay bank borrowings once our funding position is in surplus. We have not experienced and do not expect to experience any difficulties meeting our obligations as they become due.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 September 2010, the Group's bank borrowings amounted to approximately HK$47.1 million and are repayable within twelve months from 30 September 2010. The loans bore interest at variable rates.

The Group's primary source of operating funds are cash flow from operating activities and cash and bank balances. As at 30 September 2010, the Group's current ratio was 5.53 (31 March 2010: 2.04). The Group maintained a net cash position, reflecting its healthy financial position, paving the way for future development. As at 30 September 2010, the Group's gearing ratio was 1.6% (31 March 2010: 12.8%), which is defined as total borrowings divided by the sum of share capital and reserves of the Group.

IMPAIRMENT LOSS ON INVENTORY

For the Review Period, the Group did not have any impairment loss on inventory.

IMPAIRMENT LOSS ON TRADE RECEIVABLES

As at 30 September 2010, the Group did not have any impairment loss on trade receivables (31 March 2010: HK$1.1 million).

PLEDGE OF ASSETS

As at 30 September 2010, the Group had pledged certain bank deposits, investment properties and plant and machinery to banks to secure for bank borrowings. As at 30 September 2010, the aggregate carrying value of these assets was approximately HK$47.5 million (31 March 2010: HK$31.4 million).

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Save as disclosed in note 15 to the consolidated financial statements, the Group did not have any material capital commitment. As at 30 September 2010, 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

The Group did not have any significant investments or acquisitions or sales of subsidiaries during the Review Period.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

We have received gross proceeds from the listing of shares on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") of approximately HK$1,681,773,000. 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, and (v) construction of phase 3 of our Huizhou facility and for daily operation.

As at 30 September 2010, we have spent part of the proceeds on the above projects: (i) approximately HK$107,221,000 on construction of phase 3 of our Huizhou facility, (ii) approximately HK$82,119,000 on construction of new production and distribution facility in Wujiang, Jiangsu, (iii) approximately HK$33,164,000 on expansion of "CHEERS" and "ENLANDA" specialty stores, and (iv) approximately HK$39,268,000 on the promotion and brand building.

HUMAN RESOURCES

As at 30 September 2010, the Group had 5,894 employees (31 March 2010: 5,655 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.

As at 30 September 2010, the total staff cost for the Group amounted to approximately HK$143.6 million (31 March 2010: HK$238.9 million), of which approximately HK$5.5 million (31 March 2010: HK$8.5 million) was directors' emoluments.

OTHER INFORMATION

INTERIM DIVIDEND

In view of the strong business growth and the solid financial position of the Group, the Board declared an interim dividend of 35% of profit attributable to owners of the Company for the six months ended 30 September 2010.

The Board has resolved to declare an interim dividend of HK13.4 cents per share for the six months ended 30 September 2010 (six months ended 30 September 2009: Nil) payable to those shareholders whose names appear on the Company's register of members on 15 December 2010.

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.

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

The Directors of the Company who held office at 30 September 2010 had the following interests in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as at 30 September 2010 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

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

Name of director	Number of shares held as: Beneficial owner	Spouse interest	Corporate interest	Total interests	Approximate percentage of the issued share capital of the Company (as at 30 September 2010)
Mr. Wong Man Li	–	–	595,612,000	595,612,000 *(Note 1)*	61.33%
Mr. Li Jianhong	9,000,000	–	–	9,000,000	0.93%
Mr. Stephen Allen Barr	1,256,000	–	–	1,256,000	0.13%
Mr. Yu Tung Wan	–	–	17,285,000	17,285,000 *(Note 2)*	1.78%
Mr. Francis Lee Fook Wah	2,000,000	–	–	2,000,000	0.21%

Note:

1. These 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.

2. These shares are beneficially owned by Weston International Investment Limited which, in turn, is wholly-owned by Mr. Yu Tung Wan.

Save as disclosed above, as at 30 September 2010, 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", 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 during the six months ended 30 September 2010.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 September 2010, according to the register kept by the Company under Section 336 of the SFO, the following companies and persons had interests in the shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

(a) Long positions in the shares of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company (as at 30 September 2010)
Man Wah Investments Limited	Beneficial	595,612,000	61.33%

Save as disclosed above, as at 30 September 2010, the Company has not been notified of any other person (other than the Directors and chief executives of the Company) who had an interest or short position in the shares and/or underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTIONS

On 5 March 2010, the share option scheme ("Scheme") which complies with the requirements of Chapter 17 of the Listing Rules was adopted by the shareholders of the Company. Details of movements in the share options under the Scheme after the Review Period were as follows:

Category or name of grantees	Options to subscribe for shares of the Company: At the beginning of the Review Period	Transferred to other category after the Review Period	At the date of the interim report	Date of grant	Exercise period	Exercise price per share
Director of the Company						
Mr. Stephen Allen Barr	–	4,100,000	4,100,000	18.10.2010	18.10.2010 – 17.10.2020	HK$10.18
	–	4,100,000	4,100,000			

Note:

Such share options 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.

AUDIT COMMITTEE

The Company has engaged the Auditor to assist the Audit Committee to review the 2010 interim results of the Group. A meeting of the Audit Committee was held with the Auditor and the management of the Company on 22 November 2010 for, amongst other things, reviewing the interim results of the Group for the six months ended 30 September 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 13 December 2010 to Wednesday, 15 December 2010, 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 No. 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, 10 December 2010.

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 2010 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 2010.

By Order of the Board
Wong Man Li
Chairman

Hong Kong, 22 November 2010