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MANWAH

MAN WAH HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 01999)

Interim Report **2011**

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Wong Man Li *(Chairman and Managing Director)*
Hui Wai Hing
Stephen Allen Barr
Wang Guisheng (appointed on 25 May 2011)
Alan Marnie (appointed on 6 October 2011)
Li Jianhong (resigned on 6 October 2011)
Yu Tung Wan (resigned on 6 October 2011)
Francis Lee Fook Wah *(Non-executive Director)*
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

Law Kim Fai (appointed on 28 June 2011)
Yau Sze Yeung (resigned on 28 June 2011)

AUDITOR

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

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COMPLIANCE ADVISOR

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REGISTERED OFFICE

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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LEGAL ADVISERS

Reed Smith Richards Butler
Appleby

PRINCIPAL BANKERS

Hong Kong and Shanghai Banking Corporation Limited
Standard Chartered Bank
Hang Seng Bank

STOCK CODE

1999

WEBSITE

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INVESTOR RELATIONS CONSULTANT

Kreab Gavin Anderson
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Hong Kong

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors of Man Wah Holdings Limited ("Man Wah" or the "Company") (Hong Kong Stock Code: 01999), it is my pleasure to present the interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2011 ("1HFY2012" or the "Review Period").

BUSINESS REVIEW

During the Review Period, the Group implemented pro-active measures to address severe economic challenges both domestically and overseas, including stringent control of production costs, modification of product structure and sales strategies and strengthening internal overall planning and monitoring, by which the Group managed to achieve steady growth in sales within the Review Period. During the Review Period, the Group further strengthened its exploration in both overseas and domestic markets, through which the "Cheers" brand under the Group continued to maintain its leading position as the top brand in the recliner sofa market in China which, at the same time, is the only Chinese enterprise ranked as one of the ten largest furniture supplier companies in the US. The endeavors and success of the Group have been well recognized by the capital market. In 2011, the Group was listed as "Asia's 200 Best Under A Billion" by the globally renowned "Forbes Magazine", marking the recognition of the business prospects and competitiveness of the Group.

OVERSEAS MARKETS

With prominent quality products at competitive prices, the Group has successfully established an excellent brand image and retained loyal customers in the European and US markets despite the credit crisis in these markets. In an industry report from a leading US furniture magazine "Furniture Today" published in May this year, the Group was ranked as the Top 10 Sources for the US furniture market in 2010, with the fastest growth in the sales revenue in the US in last year, which was much higher than that of the overall industry and reflected a rapid expansion in the sales volume of the Group and its market share in the US. Despite the weak consumer confidence, the sales market of the Group in the US was not significantly affected during the Review Period.

The European market was another development highlight of the Group. During the Review Period, the Group achieved notable results in its business expansion plan for the localization and expansion of the sales team. As a result, excellent performance was achieved with a steady increase in the number of orders while orders from the European market during the Review Period grew more than 20% year on year. In view of the gradual result from the Group's development in the European market, it is expected that the growth in sales in the second half of this year and next year will be more encouraging.

THE PRC MARKET

As the top manufacturer and retailer of recliner sofas in China, the Group continued to expand its retail network during the Review Period in order to further expand its market share in China. Currently, the Group has more than 700 retail outlets throughout the PRC, including major cities such as Shanghai and Shenzhen. The Group also continued to strengthen its cooperation with large commercial customers such as high speed train manufacturers. In order to enhance the brand's awareness and its penetration rate, the Group paid more attention to marketing activities, which included more than 600 marketing activities through various media channels such as CCTV, local media and outdoor advertising, to further strengthen the brand image of "Cheers".

In the seventh (2010) assessment campaign of China's Influential Brands held in the beginning of 2011, first-class cabin sofa of "Cheers", recognized by the society and general consumers, won the award of "China's Most Influential Brand", representing a strong recognition and affirmation to our products' quality, after-sales services, corporate reputation and brand awareness and image while also establishing the Group's leading position in Chinese furniture market.

PROSPECTS

With the development of fast-growing domestic economy and the Chinese customers' rising demand for improving their quality of life, the Group has successfully completed an upgrade and transformed its business from a traditional manufacturing industry into the largest production base of functional sofa in Asia. Looking forward, despite the increasing uncertainty from the peripheral economics, the Company possesses a stable balance sheet together with strong cash flows that could benefit the Company in capturing mergers and acquisitions that may emerge any time, in order to increase market share.

STRENGTHENING THE POSITION AS AN INTERNATIONAL BRAND

As a renowned furniture manufacturer and retailer in the domestic and overseas market, the Group has been pursuing its policy of brand building based on its corporate vision of "To Be a Globally First-Class and Respected Home Furniture Enterprise". "Cheers" sofa, which has been widely known as a luxury brand in China and well recognized in the US furniture industry, has been granted a number of awards for its outstanding performance both domestically and overseas. "Enlanda" mattress was awarded as the "Consumers' Most Favourable Furniture Brand" by the mass media including *Xinmin Late News* and *Dong Fang Daily*. In addition, many luxury houses and villas have become classics well-furnished by "Morewell", earning a high recognition among the high-end customers in Hong Kong. Henceforth, in order to further enhance the Group's brand awareness and customer loyalty, the Group will continue to provide comfortable furniture with enjoyment to more domestic and overseas consumers.

EXPANDING SALES OUTLETS AND SALES MODEL

The Group will continue to expand the European and US markets. In the US market, the Group will focus on the sales of its single recliner chairs and will launch new products to meet various customers' needs. In the European and other overseas markets, the Group will continue to intensively expand the local sales teams and attract more new customers. In addition to the major cities in Europe, the Group's existing sales network also covers markets in areas including Japan, Australia, Taiwan and South Africa. Going forward, the Group will invest more to develop these markets in order to diversify sales.

Faced with the huge potential of the PRC market, the Group will, by actively grasping the growth opportunities, implement "twin-pronged operating strategy" which is increasing the number of both self-operated stores and distributor-operated stores, more over, expand new sales channels. Along with the strong growth in the PRC furniture market, the Company expects to re-adjust the proportion of domestic sales and export to 50% each in the next 5 years.

BOOSTING INVESTMENT IN R&D

The Group is committed to provide customers with comfortable, functional and exquisitely designed furnitures aiming to introduce healthy, comfortable, valuable and fashionable homes to thousands of households. The Group also firmly believes that its on-going success will take place when it continues to release new products, and therefore devotes its efforts in researching and developing innovative products. Each year, the Group launches more than 200 new models of sofa products, in offering all-rounded and more comfortable enjoyment to its customers. In addition, in response to the change in markets, the Group will invest more in the research and development of European styled sofa to further increase our European market share.

ON-GOING EXPANSION OF CAPACITY

The Group is making every effort to expedite the launch of its capacity expansion strategic plan. Following the completion of upgrading the capacity in Phase 3 of Huizhou facility earlier this year, another new production base of the Group in Wujiang, Jiangsu is also under construction at full speed. With an annual capacity amounting to 300,000 sets of sofa, this production facility is expected to be completed and put into operation in the second half of 2012, upon which, the overall planned annual capacity of the Group would be further increased to 1,116,000 sets.

Meanwhile, the Company will further expand the Northern China market and is planning to build a new production facility in Tianjin, for which the right of land use and the relevant approval documents have been obtained. The site confirmation of the new production base in Northern China symbolizes that the overall production strategy of the Group is consummated at its early stage across the Southern China, Central China and Northern China. Accordingly, it is expected to reduce the logistics cost and shorten the delivery time between Northern China and the northeastern China market, resulting in an enhanced competitive edge of the Company in the PRC market and better positioning itself to capture the ample opportunities arising from the increasing demand of reclining sofa in the domestic market.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to extend my heartfelt thanks to all the staff in different departments for their contributions during the Review Period. I would also like to express my sincere gratitude to our shareholders and business associates for their extended support and trust. The Group will continue to strive for strengthening its core competence and securing a leading position among recliner sofa producers and retailers around the world.

Wong Man Li
Chairman
Man Wah Holdings Limited

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.

BUSINESS REVIEW

In the Review Period, the revenue of the Group recorded an increase year on year. Although the raw materials cost and the transportation expense were still at high level and placed significant pressures onto the products' gross profit margin during the Review Period, the Group, with stringent control of production costs and modification of product structure and sales strategies. It is expected that the gross profit margin will rebound from its low level for the six months ending 31 March 2012.

Brand Promotions

According to a market research report published by Euromonitor International Plc ("Euromonitor") in May this year, the market of Chinese recliner sofas only represents about 7% of the total proportion of the sofa products market, reflecting recliner sofas still has a huge room for development in the PRC market. With the rising demand for improving life quality in China, the role of living room as a home leisure center continues to be taken seriously and sofa has become an indispensable element for enhancing comfort in the living room. The Group, as a leading enterprise in recliner sofas, will continue to strengthen the brand image and increase the number of distribution outlets in order to grasp business opportunities from the rising demand for the recliner sofas in the PRC market.

In the overseas market, with prominent quality products at competitive prices, punctual and reliable delivery time, and well established close working relationships with excellent retailers. The Group will continue to promote its brand and products through participating in a number of major international furniture fairs, including furniture shows in High Point of North Carolina, Melbourne, Australia and Las Vegas.

Product Portfolio

During the Review Period, the Group continued put more resources in product research, design and development and introduced furniture products with a keen market sense to catch up with the consumers' preference. For the six months ended 30 September 2011, we have developed a total of 143 new products, the new developed products including "push-back" series chairs, functional sofa series with adjustable headrest and yacht exclusive sofa. In the overseas market, we have also introduced dozens of recliner chairs in the US market during the Review Period to further expand our product line.

Sales Channel

During the Review Period, the Company continued its twin-pronged strategy: prominent retail presence in Mainland China and Hong Kong as well as direct exports to overseas customers.

Retail Sales

As at 30 September 2011, the Group operated 172 "Cheers" and 70 "Enlanda" specialty stores in 19 cities in Mainland China, including the first and second tiers cities such as Shenzhen, Guangzhou and Shanghai, and 7 "Cheers", "Enlanda" and "Morewell" retail stores in Hong Kong.

As at 30 September 2011, distributors of the Group operate 290 "Cheers" and 162 "Enlanda" specialty stores in over 27 provinces in Mainland China including the second and third tiers cities such as Xiamen, Qingdao and Nanjing.

Overseas Exports

The Group exports the "Cheers" recliner sofas to overseas retailers in the US and Europe directly. In the US market, we continue to strengthen the cooperation with major furniture retailers, including American Signature Inc., Flexsteel Industries Inc., Room To Go Furniture Corporation and Macy's Inc, etc., and expand our customer base. During the Review Period, we had more than 30 new export customers with recognized sales orders.

In the European market, the development strategy of localized sales team supports us to better understand the latest market development and strengthen the partnerships with medium & large-size furniture retailers like Steinhoff International Holdings Ltd. The Group successfully obtained more than 20 new European customers in the Shanghai International Furniture Exhibition at the end of September this year, including two of the top five furniture retailers of the United Kingdom, CSL and AHF. In view of the gradual result from the development of the Group in the European market, it is predicted that the growth of sales in the six months ending 31 March 2012 will be more encouraging.

Online Sales

Our online retail sales platform "Taobao Mall", was opened in July of this year and received overwhelm market response. The accumulated volume of eye browse of the platform exceeded 700,000 as of the end of September this year. During the National Day holiday, the turnover has even achieved more than RMB4.1 million.

Internal Operation

The Group further improved the Company's operation efficiency through the SAP system, which helped the Group in integrating all major functions, including procurement, manufacturing, export, local retail management, finance and human resources, saving operation costs and further improving its competitive advantage.

Expansion of Capacity

With an insightful corporate vision the Group launched its capacity expansion plan to meet the continuing growth of sales and well prepare for the future development. The overall production strategy of the Group is gradually establishing across China. In Central China, a new production base in Wujiang, Jiangsu is under construction at full speed and this production facility is expected to be completed and put into operation in the second half of 2012, upon which, the planned overall annual production capacity of the Group would be further increased to 1,116,000 sets.

The Group is also planning to build a new production base in Tianjin, where the land use rights and the relevant approval documents have been obtained. With the successive completion of the production bases in Huizhou, Wujiang and Tianjin, the Group's annual production capacity of sofa will be increased dramatically and further strengthen the Group's leading position as being the top brand in the recliner sofa market in China.

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	**2,126,378**	1,979,301	7.4%	**100.0%**	100.0%	**34.6%**	44.1%

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 attributable to the increase in 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 product 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	1HFY2011	**Change**
	Units	*Units*	
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**	1HFY2011	**Change**
	HK$'000	*HK$'000*	*HK$'000*
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	**1,391,044**	1,106,047	25.8%

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 which 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 16 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 dominated 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.

As announced by the Company on 16 November 2011, on 19 August 2011, Man Wah Furniture (China) Limited, an indirect wholly-owned subsidiary of the Company, successfully tendered for a land for industrial use situated at Kai Yuan Road South, Wuqing Development Area, Tianjin, the PRC for RMB65.4 million (equivalent to approximately HK$80.2 million) with a total site area of 356.38 acres (equivalent to approximately 237,706.1 square metres) ("Land A"). The term of use of Land A is 50 years. On 16 August 2011, deposit for tender of RMB16.9 million (equivalent to approximately HK$20.7 million) was paid and the remaining amount of RMB48.5 million (equivalent to approximately HK$59.5 million) is to be settled within 6 months from 19 August 2011.

On the same date, Man Wah Industrial Company Limited ("Man Wah Industrial"), an indirect wholly-owned subsidiary of the Company, entered into an agreement with Tianjin New Technology Area Wuqing Company ("Tianjin New Technology") to confirm the consideration and financial incentives for Land A. Pursuant to such agreement Man Wah Industrial may be eligible for, among others, financial incentives of approximately RMB54.7 million (equivalent to approximately HK$67.0 million) in respect of facilities and accessories within 15 business days after the transfer payment of the Land A 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.

Having considered the future development in the PRC of the Group, the Group has decided that Land A is insufficient to meet the future expansion needs of the manufacturing factory in Tianjin.

On 16 November 2011, Man Wah Industrial entered into another agreement with Tianjin New Technology, pursuant to which Tianjin New Technology shall assist Man Wah Industrial to acquire a land with a total site area of 418.71 acres (equivalent to approximately 279,279.57 square metres) ("Land B") next to Land A for a consideration of approximately RMB76.8 million (equivalent to approximately HK$94.1 million) through the participation of an open tender auction. If Land B is successfully tendered for by Man Wah Industrial, Man Wah Industrial may be eligible for financial incentives of approximately RMB64.2 million (equivalent to approximately HK$78.7 million) in respect of facilities and accessories after the transfer payment of the Land B 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. Please refer to the announcement of the Company dated 16 November 2011 for details of the transaction.

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.

PROSPECTS

The Ministry of Commerce, the Ministry of Finance and The People's Bank of China jointly proposed the opinion on boosting domestic demand in 12th Five-Year Plan period (the "Opinion") in earlier time, pursuant to which the PRC government asserts its strategy of boosting domestic demand to support the development of the PRC economy. It was mentioned in the Opinion that in order to establish favorable grounds for boosting domestic demand, the Ministry of Commerce proposed to stipulate every January to be "the month for boosting consumption" once a year start from 2012, in which united sales events will be held in the PRC with the purposes of "boosting consumption and development and benefiting people". It will also require that local commerce departments should arrange for year sales events in holidays and with local features.

It is expected that with the measure proposed by the PRC government to boost domestic demand and increasing demand for reclining sofa will bring the Group a strong force to develop. We are confident about the development of the Group and will continue to implement our strategy with a steadfast and prudent approach to actively respond to market challenges and opportunities. In addition to consolidating our existing strengths, we will also continue to enhance our competitiveness to strengthen our leading position in the international furniture market.

OTHER INFORMATION

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.

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 interim report, 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.

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

As at 30 September 2011, the interests or short positions of the directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept under Section 352 of the SFO, or which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they are taken or deemed to have under such provisions of the SFO), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

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

	Number of shares held as			
Name of director	Beneficial owner	Corporate interest	Total interests	Approximate percentage of the issued share capital of the Company[1]
Mr. Wong Man Li	–	601,967,200	601,967,200[2]	61.99%
Mr. Li Jianhong	7,032,000	–	7,032,000[3]	0.72%
Mr. Stephen Allen Barr	6,046,000	–	6,046,000[4]	0.62%
Mr. Yu Tung Wan	22,000	17,285,000	17,307,000[5]	1.78%
Mr. Wang Guisheng	230,000	–	230,000[6]	0.02%

Notes:

1. The percentage of the Company's issued share capital is based on the 971,135,600 Shares issued as at 30 September 2011.

2. These 601,967,200 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, and Mr. Wong is therefore deemed to be interested in the entire 601,967,200 Shares held by Man Wah Investments Limited. Mr. Wong is also the sole director of Man Wah Investments Limited.

3. These 7,032,000 Shares include 32,000 Shares awarded to Mr. Li Jianhong on 15 June 2011. He resigned as an executive director on 6 October 2011 and the 32,000 Shares will not vest.

4. These 6,046,000 Shares include 4,640,000 Share options beneficially owned by Mr. Stephen Allen Barr.

5. These 17,307,000 Shares include 17,285,000 Shares beneficially owned by Weston International Investment Limited which, in turn, is wholly-owned by Mr. Yu Tung Wan, and Mr. Yu is therefore deemed to be interested in the 17,285,000 Shares held by Weston International Investment Limited, and 22,000 Shares awarded to Mr. Yu Tung Wan on 15 June 2011. He resigned as an executive director on 6 October 2011 and the 22,000 Shares will not vest. Mr. Yu is also the sole director of Weston International Investment Limited.

6. These 230,000 Shares include 200,000 share options beneficially owned by Mr. Wang Guisheng and 30,000 Shares awarded to Mr. Wang Guisheng on 15 June 2011, to be vested on 15 June 2014.

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

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

Save as disclosed above, as at 30 September 2011, 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 2011.

CHANGE IN DIRECTORS' BIOGRAPHICAL DETAILS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in director's biographical details of the Company are as follows:

Name of Directors	Particulars of Changes
Mr. Ong Chor Wei	Total annual remuneration increased by HK$50,000 to HK$250,000 from 1 April 2011
Mr. Francis Lee Fook Wah	Total annual remuneration increased by HK$50,000 to HK$250,000 from 1 April 2011
	Appointed as an independent director on the board of Sheng Siong Group Limited, a company listed on the SGX-ST
Mr. Chau Shing Yim, David	Total annual remuneration increased by HK$50,000 to HK$250,000 from 1 April 2011
Mr. Lee Teck Leng, Robson	Total annual remuneration increased by HK$50,000 to HK$250,000 from 1 April 2011
Mr. Chan Wah Man, Carman	Total annual remuneration increased by HK$50,000 to HK$250,000 from 1 April 2011
Mr. Stephen Allen Barr	Total annual remuneration increased by US$180,000 to US$680,000 from 6 October 2011

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 September 2011, the following companies and persons (other than directors or chief executives of the Company) had interests or short positions in the shares of the Company as recorded in the register kept by the Company under Section 336 of the SFO, or 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[1]
Man Wah Investments Limited	Beneficial owner	601,967,200	61.99%

Note 1: The percentage of the Company's issued share capital is based on the 971,135,600 Shares issued as at 30 September 2011.

Save as disclosed above, as at 30 September 2011, 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. Details of movements in the share options under the Scheme ("Share Options") during the Review Period were as follows:

					Number of share[1]				
Grantee	Date of grant[2]	Vesting period	Exercisable period[3]	Exercise price per share HK$	Outstanding at 1.4.2011	Granted during the Review Period	Cancelled/ Lapsed during the Review Period	Exercised during the Review Period	Outstanding at 30.9.2011
Mr. Stephen Allen Barr	18.10.2010	18.10.2010 – 17.4.2012	18.4.2012 – 17.10.2020	10.18	2,100,000	–	–	–	2,100,000
		18.10.2010 – 17.10.2015	18.10.2015 – 17.10.2020	10.18	2,000,000	–	–	–	2,000,000
	30.6.2011	30.6.2011 – 29.6.2013	30.6.2013 – 29.6.2015	8.11	–	240,000	–	–	240,000
	6.7.2011	6.7.2011 – 5.7.2014	6.7.2014 – 5.7.2016	8.55	–	300,000	–	–	300,000
Mr. Wang Guisheng	6.7.2011	6.7.2011 – 5.7.2014	6.7.2014 – 5.7.2016	8.55	–	200,000	–	–	200,000
Other employees[4]	6.7.2011	6.7.2011 – 5.7.2014	6.7.2014 – 5.7.2016	8.55	–	4,000,000	215,000	–	3,785,000
					4,100,000	4,740,000	215,000	–	8,625,000
Exercisable at end of the Review Period									–

Notes:

1. Number of shares in the Company over which options granted under the Scheme are exercisable.

2. The Closing price of the Share immediately before the date on which the Share Options were granted on (i) 18 October 2010, i.e. on 15 October 2010 was HK$10.00, (ii) 30 June 2011, i.e. on 29 June 2011 was HK$8.01, and (iii) 6 July 2011, i.e. on 5 July 2011 was HK$8.43.

3. Share options under each grant are subject to the restrictions that up to 50% and 100% of the total options granted will be exercisable during the period of 18th and 60th months respectively from the date of acceptance of the grant of options by the relevant grantees.

4. Of the 4,000,000 Share Options granted to the Group's other employees on 6 July 2011, 300,000 Share Options were granted to Mr. Alan Marnie, an executive director of the Company appointed on 6 October 2011.

SHARE AWARD SCHEME

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

During the Review Period, details of the movements in the number of Shares granted by the Company to employees of the Company and directors pursuant to the Share Award Scheme were as follows:

Category	Date of grant	Fair value per share[1]	As at 1.4.2011	Granted during the Review Period	Cancelled/ lapsed during the Review Period	As at 30.9.2011
		HK$				
Employees	11 February 2011	12.34	350,800	–	49,400	**301,400**
Mr. Wang Guisheng	15 June 2011	8.60	–	30,000	–	**30,000**
Mr. Li Jianhong[2]	15 June 2011	8.60	–	32,000	–	**32,000**
Mr. Yu Tung Wan[3]	15 June 2011	8.60	–	22,000	–	**22,000**
			350,800	84,000	49,400	**385,400**

Notes:

1. The fair value of the awarded Shares was calculated based on the closing price per Share on the date of grant.

2. Mr. Li Jianhong resigned as an executive director of the Company on 6 October 2011, and the 32,000 Shares awarded will not vest.

3. Mr. Yu Tung Wan resigned as an executive director of the Company on 6 October 2011, and the 22,000 Shares awarded will not vest.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the Review Period, there were no transactions in the Group which need to be disclosed as connected transactions and continuing connected transactions in accordance with the requirements of the Listing Rules.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

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

NON-COMPETITION UNDERTAKING

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

MAJOR CUSTOMERS AND SUPPLIERS

In the Review Period, sales to the Group's five largest customers and purchases from the five largest suppliers accounted for around 27.9% and 39.4% of the total revenue and purchases for the Review Period, respectively. The Group's largest supplier accounted for around 12.1% of the total purchases for the Review Period, and none of the Group's customer individually accounted for more than 10% of the total revenue of the Group.

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

AUDIT COMMITTEE

The Company has engaged Deloitte Touche Tohmatsu, the auditor of the Company ("Auditor") to assist the audit committee of the Company ("Audit Committee") to review the interim results of the Group during the Review Period. A meeting of the Audit Committee was held with the Auditor and the management of the Company for, amongst other things, reviewing the unaudited interim results of the Group for the six months ended 30 September 2011.

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.

By Order of the Board
Wong Man Li
Chairman

Hong Kong, 16 November 2011

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 32 to 52, 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 2011 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

16 November 2011

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

	NOTES	Six months ended 30 September 2011 HK$'000 (Unaudited)	2010 HK$'000 (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	4	**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	5	**(28,034)**	(24,500)
Profit for the period	6	**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	8		
Basic (HK cents)		**14.71**	38.74
Diluted (HK cents)		**14.70**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2011

	NOTE	30 September 2011 HK$'000 (Unaudited)	31 March 2011 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	9	**1,152,579**	877,001
Investment properties	9	**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	10	**344,853**	331,844
Other receivables and prepayments	10	**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	11	**292,999**	221,475
Other payables and accruals	11	**231,084**	176,742
Tax payable		**8,723**	9,231
Derivative financial instruments		**–**	692
Bank borrowings	12	**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

	NOTE	30 September 2011 HK$'000 (Unaudited)	31 March 2011 HK$'000 (Audited)
Non-current liability			
Deferred tax liabilities		**4,669**	4,669
		3,179,742	3,094,735
Capital and reserves			
Share capital	13	**388,454**	388,454
Reserves		**2,770,652**	2,706,153
Equity attributable to owners of the Company		**3,159,106**	3,094,607
Non-controlling interests		**20,636**	128
		3,179,742	3,094,735

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

	Attributable to owners of the Company												
	Share capital	**Share premium**	**Special reserve**	**Other reserve**	**PRC Statutory reserve**	**Translation reserve**	**Shares held under share award scheme**	**Share award scheme reserve**	**Share option reserve**	**Retained profits**	**Sub-total**	**Non-controlling interests**	**Total**
	HK$'000	*HK$'000*	*HK$'000* *(note i)*	*HK$'000* *(note ii)*	*HK$'000* *(note iii)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 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 7)*	–	–	–	–	–	–	–	–	–	(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
Profit (loss) for the period	–	–	–	–	–	–	–	–	–	250,428	250,428	(622)	249,806
Other comprehensive income for the period	–	–	–	–	–	46,705	–	–	–	–	46,705	–	46,705
Total comprehensive income (expense) for the period	–	–	–	–	–	46,705	–	–	–	250,428	297,133	(622)	296,511
Purchase of shares under share award scheme	–	–	–	–	–	–	(6,476)	–	–	–	(6,476)	–	(6,476)
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	244	3,742	–	3,986	–	3,986
Transfer to PRC statutory reserves	–	–	–	–	16,387	–	–	–	–	(16,387)	–	–	–
Dividend paid	–	–	–	–	–	–	–	–	–	(130,132)	(130,132)	–	(130,132)
At 31 March 2011 (audited)	388,454	1,526,063	(16,132)	(3,714)	52,802	86,755	(6,476)	244	3,742	1,062,869	3,094,607	128	3,094,735

	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	Shares held under share award scheme HK$'000	Share award scheme reserve HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
Profit (loss) for the period	–	–	–	–	–	–	–	–	–	142,749	142,749	(325)	142,424
Other comprehensive income for the period	–	–	–	–	–	42,800	–	–	–	–	42,800	514	43,314
Total comprehensive income for the period	–	–	–	–	–	42,800	–	–	–	142,749	185,549	189	185,738
Capital contribution by non-controlling interest	–	–	–	–	–	–	–	–	–	–	–	20,089	20,089
Acquisition of additional interest in a subsidiary	–	–	–	(230)	–	–	–	–	–	–	(230)	230	–
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	756	4,672	–	5,428	–	5,428
Transfer to PRC statutory reserves	–	–	–	–	207	–	–	–	–	(207)	–	–	–
Dividend paid *(note 7)*	–	–	–	–	–	–	–	–	–	(126,248)	(126,248)	–	(126,248)
At 30 September 2011 (unaudited)	388,454	1,526,063	(16,132)	(3,944)	53,009	129,555	(6,476)	1,000	8,414	1,079,163	3,159,106	20,636	3,179,742

Notes:

(i) Special reserve arose from the acquisition of 70% equity interest of Famous Bedding Company Limited through corporate reorganisation. It represents the 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 equity interest in subsidiaries. It represents the difference between the carrying amount of net assets of the acquired interest 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 of People's Republic of China (the "PRC") in accordance with the relevant PRC laws until the PRC statutory reserve reaches 50% of the registered capital of the respective subsidiaries. The statutory reserve cannot be reduced except where approval is obtained from 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 2011

	Six months ended 30 September 2011 HK$'000 (Unaudited)	2010 HK$'000 (Unaudited)
Net cash from operating activities	**36,940**	197,886
Net cash used in investing activities		
Purchase of property, plant and equipment	**(278,417)**	(148,888)
Deposit paid for acquisition of property, plant and equipment	**(19,040)**	(12,521)
Other investing cash flows	**905**	1,149
	(296,552)	(160,260)
Net cash from financing activities		
Dividend paid	**(126,248)**	(213,650)
Repayment of bank borrowings	**(12,500)**	(100,120)
New bank borrowings raised	**125,000**	–
Capital injection by non-controlling interest	**20,089**	–
Gross proceeds from issue of shares	**–**	1,681,773
Expenses on issue of shares	**–**	(78,010)
	6,341	1,289,993
Net (decrease) increase in cash and cash equivalents	**(253,271)**	1,327,619
Effect of foreign exchange rate changes	**12,214**	2,863
Cash and cash equivalents at beginning of the period	**1,611,164**	375,460
Cash and cash equivalents at end of the period	**1,370,107**	1,705,942

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) HK$'000	Sofa (retail and wholesale in Mainland China) HK$'000	Sofa (retail and wholesale in Hong Kong) HK$'000	Bedding Products HK$'000	Total segments HK$'000	Elimination HK$'000	Total HK$'000
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)	–
	1,523,088	483,071	48,782	135,131	2,190,072	(63,694)	2,126,378
RESULTS							
Segment results	124,619	51,278	2,587	7,875	186,359	(5,981)	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							1,593
Profit before income tax							170,458

For the six months ended 30 September 2010

	Sofa (export sales) HK$'000	Sofa (retail and wholesale in Mainland China) HK$'000	Sofa (retail and wholesale in Hong Kong) HK$'000	Bedding Products HK$'000	Total segments HK$'000	Elimination HK$'000	Total HK$'000
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)	–
	1,536,884	321,231	58,962	99,252	2,016,329	(37,028)	1,979,301
RESULTS							
Segment results	342,254	56,039	3,628	17,904	419,825	(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

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. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2011	2010
	HK$'000	*HK$'000*
Gain on changes in fair value of derivative financial instruments	**1,712**	7,154
Exchange gain – net	**8,045**	1,306
(Loss) gain on disposal of property, plant and equipment	**(167)**	39
	9,590	8,499

5. INCOME TAX EXPENSE

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

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..

6. PROFIT FOR THE PERIOD

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

	Six months ended 30 September 2011 HK$'000	2010 HK$'000
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)

7. DIVIDENDS

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

	Six months ended 30 September 2011 HK$'000	2010 HK$'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	**126,248**	213,650

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.

8. 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 HK$'000	2010 HK$'000
Earnings		
Profit for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share *(HK$'000)*	**142,749**	371,868
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	**368**	N/A
Weighted average number of ordinary shares in issue during the period for the purpose of diluted earnings per share *('000)*	**971,004**	N/A

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.

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

During the current period, the Group acquired property, plant and equipment and incurred expenditure on construction in progress of HK$92,157,000 and HK$201,997,000 respectively (six months ended 30 September 2010: HK$33,007,000 and HK$122,162,000 respectively) for the purpose of expanding the Group's business.

At 30 September 2011, 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.

10. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	30 September 2011 *HK$'000*	31 March 2011 *HK$'000*
Trade and bills receivables	**344,853**	331,844
Other receivables and prepayments		
Valued added taxes recoverable	**101,893**	47,747
Deposits	**23,665**	18,077
Sundry receivables	**33,569**	24,222
Prepayments to suppliers	**60,393**	40,797
	219,520	130,843

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

11. TRADE AND OTHER PAYABLES AND ACCRUALS

	30 September 2011 *HK$'000*	31 March 2011 *HK$'000*
Trade and bills payables	**292,999**	221,475
Other payables and accruals		
Trade deposits received	**88,831**	67,845
Accruals	**94,829**	77,194
Others	**47,424**	31,703
	231,084	176,742

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

12. BANK BORROWINGS

During the current period, the Group obtained new Hong Kong dollar bank loans amounting to HK$125,000,000 (six months ended 30 September 2010: Nil). The loans carry interest at variable market rates ranging from 2.49% to 2.54% (six months ended 30 September 2010: 1.38% to 2.98%) and are repayable within one year. The proceeds were used to finance the acquisition of property, plant and equipment. The Group also repaid borrowings of approximately HK$12,500,000 (six months ended 30 September 2010: HK$100,120,000) during the period.

13. SHARE CAPITAL

	Number of shares	**Amount**
	'000	*HK$'000*
Ordinary shares of HK$0.40 each		
Issued and fully paid:		
At 1 April 2010	723,816	289,526
Issued during the period *(note)*	247,320	98,928
At 30 September 2010, 31 March 2011 and 30 September 2011	971,136	388,454

Note:

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.

14. SHARE-BASED PAYMENTS

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 5 March 2010 for the primary purpose of providing incentives to directors and eligible participants, and will expire on 4 March 2020. Details of the Scheme were disclosed in the consolidated financial statements for the year ended 31 March 2011.

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

	Number of share options
	'000
Outstanding as at 1 April 2011	4,100
Granted during the period	4,740
Forfeited during the period	(215)
Outstanding as at 30 September 2011	8,625

During the current period, share options for 240,000 shares and 4,500,000 shares were granted on 30 June 2011 and 6 July 2011 respectively.

The closing price of the Company's shares immediately before 30 June 2011 and 6 July 2011, the dates of grant, were HK$8.11 and HK$8.55 respectively.

The fair values of the options were determined at the dates of grant using the Binomial model and amounted to HK$770,000 and HK$5,292,000 respectively.

Details of specific categories of options are as follows:

Options	Date of grant	Number of shares	Vesting period	Exercise period	Exercise price
October 2010	18 October 2010	2,100,000	18.10.2010 – 17.4.2012	18.4.2012 – 17.10.2020	HK$10.18
		2,000,000	18.10.2010 – 17.10.2015	18.10.2015 – 17.10.2020	HK$10.18
June 2011	30 June 2011	240,000	30.6.2011 – 29.6.2013	30.6.2013 – 29.6.2015	HK$8.11
July 2011	6 July 2011	4,500,000	6.7.2011 – 5.7.2014	6.7.2014 – 5.7.2016	HK$8.55

The following assumptions were used to calculate the fair values of share options:

	18 October 2010	30 June 2011	6 July 2011
Closing share price at date of grant	HK$10.18	HK$8.11	HK$8.55
Exercise price	HK$10.18	HK$8.11	HK$8.55
Expected life	1.5 to 5 years	4 years	3 to 5 years
Expected volatility	52.47%	56.78%	56.78%
Expected dividend yield	2.89%	3.09%	3.09%
Risk-free rate	2.54%	1.00%	1.42%
Fair value of each option	HK$4.59 to HK$4.79	HK$3.21	HK$0.89 to HK$3.46

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

At the end of each reporting date, the Group revises its estimates of the number of options that are expected to vest ultimately. The impact of the revision of the estimates, if any, is recognised in profit and loss, with a corresponding adjustment to the share option reserve.

The Group recognised an expense of HK$4,672,000 for the period ended 30 September 2011 (six months ended 30 September 2010: Nil) in relation to the share options granted by the Company.

15. SHARE AWARD SCHEME

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

Details of the Share Award Scheme were disclosed in the consolidated financial statements for the year ended 31 March 2011.

Details of the movements in the number of shares granted by the Company to employees and directors of the Company during the period are as follows:

Category	Date of grant	Vesting period	Fair value per share *(Note)* *HK$*	As at 1.4.2010	Granted during the year	As at 31.3.2011	Granted during the period	Lapsed during the period	As at 30.9.2011
Employees	11 February 2011	11.2.2011 – 31.12.2013	12.34	–	350,800	350,800	–	(49,400)	301,400
Directors	15 June 2011	15.6.2011 – 15.6.2014	8.6	–	–	–	84,000	–	84,000
				–	350,800	350,000	84,000	(49,400)	385,400

Note: The fair value of the awarded shares was calculated based on the closing price per share on the date of grant.

The equity-settled share-based payments charged to the profit or loss was HK$756,000 for the period ended 30 September 2011 (six months ended 30 September 2010: Nil).

16. 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

17. RELATED PARTY DISCLOSURES

Compensation of key management personnel

The remuneration of directors and other members of key management of the Group during the period was as follows:

	Six months ended 30 September	
	2011 *HK$'000*	2010 *HK$'000*
Short-term employee benefits	**6,135**	5,342
Post employment benefits	**21**	23
Share-based payment expenses	**4,549**	–
	10,705	5,365

18. EVENTS AFTER THE END OF THE INTERIM PERIOD

On 26 October 2011, Man Wah Furniture Headquarter (Wujiang) Limited ("Man Wah Furniture"), an indirectly wholly-owned subsidiary of the Company, successfully tendered for land located in Wujiang, the PRC, for an amount of RMB217,246,000 (equivalent to approximately HK$266,429,000) from Wujiang City Land Resource Bureau (the "Bureau"). Man Wah Furniture is eligible for financial incentives of RMB146,629,000 (equivalent to approximately HK$179,825,000) within 15 business days after the consideration for the acquisition of the land is fully settled. The consideration will be settled using the internal resources of the Group. The Bureau is an independent third party not connected with the Company or any of its subsidiaries or any of their respective directors, chief executive or substantial shareholders or any of their respective associates. RMB110,000,000 (equivalent to approximately HK$134,903,000) was paid as deposit to the Bureau. The transaction is expected to be completed by the end of 2012.

As announced by the Company on 16 November 2011, the Group entered into an agreement with Tianjin New Technology Area Wuqing Company ("Tianjin New Technology") on 16 November 2011, pursuant to which Tianjin New Technology shall assist the Group to acquire a land in Tianjin, the PRC with consideration of approximately RMB76,763,000 (equivalent to approximately HK$94,142,000). The Group is eligible for a financial incentives of approximately RMB64,202,000 (equivalent to approximately HK$78,737,000) within 15 business days after the consideration for the acquisition of the land is fully settled. Please refer to the announcement of the Company dated 16 November 2011 for details of the transaction.