



**MANWAH**

Interim report  
2013



## **MAN WAH HOLDINGS LIMITED**

(Incorporated in Bermuda with limited liability)

(Stock Code: 01999)

# First class experience everyday

## **CONTENTS**

CORPORATE INFORMATION .....	2
CHAIRMAN'S STATEMENT .....	4
MANAGEMENT DISCUSSION AND ANALYSIS .....	6
OTHER INFORMATION.....	19
REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS .....	30
<b>INTERIM RESULTS</b>	
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME .....	31
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION.....	32
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY.....	34
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS .....	36
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.....	37

## **CORPORATE INFORMATION**

### **BOARD OF DIRECTORS**

#### **Executive Directors**

Mr. Wong Man Li (*Chairman and Managing Director*)  
Ms. Hui Wai Hing  
Mr. Stephen Allen Barr  
Mr. Wang Guisheng  
Mr. Alan Marnie  
Mr. Dai Quanfa

#### **Non-executive Director**

Mr. Xie Fang (*appointed on 20 May 2013*)

#### **Independent non-executive Directors**

Mr. Ong Chor Wei  
Mr. Chau Shing Yim, David  
Mr. Lee Teck Leng, Robson  
Mr. Kan Chung Nin, Tony (*appointed on 20 May 2013*)

### **AUDIT COMMITTEE**

Mr. Chau Shing Yim, David (*Chairman*)  
Mr. Lee Teck Leng, Robson  
Mr. Ong Chor Wei  
Mr. Xie Fang (*appointed on 20 May 2013*)

### **NOMINATION COMMITTEE**

Mr. Wong Man Li (*Chairman*)  
Mr. Lee Teck Leng, Robson  
Mr. Chau Shing Yim, David  
Mr. Wang Guisheng (*appointed on 20 May 2013*)  
Mr. Kan Chung Nin, Tony (*appointed on 20 May 2013*)

### **REMUNERATION COMMITTEE**

Mr. Lee Teck Leng, Robson (*Chairman*)  
Mr. Wong Man Li  
Mr. Chau Shing Yim, David  
Mr. Wang Guisheng (*appointed on 20 May 2013*)  
Mr. Kan Chung Nin, Tony (*appointed on 20 May 2013*)

### **COMPANY SECRETARY**

Mr. Law Kim Fai (*resigned on 26 July 2013*)  
Mr. Wang Guisheng (*appointed on 26 July 2013*)

### **AUDITOR**

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

## **BERMUDA SHARE REGISTRAR AND SHARE TRANSFER AGENT**

Appleby Management (Bermuda) Ltd.  
Canon's Court  
22 Victoria Street  
Hamilton, HM 12  
Bermuda

## **HONG KONG SHARE REGISTRAR**

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716  
17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

## **REGISTERED OFFICE**

Canon's Court  
22 Victoria Street  
Hamilton HM 12  
Bermuda

## **PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

1st Floor, Wah Lai Industrial Center  
10-14 Kwei Tei Street, Fotan  
New Territories, Hong Kong

## **LEGAL ADVISERS**

Reed Smith Richards Butler  
Appleby

## **PRINCIPAL BANKERS**

Hang Seng Bank  
Standard Chartered Bank  
Hong Kong and Shanghai Banking Corporation Limited  
Citibank, N.A.

## **STOCK CODE**

1999

## **WEBSITE**

[www.manwahholdings.com](http://www.manwahholdings.com)

## **INVESTOR RELATIONS CONSULTANT**

Strategic Financial Relations Limited  
29A & 2402, Admiralty Centre I  
18 Harcourt Road  
Hong Kong

## **CHAIRMAN'S STATEMENT**

Dear Shareholders:

On behalf of the Board of Directors of Man Wah Holdings Limited ("Man Wah" or the "Company"), it is my pleasure to present the unaudited interim results of the Company and its subsidiaries (the "Group") for the half year ended 30 September 2013 ("1HFY2014", "Review Period" or "1H of the Current FY").

### **BUSINESS REVIEW**

During the Review Period, the global economy improved over last year and provided better development conditions for the Group. The Group achieved satisfactory growth of sales in each major market. Also, as internal management is further reinforced, various expense indicators were further improved, allowing us to maintain the high growth rate in profitability.

In the North America market, various macroeconomic indicators in the United States ("US") have begun to recover, such as the constant uptick in employment and sales of new homes figures, which has boosted the confidence of retail customers. The Group successfully grasped these market opportunities and put greater effort in product promotion. It also introduced a variety of innovative products through furniture exhibitions held regularly in the US, propelling the growth of sales as well as strengthening the Group's competitiveness in the market.

In the European market, GDP for the Eurozone in the second quarter of this year halted its decline and began to grow, which indicates economic revival in the area. The Group persisted with its predetermined sales strategy, which was to provide high quality products to major furniture retailers at competitive prices. This effectively improved the Group's sales performance to its retail customers, and the European market continued to be the Group's fastest growing region in the 1H of the Current FY.

In the China Market, the Group has actively adjusted its sales strategy since last year and stepped up its investment in brand building, as well as actively expanding store networks and sales channels in third and fourth-tier cities. During the Review Period, the Group's brand recognition was widely enhanced as revenue growth and profitability of China market grew at a substantially faster rate.

### **INTERNAL OPERATIONS**

For internal operations, the Group has always strived to enhance internal operation efficiency and encourages all departments to lower cost-to-income ratios by establishing a comprehensive and effective system. During the Review Period, selling and distribution expenses, administrative expenses (SG&A) as a percentage of revenue continued to fall compared with the corresponding period last year, successfully raising the Group's profit levels.



## PROSPECTS

With the revival of the global economy and steady growth of GDP indicators in Europe and the US, furniture sales in these major overseas markets is expected to improve gradually. At the same time, continuous urbanization of Chinese rural areas, the per capita income of urban residents and the large-scale introduction of Social Low-income Housing provide favorable business environments for us. Management believes that by grasping favourable opportunities in the market and placing greater efforts in product research and development and brand promotion the Group will gain greater market share.

In the North America Market, the Group has established long term and stable cooperative relationships with various quality retail customers, which is vital to the sustained growth of the Group's business. Data on new home sales and housing construction in the US are favorable, while personal consumption is increasing. The Group will continue to launch more innovative products and respond more swiftly to customer demand to create more high-value products for customers and to generate greater sales for the Group.

In the European and other overseas markets, the Group continued to expand its customer base in the Review Period and these new customers are expected to inject a new source of growth for the Group. Also, current retail customers have been constantly increasing order amounts. As the Group's sales in Europe and other overseas markets is relatively low and has considerable room for growth, the management of the Group is of the view that the Group's sales can maintain a faster rate of growth in the future.

In the China market, due to rapid growth in total amount of retail sales of consumer goods, a buoyant real estate market and the constant enhancement of the Group's brand recognition, we will expedite the expansion of the distribution network in China. In terms of market strategy, the Group will maintain the established strategy of opening more retail stores in third and fourth-tier cities to take advantage of the significant growth in market demand in those areas.

In terms of production capacity, construction work for phase I of the Group's new factory in Tianjin has already commenced at the beginning of the year and it is expected to be completed and commence production by 2014. After the completion of phase one of Tianjin factory, the Group's annual sofa production capacity can be raised from the current 1,116,000 sets to 1,316,000 sets. The Group will increase production capacity in stages and in parallel with the sales growth to meet the business expansion of the Group.

## APPRECIATION

On behalf of the Board, I would like to extend my heartfelt thanks to the long-term support and trust of our shareholders and business partners. I would also like to thank the Group's employees for their consistent effort in aiding the Group to achieve an outstanding performance in the 1H of the Current FY. I believe through the cooperation of business partners and employees, the Group can soar to greater heights and achieve even better results.

**Wong Man Li**  
*Chairman*  
**Man Wah Holdings Limited**

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **MARKET REVIEW**

In the 1HFY2014, the Group grasped favorable external opportunities and put greater effort into promoting new products as well as raising brand recognition, thereby achieving gratifying growth of sales in each market segment. The Group's proportion of expenditures compared to revenue continued with a downward trend, enabling net profits for the half year to reach a record high since the Company's listing.

#### **China market**

During the Review Period, the PRC government maintained its policy of progress through stability and launched a series of steady growth and structural adjustment measures, improving economic performance. According to statistics of the National Bureau of Statistics of the PRC this year, second and third quarter GDP growth in China was 7.5 percentage points ("pp") and 7.8 pp respectively, which met the annual growth target of 7.5 pp set by the PRC government. Total retail sales of social consumer goods in September this year achieved year-on-year growth of 13.3 pp, hitting a new record for growth rates. Various macroeconomic statistics indicate the measures implemented by the PRC government are beginning to show their effect, bringing positive influence to the overall retail consumption market.

With the improvement in the PRC's economy as well as the urbanization of China's rural areas and mass amounts of Social Lower-income Housing Units being occupied, national residential property investment from January to September 2013 grew by 19.5 pp. Meanwhile, GFA (gross floor area) under construction for residential properties and newly commenced GFA for residential properties grew by 12.5 pp and 6.4 pp respectively, reflecting continuous growth in the property market. The furniture industry also benefited as total retail growth reached 21.3 pp in August 2013, making it one of the top three industries in terms of growth.

#### **North America market**

Benefiting from the boost in consumer consumption, residential property investment and exports, the US economy is continuing its trend of moderate growth. The US government announced that its real GDP in the second quarter made quarter-on-quarter growth of 2.5 pp, at a considerably faster rate than that in the previous quarter. The US Department of Commerce announced that new home sales rose from 390,000 units in July 2013 to 420,000 in August 2013, representing a growth of 7.9 pp. Also, a nationwide survey report on economic trend conducted by U.S. Federal Reserve indicated that personal consumption increased continuously in large parts of the nation driven by the boost in housing and automotive related products. Supported by growth of new home sales and other macroeconomic data, the prospects are optimistic for housing related markets including the furniture industry.

## **Europe and other overseas markets**

In the second quarter of 2013, the European economy improved slightly. However, consumers remained cautious. The Group took this opportunity to launch cost-effective recliner sofas in line with the consumption patterns in the local market and also actively promoted the brand, which successfully increased the sales in this region. As a matter of fact, economic indicators of various countries reflect the market return. Eurostat announced that GDP of the Eurozone in the second quarter made quarter-on-quarter growth of 0.3 pp, from a decline of 0.3 pp in the previous quarter. This ended the 18 month recession, which was the longest in Europe in over 40 years. Germany and France, the two major economies in EU, recovered at an unexpected pace as German GDP achieved quarterly growth of 0.7 pp, which was the biggest growth over the past year, while French GDP achieved quarter-on-quarter growth of 0.5 pp. Also, unemployment rates in the Eurozone have had a slight decline after peaking in April to July this year at 12.1%. With improved unemployment rates and other positive economic statistics, it is expected that furniture demand will also gradually stabilize and can achieve better growth of sales in the future.

## **BUSINESS REVIEW**

During the Review Period, global economy upturned over last year and provided better development conditions for the Group. The Group achieved satisfactory growth of sales in each major market. Also, as internal management is further reinforced, various expense indicators were further improved, allowing the high growth rate of profitability to be maintained.

### **North America Market**

In the North America Market, various macroeconomic indicators in the United States ("US") have begun to recover, such as the constant upturn of employment and sales of new homes figures, which boosted the confidence of retail customers. The Group successfully grasped these market opportunities and put greater effort in product promotion. It also introduced a variety of innovative products through furniture exhibitions held regularly in the US, propelling the growth of sales as well as strengthening the Group's competitiveness in the market.

During the Review Period, the Group participated in two furniture exhibitions where we introduced over 100 new sofa models to customers. Sofas made with LEATH-AIRE material were the most popular with customers. Besides maintaining sound cooperative relationships with existing customers, in the 1H of the Current FY, a total of 29 new North America customers were gained. During the Review Period, sales in the North America Market grew by 13.7% compared with the corresponding period last year. Of this, revenue growth in the US was 13.4%, while revenue growth from Canada was 18.8%.



## **Europe and other overseas markets**

In the Europe market, GDP for the Eurozone in the second quarter of this year stopped its decline and began to grow, which reflects economic revival in the area. The Group persisted with its predetermined sales strategy, which was to provide high quality products to major furniture retailers at competitive prices. This effectively improved the sales performance of the Group's retail customers, and the Europe market continued to be the Group's fastest growing region in the 1H of the Current FY.

For Europe and other overseas markets, the Group adopted a market strategy similar to the North America Market, which was to establish a localized sales team and set up long term cooperative relationships with local mid to large furniture retail clients to sell products. During the Review Period, the Group participated in two furniture exhibitions in the Europe and other overseas markets and 16 new customers from these markets were gained during the Review Period. The sales in the market during the Review Period grew by 33.7% compared with the corresponding period last year, and the growth of sales in Europe was 41.0%.

## **China market**

In the China Market, the Group has actively adjusted its sales strategy since last year and stepped up its investment in brand building, as well as actively expanding store networks and sales channels in third and fourth-tier cities. During the Review Period, the Group's brand recognition was widely enhanced as revenue growth and profitability of China market grew at a substantially faster rate.

As at 30 September 2013, the Group had a total of 1,059 "CHEERS", "ENLANDA" and "MOREWELL" retail stores in China.

The Group owned 131 "CHEERS" and 55 "ENLANDA" retail stores located in 14 cities in Mainland China, including first-tier cities such as Shenzhen, Guangzhou and Shanghai, as well as 7 "CHEERS" and "MOREWELL" retail stores in Hong Kong.

At the same time, distributors of the Group operated 631 "CHEERS" and 235 "ENLANDA" retail stores across 29 provinces.

During the Review Period, the Group established more retail stores and focused on establishing stores in third and fourth-tier cities in China. A total of 157 new stores were opened during the 1H of the current FY. These newly established stores are mainly operated by distributors and mainly sell cost-effective non-leather sofas to grasp the opportunities arising from urbanization of rural areas and the introduction of Social Low-income Housing by the PRC government.

For internet sales, the Group continues to utilize the CHEERS flagship store on TMALL ([www.tmall.com](http://www.tmall.com)) as the primary channel to sell the Group's products. During the Review Period, the Group provided more options for internet customers and ensured that online sales had a product differentiation from retail store sales, enabling internet sales to complement physical retail stores, and thus benefitting both channels.

During the Review Period, the Group's revenue in the China market grew by 27.1% compared with the corresponding period last year.

### **Product research and development**

In the 1HFY2014, the Group's research and development team continued to focus on product innovation. On one hand it picked up the pace for the research and development of non-genuine leather sofas mainly made with LEATH-AIRE to meet Chinese and oversea market demands. On the other hand it continued to develop innovations for reclining sofas and hope to widen the gap with followers through constant innovation. The Group introduced more than one hundred new sofa models during the Review Period. As more and more new models of non-leather sofas are introduced, the sale of non-leather sofas already accounted for approximately 53.9% of those in oversea market and approximately 36.3% of the China market.

## FINANCIAL REVIEW

### Revenue and gross profit margin

	Revenue (HK\$'000)			As a percentage of sales (%)		Gross profit margin (%)	
	1HFY2014	1HFY2013	Change (%)	1HFY2014	1HFY2013	1HFY2014	1HFY2013
North America Market	<b>1,614,183</b>	1,419,955	13.7%	<b>56.0%</b>	59.1%	<b>32.2%</b>	32.5%
Europe and other overseas market	<b>458,761</b>	343,157	33.7%	<b>15.9%</b>	14.3%	<b>24.8%</b>	26.1%
China market	<b>811,667</b>	638,386	27.1%	<b>28.1%</b>	26.6%	<b>46.4%</b>	47.9%
Total	<b>2,884,611</b>	2,401,498	20.1%	<b>100.0%</b>	100.0%	<b>35.0%</b>	35.7%

For the six months ended 30 September 2013, total revenue rose by approximately 20.1% to approximately HK\$2,884,611,000. (For the six months ended 30 September 2012 (“1HFY2013”, “Last Corresponding Period” or “Comparison Period”): approximately HK\$2,401,498,000), whereas the overall gross profit margin decreased to 35.0% from 35.7% when compared to that in the Last Corresponding Period. The reasons for the decline in gross profit margin during the Review Period include the following: 1) in the China market, as a result of the increase in the retail stores operated by distributors, the proportion of revenue from wholesale went up and the proportion of revenue from self-operated stores’ retail sales decreased, which led to relatively low gross profit margin; 2) due to the appreciation in the average exchange rate of the RMB against the USD by about 2.9% when compared with the Last Corresponding Period, the costs incurred in RMB went up accordingly. The Group has hedged the RMB appreciation impact on gross profit margin by entering into foreign exchange forward contracts with long RMB and short USD. Other income from foreign exchange forward contracts during the Review Period was approximately HK\$106,046,000.

As the decline in gross profit margin was offset by lower SG&A expense as a percentage of revenue, other income increase, the Group’s earnings before interest, tax, depreciation and amortization as a percentage of total revenue increased to approximately 23.3% from approximately 12.8% in the corresponding period last year (Earnings before interest, tax, depreciation and amortization were calculated by pre-tax profit plus all depreciation, amortization and interest expense).

During the 1HFY2014, cost of goods sold rose by approximately 21.3%. During the 1HFY2014, prices of raw materials remained stable overall despite the exchange impact, but raw material cost incurred at RMB converted into the Hong Kong Dollar increased as a result of RMB appreciation during the Review Period.

During the Review Period, the Group raised selling prices of sofa products again. In the China market, the average increase in the wholesale and retail price of sofa products reached 5% in May 2013. In overseas markets, the Group increased the selling price of leather sofas gradually since July 2013, with an average increase of over 2%. It is expected that price increase in overseas markets will have a positive influence in the gross profit margin of the 2HFY2014.

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

	1HFY2014	1HFY2013	Change (%)
Sales volume (sets)	<b>371,588</b>	298,627	24.4%
Average Selling Price (HK\$)	<b>6,946</b>	7,285	-4.6%
Sales revenue from sofa products (HK\$'000)	<b>2,581,014</b>	2,175,347	18.6%

*Note:* In calculating selling prices, business customer products and periphery products sold in retail stores which were not applicable in the calculation of comparable average selling prices were not included.

In calculating sofa sets, one set equal to six seats of sofa.

During the Review Period, revenue from CHEERS brand reclining sofas rose by approximately 18.6% to approximately HK\$2,581,014,000, accounting for approximately 89.5% of the Group's total revenue. The growth in revenue was mainly due to volume growth by approximately 24.4% to 371,588 sets (1HFY2013: 298,627 sets), average selling price falling by approximately 4.6% to approximately HK\$6,946 per set (1HFY2013: approximately HK\$7,285). The average selling price in China market fell by approximately 6.6% and the price for each set of sofa fell from approximately HK\$13,077 to approximately HK\$12,210. The average selling price of the North America Market also fell by approximately 2.9% and the price of each set of sofa fell from approximately HK\$6,892 to approximately HK\$6,689. Average selling price in Europe and other overseas markets fell by approximately 8.8%, and price of each set of sofa fell from approximately HK\$5,610 to approximately HK\$5,114. The fall was mainly due to the Company increasing the proportion of non-leather sofa out of total sofa sales to minimize the impact to gross profit margin out of leather price fluctuation.

### North America Market

During the Review Period, revenue from the North America Market reached approximately HK\$1,614,183,000, up by approximately 13.7% compared with approximately HK\$1,419,955,000 from the corresponding period last year. Of this, revenue from the US reached approximately HK\$1,490,309,000, up by approximately 13.4% compared with approximately HK\$1,314,774,000 in the corresponding period last year, and revenue from Canada reached approximately HK\$123,632,000, up by approximately 18.8% compared with approximately HK\$104,063,000 from the corresponding period last year.

## Europe and other overseas market

During the Review Period, revenue from Europe and other overseas market was approximately HK\$458,761,000, up by approximately 33.7% compared with approximately HK\$343,157,000 from the corresponding period last year. Of this, revenue from Europe reached approximately HK\$308,667,000, up by approximately 41.0% compared with approximately HK\$218,892,000 from the corresponding period last year, and revenue from other overseas market reached approximately HK\$150,094,000, up by approximately 20.8% compared with approximately HK\$124,265,000 from the corresponding period last year.

## China market

During the Review Period, revenue from the China market reached approximately HK\$811,667,000, up by approximately 27.1% from approximately HK\$638,386,000 from the corresponding period last year. Of this:

1. Revenue from CHEERS brand sofa self-operated retail stores reached approximately HK\$281,958,000, up by approximately 2.8% compared with approximately HK\$274,162,000 from the corresponding period last year;

During the Review Period, the Group made some adjustments on existing stores and focus on store performance improvement. The number of self-operated stores was adjusted to 138 from 184 as of 31 March 2013, down by approximately 25.0%.

During the Review Period, same store sales of self-operated stores fell by approximately 0.7%. (Same store sales refer to the sales of self-operated stores which have been opened for at least two years as at 30 September 2013.)

2. Wholesale revenue from CHEERS brand sofa retail stores operated by distributors reached approximately HK\$381,045,000, up by approximately 60.1% compared with approximately HK\$237,966,000 from the corresponding period last year;

During the Review Period, the Group enhanced the expansion pace of distributor stores in third and fourth-tier cities. Stores operated by distributors rose to 631 from 443 as of 31 March 2013, representing a growth of approximately 42.4%.

3. Retail revenue from ENLANDA brand bedding self-operated retail stores reached approximately HK\$53,029,000, down by approximately 9.3% compared with approximately HK\$58,477,000 from the corresponding period last year;

During the Review Period, the number of ENLANDA brand self-operated retail stores were adjusted to 55 from 86 as of 31 March 2013, down by approximately 36.0%.

During the Review Period, growth of same store sales of ENLANDA brand self-operated stores was approximately 2.1%.



4. Wholesale revenue from ENLANDA brand bedding retail stores operated by distributors reached approximately HK\$57,877,000, up by approximately 43.8% compared with approximately HK\$40,251,000 from the corresponding period last year;

During the Review Period, the number of stores operated by distributors went up from 189 as of 31 March 2013 to 235, up by approximately 24.3%.

5. Revenue from the internet sales platform reached approximately HK\$26,166,000 up by approximately 116.1% from approximately HK\$12,109,000 in the corresponding period last year;

Currently, internet sales are mainly generated from the Group's CHEERS flagship store on the TMALL website (www.tmall.com). The internet sales products are primarily CHEERS brand reclining sofas and ENLANDA bedding products made exclusively for internet sales.

6. During the Review Period, revenue from high-speed rail manufacturing customers reached approximately HK\$11,592,000, down by approximately 24.8% from approximately HK\$15,421,000 in the corresponding period last year. The decrease in sales was mainly due to the reduced delivery of high-speed trains by those customers during the Review Period.

## Cost of goods sold

### Cost of goods sold breakdown

	<b>1HFY2014</b> <b>HK\$'000</b>	1HFY2013 HK\$'000	<b>Change</b> <b>(%)</b>
Cost of raw materials	<b>1,613,609</b>	1,357,242	18.9%
Labour costs	<b>194,099</b>	138,380	40.3%
Manufacturing overhead	<b>66,745</b>	49,290	35.4%
<b>Total</b>	<b>1,874,453</b>	1,544,912	21.3%

<b>Major raw materials</b>	<b>Average unit cost compared change (%)</b>	<b>% of total cost of sales (%)</b>
Leather	9.6%	27.4%
Metal	-7.4%	18.3%
PVC	4.6%	2.0%
Wood	1.4%	8.6%
Fabric	6.9%	10.4%
Chemicals	-13.8%	8.9%

During the Review Period, overall cost of major raw materials rose slightly mainly due to the increase in leather price by approximately 9.6%, as well as the appreciation of RMB against HK\$ caused higher cost of material procured in RMB. During the Review Period, the average exchange rate of RMB to HK\$ rose by approximately 2.9% from the corresponding period last year.

## **OTHER INCOME**

During the 1HFY2014, other income of the Group increased by approximately 221.0% to approximately HK\$126,524,000, mainly due to the increase of government grant income and income on structured deposit and sales of industrial waste (1HFY2013: approximately HK\$39,414,000).

## **OTHER GAINS AND LOSSES**

During the 1HFY2014, other gains and losses of the Group amounted to approximately HK\$104,787,000, mainly derived from the gain on foreign exchange forward contracts and exchange gain. In order to hedge against higher cost caused by appreciation of the RMB, the Group entered into some foreign exchange forward contracts with the position of long RMB and short USD. During the Review Period, gains from settlement and change in fair value of forward contracts was HK\$106,046,000 (1HFY2013: nil).

## **SELLING AND DISTRIBUTION EXPENSES**

Selling and distribution expenses decreased by approximately 0.5% from approximately HK\$505,998,000 in 1HFY2013 to approximately HK\$503,397,000 in 1HFY2014. Selling and distribution expenses as a percentage of revenue decreased from approximately 21.1% in 1HFY2013 to approximately 17.5% in 1HFY2014. The decrease was mainly due to the increase in the Group's operational efficiencies as well as the decline in the number of self-operated retail stores in the China market resulting in the relevant expense deduction, including:

- (a) overseas transportation and port fees increased by approximately 8.8% from approximately HK\$216,217,000 to approximately HK\$235,282,000. As the Group's export container shipping rate were lower than the corresponding period from last year, overseas transportation and port fees as a percentage of revenue decreased from approximately 9.0% to approximately 8.2%;
- (b) rent, property management fees and utility decreased by approximately 11.7% from approximately HK\$89,519,000 to approximately HK\$79,034,000;
- (c) advertising, promotion and brand building expenses decreased by approximately 17.2% from approximately HK\$48,338,000 to approximately HK\$40,031,000;

- (d) salaries, welfare and commissions of sales staff increased by approximately 10.9% from approximately HK\$62,775,000 to approximately HK\$69,587,000; and
- (e) domestic transportation expenses decreased by approximately 33.2% from approximately HK\$27,594,000 to approximately HK\$18,434,000. The decrease in expenses was mainly due to the commencement of production of the new factory in Wujiang in July 2012 which greatly reduced the transportation distance for sofa products in the northern China market, and the fact that the Company's distributing center in northern China has effectively enhanced logistics efficiency.

## **ADMINISTRATIVE EXPENSES**

Administrative expenses increased by approximately 4.0% from approximately HK\$143,388,000 in 1HFY2013 to approximately HK\$149,094,000 in 1HFY2014. As a percentage of revenue, administrative expenses decreased from approximately 6.0% in 1HFY2013 to approximately 5.2% in 1HFY2014, including:

- (a) salaries and welfare of employees increased by approximately 10.0% from approximately HK\$64,237,000 to approximately HK\$70,685,000;
- (b) depreciation and amortization expenses increased by approximately 51.6% from approximately HK\$20,260,000 to approximately HK\$30,711,000.

## **SHARE OF RESULTS OF JOINTLY CONTROLLED ENTITIES**

During the Review Period, share of profit of a jointly controlled entity was approximately HK\$5,084,000 which mainly came from the profit of Home Expo (Hong Kong) Ltd (profit in 1HFY2013: approximately HK\$4,460,000).

## **FINANCE COSTS**

The finance costs increased by approximately 174.5% from HK\$8,888,000 in 1HFY2013 to approximately HK\$24,402,000 in 1HFY2014, of which interest expense of bank loans increased by 7.5% from HK\$8,888,000 in 1HFY2013 to approximately HK\$9,552,000 in 1HFY2014. In addition, the interest expense of convertible bonds in the 1H of the Current FY was approximately HK\$14,850,000 (1HFY2013: nil).

## **INCOME TAX EXPENSE**

Income tax expense increased by approximately 198.9% from approximately HK\$21,811,000 in 1HFY2013 to approximately HK\$65,199,000 in 1HFY2014. The increase in income tax expense was mainly due to the rise in profit before tax.

## **PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY AND NET PROFIT MARGIN**

The profit attributable to owners of the Company increased by approximately 129.1% from approximately HK\$219,281,000 in 1HFY2013 to approximately HK\$502,373,000 in 1HFY2014. The net profit margin of the Company continued to increase from approximately 9.1% in 1HFY2013 to approximately 17.4% in 1HFY2014. The increase in profit attributable to owners of the Company and net profit margin was mainly due to the continued revenue growth, selling and distribution expenses, administrative expenses as a percentage of revenue decreased from 27.0% in 1HFY2013 to 22.6% in 1HFY2014 as well as the increase in the gain on foreign exchange forward contracts and other income.

## **WORKING CAPITAL**

As at 30 September 2013, our bank balances and cash were approximately HK\$2,522,102,000.

During the Review Period, turnover of the Group's working capital was good, further improving our financial position. We seek to effectively manage our cash flow and capital commitments and to ensure that we have sufficient funds to meet our existing and future cash requirements. We have not experienced and do not expect to experience any difficulties meeting our obligations as they become due.

## **LIQUIDITY AND CAPITAL RESOURCES**

As at 30 September 2013, the Group's short-term bank borrowings amounted to approximately HK\$750,451,000, all of which were repayable within twelve months from 30 September 2013. Most of the loans bore floating interest rates.

The Group's primary source of working capital are cash flow from operating activities and bank deposits. During review period, the Group issued convertible bonds, amounted to HK\$850,000,000 to support the Group's future development. As at 30 September 2013, the Group's current ratio was approximately 2.8 (31 March 2013: approximately 2.2). The Group maintained a net cash position, reflecting its healthy financial position, paving the way for future development. As at 30 September 2013, the Group's gearing ratio was approximately 38.2% (31 March 2013: approximately 21.7%), which is defined as total borrowings (including the liability portion of convertible bond) divided by total equity attributable to owners of the Group.

## **ALLOWANCE FOR INVENTORIES**

For the 1HFY2014, the Group made allowance for inventories of approximately HK\$2,588,000 (1HFY2013: approximately HK\$6,029,000).

## **IMPAIRMENT LOSS ON TRADE RECEIVABLES**

For the 1HFY2014, the Group provided impairment loss on trade receivables of approximately HK\$329,000 (1HFY2013: HK\$752,000).

## **PLEDGE OF ASSETS**

As at 30 September 2013, the Group did not have any pledged assets.

## **CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES**

Save as disclosed in note 17 to the condensed consolidated financial statements, the Group did not have any material capital commitment.

As at 30 September 2013, the Group did not have any contingent liabilities.

## **FOREIGN CURRENCY RISKS**

The Group's exposure to currency risks is attributable to the trade and other receivables, bank balances, trade and other payables and bank borrowings, which are denominated in currencies other than the functional currency of the entity to which they related. In order to lock-in costs of raw materials purchased in RMB and the payment of various expenses in RMB, the Group entered into a series of forward contracts since 2H of the Last FY which sold in USD and bought in RMB with a total amount of USD835,000,000. The settlement date of such forward contracts range from February 2013 to April 2015, and the settlement amount for each month is similar to the actual required amount of RMB for the settlement month.

## **SIGNIFICANT INVESTMENTS AND ACQUISITIONS**

The Group did not have any significant investments or acquisitions or sales of subsidiaries during the 1HFY2014. The Group continues to seek opportunities to acquire and merge with furniture companies to accelerate the development of the Company.

## **EVENT AFTER THE END OF THE REPORTING PERIOD**

On 25 October 2013, CDH W-Tech Limited ("CDH") and ChinaAMC Capital Management Limited ("ChinaAMC"), holders of the convertible bonds, exercised its conversion rights to convert the HK\$56,001,000 and HK\$49,500,000 principal amount of the convertible bonds respectively, and the Company issued and allotted a total of 6,788,000 and 6,000,000 ordinary shares of the Company respectively to CDH and ChinaAMC at the conversion price of HK\$8.25 per share.

## **USE OF PROCEEDS FROM THE GLOBAL OFFERING**

We have received gross proceeds from the listing of the Company's shares on The Stock Exchange of Hong Kong Limited ("Stock Exchange") of approximately HK\$1,681,773,000. With reference to the supplemental prospectus of the Company dated 29 March 2010, the proceeds will be used for, among other things, (i) establishing 25 furniture outlets in the PRC, (ii) establishing a production and distribution centre in northern China, (iii) construction of new production and distribution facility in Wujiang, Jiangsu, (iv) expansion of "CHEERS" and "ENLANDA" retail stores in the PRC, (v) construction of phase 3 of our Huizhou facility, (vi) promotion and brand building, and (vii) for daily operation.



As at 30 September 2013, we have spent part of the proceeds on the above projects: (i) approximately HK\$326,000,000 on construction of phase 3 in Daya Bay, Huizhou, (ii) approximately HK\$493,600,000 on construction of new production and distribution facility in Wujiang, Jiangsu, (iii) approximately HK\$131,430,000 on expansion of "CHEERS" and "ENLANDA" retail stores, (iv) approximately HK\$240,233,000 on the promotion and brand building, (v) approximately HK\$214,790,000 on establishing a new production and distribution centre in northern China, and (vi) approximately HK\$34,779,000 on establishing furniture outlets in China.

## **HUMAN RESOURCES**

As at 30 September 2013, the Group had 8,214 employees (31 March 2013: 8,575 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. During the 1HFY2014, as before, the Group arranged more than 100 management staff to attend a Mini Master of Business Administration course held at Tsinghua University.

During 1HFY2014, the total staff cost for the Group amounted to approximately HK\$340,393,000 (1HFY2013: approximately HK\$264,171,000), of which approximately HK\$18,644,000 (1HFY2013: approximately HK\$11,880,000) was Directors' emoluments. The Group endeavours to keep the remuneration packages of its employees competitive and reward employees on a performance and merit basis with reference to the profitability of the Group and prevailing market conditions. As part of the Group remuneration system and policy, we have adopted a share option scheme and share award scheme which enables the Group to reward employees and incentivise them to perform better.

## 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 45.3% of profit attributable to owners of the Company for the six months ended 30 September 2013.

The Board has resolved to declare an interim dividend of HK25.0 cents per Share for the six months ended 30 September 2013 (six months ended 30 September 2012: HK10.0 cents per Share) payable to those shareholders of the Company ("Shareholders") whose names appear on the Company's register of members on Friday, 29 November 2013.

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

During the Review Period, the Company repurchased a total of 8,778,000 ordinary shares of the Company at an aggregate purchase price of HK\$69,015,908 on the Stock Exchange. Details of the repurchases of such ordinary shares were as follows:

Month of repurchase	Number of ordinary shares repurchased	Price per ordinary share		Aggregate purchase price (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
April 2013	5,528,000	7.21	6.46	39,081,240
June 2013	<u>3,250,000</u>	9.71	8.21	<u>29,934,668</u>
Total	<u>8,778,000</u>			69,015,908
	Total expenses on shares repurchased			<u>106,477</u>
			Total	<u>69,122,385</u>

All of the 8,778,000 repurchased ordinary shares were cancelled during the Review Period. The issued share capital of the Company was accordingly reduced by the par value of the repurchased ordinary shares so cancelled. The above repurchases were effected by the Directors pursuant to the mandate from Shareholders, with a view to benefiting Shareholders as a whole in enhancing the net assets and earnings per share of the Company.

Save as disclosed above, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the Review Period.

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

As at 30 September 2013, 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 Listing Rules, were as follows:

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

Name of director	Capacity	Approximate percentage of the issued share capital of the Company <sup>1</sup>	
		Number of shares held	
Mr. Wong Man Li	Interest in controlled corporation	607,240,400 <sup>2</sup>	67.67%
	Spouse	288,000 <sup>2</sup>	0.03%
	Beneficial owner	408,000 <sup>2</sup>	0.05%
Ms. Hui Wai Hing	Beneficial owner	288,000 <sup>3</sup>	0.03%
	Spouse	607,648,400 <sup>3</sup>	67.72%
Mr. Stephen Allen Barr	Beneficial owner	13,386,400 <sup>4</sup>	1.49%
Mr. Wang Guisheng	Beneficial owner	1,219,600 <sup>5</sup>	0.14%
Mr. Alan Marnie	Beneficial owner	1,418,000 <sup>6</sup>	0.16%
Mr. Dai Quanfa	Beneficial owner	610,000 <sup>7</sup>	0.07%

#### Notes:

- The percentage of the Company's issued share capital is based on the 897,316,000 Shares issued as at 30 September 2013.
- These 607,240,400 Shares are beneficially owned by Man Wah Investments Limited which, in turn, is owned by Mr. Wong Man Li and Ms. Hui Wai Hing as to 80% and 20%, respectively. Mr. Wong is therefore deemed to be interested in the entire 607,240,400 Shares held by Man Wah Investments Limited. Mr. Wong is also the sole director of Man Wah Investments Limited. Mr. Wong also holds 408,000 Share Options granted to him under the Share Option Scheme. Upon exercise of the Share Options, Mr. Wong will acquire an aggregate of 408,000 Shares. Mr. Wong is also deemed, under Part XV of the SFO, to be interested in the 288,000 Shares in which Ms. Hui Wai Hing, the spouse of Mr. Wong, has a long position.

3. These 288,000 Shares represent the 288,000 Share Options granted to Ms. Hui under the Share Option Scheme that are exercisable. Upon exercise of the Share Options, Ms. Hui will acquire an aggregate of 288,000 Shares. Ms. Hui is also deemed, under Part XV of the SFO, to be interested in the 607,648,400 Shares in which Mr. Wong Man Li, the spouse of Ms. Hui is interested (i.e. 408,000 Shares as beneficial owner and 607,240,400 Shares as interest in a controlled corporation).
4. This figure represents the aggregate number of 1,186,400 Shares held by Mr. Barr and 12,200,000 Share Options granted to Mr. Barr under the Share Option Scheme that are exercisable. Upon exercise of the Share Options, Mr. Barr will acquire an aggregate of 13,386,400 Shares.
5. This figure represents the aggregate number of the 1,189,600 Share Options granted to Mr. Wang under the Share Option Scheme and 30,000 Shares awarded to Mr. Wang on 15 June 2011 to be vested on 15 June 2014. Upon exercise of the Share Options and when the Shares awarded are vested, Mr. Wang will acquire an aggregate of 1,219,600 Shares.
6. This figure represents the aggregate number of 411,600 Shares held by Mr. Marnie and 1,006,400 Share Options granted to Mr. Marnie under the Share Option Scheme that are exercisable. Upon exercise of the Share Options, Mr. Marnie will acquire an aggregate of 1,418,000 Shares.
7. This figure represents the aggregate number of the 600,000 Share Options granted to Mr. Dai under the Share Option Scheme and 10,000 Shares awarded to Mr. Dai on 11 February 2011 to be vested on 31 December 2013. Upon exercise of the Share Options and when the Shares awarded are vested, Mr. Dai will acquire an aggregate of 610,000 Shares.

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

<b>Name of Director</b>	<b>Name of associated corporation</b>	<b>Capacity</b>	<b>Number of Issued shares held</b>	<b>Approximate percentage in the associated corporation</b>
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 2013, 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 of the Company during the six months ended 30 September 2013.

## DISCLOSURE PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

The changes in the information of Directors since the publication of the 2013 Annual Report are set out below pursuant to Rule 13.51B(1) of the Listing Rules:

Mr. Wang Guisheng (“Mr. Wang”) was appointed as Company Secretary of the Company with effect from 26 July 2013. Mr. Wang is currently an executive Director, the Chief Financial Officer and Company Secretary of the Company. He is also a member of the Company’s nomination committee and remuneration committee.

Save as disclosed above, the Board is not aware of any other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 September 2013, 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:

### Long positions in the shares and underlying shares of the Company

Name	Capacity	Number of shares held	Percentage of the issued share capital of the Company <sup>1</sup>
Man Wah Investments Limited	Beneficial owner	607,240,400	67.67%
CDH W-Tech Limited (“CDH”) <sup>2</sup>	Beneficial owner	84,848,484	9.46%
Miracle Eagle Holdings Limited <sup>3</sup>	Interest of a controlled corporation	84,848,484	9.46%

#### Notes:

1. The percentage of the Company’s issued share capital is based on the 897,316,000 Shares issued as at 30 September 2013.
2. The Company issued 5-year convertible bonds in the principal amount of HK\$700,000,000 to CDH (“Tranche I Bonds”) on 20 May 2013, and 5-year convertible bonds in the principal amount of HK\$150,000,000 to ChinaAMC Capital Management Limited (ChinaAMC) (“Tranche II Bonds”) on 27 June 2013. The Tranche I Bonds and Tranche II Bonds (collectively the “Bonds”) carry an interest of 5% per annum which is payable semi-annually in arrears.



At any time between the issue dates of the Bonds and 20 May 2018, the holders of the Bonds have the right to convert all or part of the Bonds into ordinary shares of the Company ("Shares"). Based on an initial conversion price (subject to adjustment) of HK\$8.25, upon full conversion, the Tranche I Bonds may be converted into approximately 84,848,484 Shares and the Tranche II Bonds may be converted into approximately 18,181,818 Shares. Unless previously redeemed or purchased and cancelled, the Company may at any time between the issue date of the Bonds and 20 May 2018 require a portion of the Bonds to be converted into Shares upon the occurrence of certain trigger events as specified in the terms governing the Bonds. On the maturity date of 20 May 2018, unless previously redeemed, converted, purchased and cancelled, the Company will redeem the Bonds at its principal amount together with accrued and unpaid interest.

During the Review Period, CDH has exercised its conversion right to convert a principal amount of HK\$69,999,600 under the Tranche I Bonds, and on 19 September 2013, the Company has issued and allotted 8,484,800 new Shares to CDH. As at 30 September 2013, the outstanding principal amount of the Tranche I Bonds is HK\$630,000,400.

During the Review Period, ChinaAMC has exercised its conversion right to convert a principal amount of HK\$47,252,700 under the Tranche II Bonds, and on 9 July 2013 and 19 September 2013, the Company has issued and allotted 2,727,600 new Shares and 3,000,000 new Shares to ChinaAMC respectively. As at 30 September 2013, the outstanding principal amount of the Tranche II Bonds is HK\$102,747,300.

The number of shares held by CDH represents the aggregate number of Shares held by CDH and the number of Shares that may fall to be allotted and issued to CDH upon full conversion of the outstanding principal amount under the Tranche I Bonds at an initial conversion price of HK\$8.25.

According to the mandatory conversion clause in the terms and conditions of Bonds also set out in the announcement on 17 April 2013, when the arithmetic average of the volume weighted average price for 60 consecutive trading days is not less than HK\$10.35 per share and the closing price of one Share on the date falling at the end of the aforesaid 60-day period is not less than HK\$10.35, CDH and ChinaAMC should subscribe for not less than 18% of the principal amount of the convertible bonds according to the mandatory conversion clause. As the date of this report, the above mandatory conversion clause was satisfied, and CDH has further exercised its conversion right according to the clause in order to further convert a principal amount of HK\$56,001,000 under the Tranche I Bonds. On 25 October 2013, the Company issued and allotted 6,788,000 new Shares to CDH. ChinaAMC has again exercised the conversion right to further convert a principal amount of HK\$49,500,000 under the Tranche II Bonds. On 25 October 2013, the Company issued and allotted 6,000,000 new Shares to ChinaAMC. As at the date of this interim report, CDH and ChinaAMC have fully converted 18% of the principal amount of the convertible bonds subscribed in accordance with the mandatory conversion clause. ChinaAMC has subscribed for 64.50% of the convertible bonds held and converted into ordinary shares.

3. Miracle Eagle Holdings Limited owns the entire issued capital of CDH and is therefore deemed to have interests in the shares and underlying shares of the Company in which CDH is interested.

Save as disclosed above, as at 30 September 2013, 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 ("Share Option 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 1HFY2013 were as follows:

Grantee	Date of grant <sup>2</sup>	Vesting period	Exercisable period	Exercise price per share HK\$	Number of Share Options <sup>1</sup>				
					Outstanding at 1.4.2013	Granted during the Review Period	Cancelled/ Lapsed during the Review Period	Exercised during the Review Period	Outstanding at 30.9.2013
Mr. Wong Man Li	1.2.2013	1.2.2013 – 31.1.2015	1.2.2015 – 31.1.2017	7.17	136,000	-	-	-	136,000
		1.2.2013 – 31.1.2016	1.2.2016 – 31.1.2018	7.17	136,000	-	-	-	136,000
		1.2.2013 – 31.1.2017	1.2.2017 – 31.1.2019	7.17	136,000	-	-	-	136,000
Ms. Hui Wai Hing	1.2.2013	1.2.2013 – 31.1.2015	1.2.2015 – 31.1.2017	7.17	96,000	-	-	-	96,000
		1.2.2013 – 31.1.2016	1.2.2016 – 31.1.2018	7.17	96,000	-	-	-	96,000
		1.2.2013 – 31.1.2017	1.2.2017 – 31.1.2019	7.17	96,000	-	-	-	96,000
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
	31.5.2013	31.5.2013 – 30.5.2015	31.5.2015 – 3.3.2020	8.16	-	7,800,000	-	-	7,800,000
Mr. Wang Guisheng	6.7.2011	6.7.2011 – 5.7.2014	6.7.2014 – 5.7.2016	8.55	200,000	-	-	-	200,000
	8.2.2012	8.2.2012 – 7.2.2014	8.2.2014 – 7.2.2016	4.72	54,000	-	-	-	54,000
		8.2.2012 – 7.2.2015	8.2.2015 – 7.2.2017	4.72	54,000	-	-	-	54,000
		8.2.2012 – 7.2.2016	8.2.2016 – 7.2.2018	4.72	54,000	-	-	-	54,000
		8.2.2012 – 7.2.2017	8.2.2017 – 7.2.2019	4.72	54,000	-	-	-	54,000

Grantee	Date of grant <sup>2</sup>	Vesting period	Exercisable period	Exercise price per share HK\$	Number of Share Options <sup>1</sup>				
					Outstanding at 1.4.2013	Granted during the Review Period	Cancelled/Lapsed during the Review Period	Exercised during the Review Period	Outstanding at 30.9.2013
	1.2.2013	1.2.2013 – 31.1.2015	1.2.2015 – 31.1.2017	7.17	258,400	-	-	-	258,400
		1.2.2013 – 31.1.2016	1.2.2016 – 31.1.2018	7.17	257,600	-	-	-	257,600
		1.2.2013 – 31.1.2017	1.2.2017 – 31.1.2019	7.17	257,600	-	-	-	257,600
Mr. Alan Marnie	6.7.2011	6.7.2011 – 5.7.2014	6.7.2014 – 5.7.2016	8.55	300,000	-	-	-	300,000
	1.6.2012	1.6.2012 – 31.5.2013	1.6.2013 – 3.3.2020	3.5	611,600	-	-	(611,600)	-
	31.5.2013	31.5.2013 – 30.5.2015	31.5.2015 – 3.3.2020	8.16	-	706,400	-	-	706,400
Mr. Dai Quanfa	6.7.2011	6.7.2011 – 5.7.2014	6.7.2014 – 5.7.2016	8.55	120,000	-	-	-	120,000
	8.2.2012	8.2.2012 – 7.2.2014	8.2.2014 – 7.2.2016	4.72	26,400	-	-	-	26,400
		8.2.2012 – 7.2.2015	8.2.2015 – 7.2.2017	4.72	26,400	-	-	-	26,400
		8.2.2012 – 7.2.2016	8.2.2016 – 7.2.2018	4.72	26,400	-	-	-	26,400
		8.2.2012 – 7.2.2017	8.2.2017 – 7.2.2019	4.72	26,000	-	-	-	26,000
	1.2.2013	1.2.2013 – 31.1.2015	1.2.2015 – 31.1.2017	7.17	125,200	-	-	-	125,200
		1.2.2013 – 31.1.2016	1.2.2016 – 31.1.2018	7.17	124,800	-	-	-	124,800
		1.2.2013 – 31.1.2017	1.2.2017 – 31.1.2019	7.17	124,800	-	-	-	124,800
Other employees	6.7.2011	6.7.2011 – 5.7.2014	6.7.2014 – 5.7.2016	8.55	2,750,000	-	(260,000)	-	2,490,000
	8.2.2012	8.2.2012 – 7.2.2014	8.2.2014 – 7.2.2016	4.72	1,458,000	-	(183,200)	-	1,274,800
		8.2.2012 – 7.2.2015	8.2.2015 – 7.2.2017	4.72	1,458,000	-	(183,200)	-	1,274,800
		8.2.2012 – 7.2.2016	8.2.2016 – 7.2.2018	4.72	1,458,000	-	(183,200)	-	1,274,800
		8.2.2012 – 7.2.2017	8.2.2017 – 7.2.2019	4.72	1,409,200	-	(175,200)	-	1,234,000

Grantee	Date of grant <sup>2</sup>	Vesting period	Exercisable period	Exercise price per share HK\$	Outstanding at 1.4.2013	Number of Share Options <sup>1</sup>			Outstanding at 30.9.2013
						Granted during the Review Period	Cancelled/Lapsed during the Review Period	Exercised during the Review Period	
	1.2.2013	1.2.2013 – 31.1.2015	1.2.2015 – 31.1.2017	7.17	4,737,600	-	(366,400)	-	4,371,200
	1.2.2013	1.2.2013 – 31.1.2016	1.2.2016 – 31.1.2018	7.17	4,624,800	-	(356,000)	-	4,268,800
	1.2.2013	1.2.2013 – 31.1.2017	1.2.2017 – 31.1.2019	7.17	4,624,400	-	(356,000)	-	4,268,400
					<u>30,557,200</u>	<u>8,506,400</u>	<u>(2,063,200)</u>	<u>(851,600)</u>	<u>36,148,800</u>

Number of Share Options  
exercisable at  
30 September 2013

2,100,000

**Notes:**

- Number of Shares in the Company over which options granted under the Scheme are exercisable.
- 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, (iii) 6 July 2011, i.e. on 5 July 2011 was HK\$8.43, (iv) 8 February 2012, i.e. on 7 February 2012 was HK\$4.20; (v) 1 June 2012, i.e. on 31 May 2012 was HK\$3.37, (vi) 1 February 2013, i.e. on 31 January 2013 was HK\$7.14 and (vii) 31 May 2013, i.e. on 30 May 2013 was HK\$8.22.
- 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.
- The weighted average closing price immediately before the dates on which the options were exercised was HK\$4.80.

**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. 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 <sup>1</sup> HK\$	Number of Shares			
			As at 1.4.2013	Granted during the Review Period	Cancelled/ Lapsed during the Review Period	As at 30.9.2013
Employees	11 February 2011	12.34	238,000	-	-	238,000
Mr. Wang Guisheng	15 June 2011	8.60	30,000	-	-	30,000
Mr. Dai Quanfa <sup>2</sup>	11 February 2011	12.34	10,000	-	-	10,000
			278,000	-	-	278,000

*Note:*

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

## **CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS**

During the Review Period, other than those disclosed in note 19 to the condensed consolidated financial statements, 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 29.6% and 27.6% of the total revenue and purchases for the Review Period, respectively. The Group's largest supplier accounted for around 10.4% 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 2013 interim report of the Group. 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 2013.

## **CLOSURE OF REGISTER OF MEMBERS**

Shareholders whose names appear on the Company's register of members on Friday, 29 November 2013, will be eligible for the interim dividend. The transfer books and the register of members of the Company will be closed from Wednesday, 27 November 2013 to Friday, 29 November 2013, 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, 26 November 2013. The interim dividend is expected to be payable on or after Friday, 6 December 2013 to the Shareholders whose names appear on the register of members of the Company on Friday, 29 November 2013.

## **COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES**

During the six months ended 30 September 2013, the Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 of the Listing Rules, except for the deviation on Code Provisions A.2.1 and A.6.7 of the CG Code.

Under the Code Provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not have any officer with the title of “chief executive officer” Mr. Wong Man Li, who acts as the Chairman and Managing Director of the Company, is also responsible for overseeing the general operations of the Group. The Board meets regularly to consider major matters affecting the operations of the Group. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The roles of the respective executive directors and senior management who are in charge of different functions complement the role of the chairman and chief executive officer. The Board believes that this structure is conducive to strong and consistent leadership enabling the Group to operate efficiently.

Under the Code Provision A.6.7, independent non-executive Directors and non-executive Directors should attend general meetings of the Company. Mr. Lee Teck Leng, Robson, an independent non-executive Director could not attend the annual general meeting of the Company held on 15 July 2013 due to other business commitments.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as a code of conduct of the Company for Directors’ securities transactions. The Company has made specific enquiry of all directors and the relevant employees regarding any non-compliance with the Model Code during the Review Period, and they all confirmed that they had fully complied with the required standard set out in the Model Code.

By order of the Board  
**Wong Man Li**  
*Chairman*

Hong Kong, 13 November 2013

# Deloitte.

# 德勤

## **TO THE BOARD OF DIRECTORS OF MAN WAH HOLDINGS LIMITED**

*(incorporated in Bermuda with limited liability)*

### **Introduction**

We have reviewed the condensed consolidated financial statements of Man Wah Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 31 to 56, which comprise the condensed consolidated statement of financial position as of 30 September 2013 and the related condensed consolidated statement of profit or loss and other 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 these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements 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 these condensed consolidated financial statements 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 condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

### **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

13 November 2013

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME**  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

		<b>Six months ended 30 September</b>	
	NOTES	<b>2013 HK\$'000 (Unaudited)</b>	2012 HK\$'000 (Unaudited)
Revenue	3	<b>2,884,611</b>	2,401,498
Cost of goods sold		<b>(1,874,453)</b>	(1,544,912)
Gross profit		<b>1,010,158</b>	856,586
Other income		<b>126,524</b>	39,414
Other gains and losses	4	<b>104,787</b>	(3,639)
Selling and distribution expenses		<b>(503,397)</b>	(505,998)
Administrative expenses		<b>(149,094)</b>	(143,388)
Share of profit of a joint venture		<b>5,084</b>	4,460
Share of loss of an associate		<b>(4)</b>	-
Finance costs		<b>(24,402)</b>	(8,888)
Profit before income tax		<b>569,656</b>	238,547
Income tax expense	5	<b>(65,199)</b>	(21,811)
Profit for the period	6	<b>504,457</b>	216,736
<b>Other comprehensive income:</b>			
<b>Item that may be subsequently reclassified to profit or loss:</b>			
Exchange differences on translation of financial statements of foreign operations		<b>52,412</b>	(18,652)
Total comprehensive income for the period		<b>556,869</b>	198,084
Profit for the period attributable to:			
Owners of the Company		<b>502,373</b>	219,281
Non-controlling interest		<b>2,084</b>	(2,545)
		<b>504,457</b>	216,736
Total comprehensive income for the period attributable to:			
Owners of the Company		<b>554,387</b>	200,989
Non-controlling interest		<b>2,482</b>	(2,905)
		<b>556,869</b>	198,084
<b>EARNINGS PER SHARE</b>	8		
Basic (HK cents)		<b>56.71</b>	23.90
Diluted (HK cents)		<b>53.88</b>	23.89

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 30 SEPTEMBER 2013**

	<i>NOTES</i>	<b>30 September 2013 HK\$'000 (Unaudited)</b>	31 March 2013 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	9	<b>1,607,138</b>	1,531,884
Investment properties	9	<b>16,400</b>	31,894
Lease premium for land		<b>513,995</b>	445,464
Intangible assets		<b>986</b>	1,082
Interest in a joint venture		<b>12,805</b>	7,721
Interest in an associate		<b>-</b>	4
Loan to an associate		<b>54,040</b>	19,040
Available-for-sale investment		<b>3,818</b>	3,749
Deferred tax assets		<b>4,472</b>	2,293
Refundable earnest money paid for lease premium for land		<b>4,304</b>	4,226
Deposit paid for acquisition of a land lease		<b>30,541</b>	16,244
Derivative financial instruments		<b>16,432</b>	558
Deposits paid for acquisition of property, plant and equipment		<b>45,486</b>	38,595
		<b>2,310,417</b>	2,102,754
<b>Current assets</b>			
Inventories		<b>649,583</b>	635,668
Trade receivables	10	<b>494,789</b>	369,119
Other receivables and prepayments	10	<b>218,975</b>	197,640
Lease premium for land		<b>11,097</b>	9,567
Derivative financial instruments		<b>77,752</b>	24,586
Tax recoverable		<b>1,286</b>	317
Restricted bank balances		<b>1,654</b>	5,967
Bank balances and cash		<b>2,522,102</b>	1,655,439
		<b>3,977,238</b>	2,898,303
<b>Current liabilities</b>			
Trade payables	11	<b>284,247</b>	259,135
Other payables and accruals	11	<b>326,759</b>	311,793
Bank borrowings	12	<b>750,451</b>	745,660
Convertible bonds – current portion	13	<b>14,407</b>	-
Tax payable		<b>64,863</b>	9,345
		<b>1,440,727</b>	1,325,933
<b>Net current assets</b>		<b>2,536,511</b>	1,572,370
<b>Total assets less current liabilities</b>		<b>4,846,928</b>	3,675,124



		<b>30 September 2013 HK\$'000 (Unaudited)</b>	31 March 2013 HK\$'000 (Audited)
	<i>NOTES</i>		
<b>Non-current liabilities</b>			
Convertible bonds			
– non-current portion	13	<b>724,335</b>	–
Deferred tax liabilities		<b>5,927</b>	5,908
Derivative financial instruments		–	249
Government grant receipt in advance	11	<b>182,248</b>	200,394
		<b>912,510</b>	206,551
		<b>3,934,418</b>	3,468,573
<b>Capital and reserves</b>			
Share capital	14	<b>358,926</b>	356,412
Reserves		<b>3,534,449</b>	3,073,600
<b>Equity attributable to owners of the Company</b>			
		<b>3,893,375</b>	3,430,012
Non-controlling interest		<b>41,043</b>	38,561
		<b>3,934,418</b>	3,468,573

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013**

	Attributable to owners of the Company										Total HK\$'000				
	Share capital HK\$'000	Treasury shares 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		Convertible bonds equity reserve HK\$'000 (note 13)	Retained profits HK\$'000	Sub-total HK\$'000	Non- controlling interest HK\$'000
At 1 April 2012	379,097	(1,838)	1,406,751	(16,132)	(3,944)	63,212	150,930	(6,476)	1,735	13,846	-	1,171,288	3,158,469	30,449	3,188,918
Profit (loss) for the period	-	-	-	-	-	-	-	-	-	-	-	219,281	219,281	(2,545)	216,736
Other comprehensive expense for the period	-	-	-	-	-	(18,292)	(18,292)	-	-	-	-	-	(18,292)	(380)	(18,652)
Total comprehensive (expense) income for the period	-	-	-	-	-	(18,292)	(18,292)	-	-	-	-	219,281	200,989	(2,905)	198,084
Capital contribution by non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	10,343	10,343
Recognition of equity-settled share-based payments	(1,838)	1,838	-	-	-	-	-	-	651	2,990	-	-	3,641	-	3,641
Cancellation of treasury shares	(17,101)	(3,746)	(158,488)	-	-	-	-	-	-	-	-	-	(179,335)	-	(179,335)
Dividends paid (Note 7)	-	-	-	-	-	-	-	-	-	-	-	(63,027)	(63,027)	-	(63,027)
At 30 September 2012 (unaudited)	360,159	(3,746)	1,248,263	(16,132)	(3,944)	63,212	132,638	(6,476)	2,386	16,836	-	1,327,542	3,120,737	37,887	3,158,624
Profit (loss) for the period	-	-	-	-	-	-	-	-	-	-	-	349,120	349,120	(12)	349,108
Other comprehensive income for the period	-	-	-	-	-	45,648	45,648	-	-	-	-	-	45,648	586	46,234
Total comprehensive income for the period	-	-	-	-	-	45,648	45,648	-	-	-	-	349,120	394,768	574	395,342
Capital contribution by non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	100	100
Recognition of equity-settled share-based payments	-	-	-	-	-	16,934	16,934	-	505	3,106	-	-	3,611	-	3,611
Transfer to PRC statutory reserve	(3,746)	3,746	-	-	-	-	-	-	-	-	-	(16,934)	-	-	-
Cancellation of treasury shares	-	-	-	-	-	-	-	-	-	-	-	(89,104)	(89,104)	-	(89,104)
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
At 31 March 2013 (audited)	356,412	-	1,248,263	(16,132)	(3,944)	80,146	179,286	(6,476)	2,891	19,942	-	1,570,624	3,430,012	38,561	3,468,573

**Attributable to owners of the Company**

	Share capital HK\$'000	Treasury shares HK\$'000	Share premium HK\$'000	Special reserve HK\$'000 (note i)	Other reserve HK\$'000 (note ii)	Statutory reserve HK\$'000 (note iii)	PRC reserve HK\$'000	Transiation reserve HK\$'000	Shares held under share award scheme HK\$'000	Share award scheme reserve HK\$'000	Share option reserve HK\$'000	Convertible bonds equity reserve HK\$'000 (note 13)	Retained profits HK\$'000	Sub-total HK\$'000	Non-controlling interest HK\$'000	Total HK\$'000
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	-	502,373	502,373	2,084	504,457
Other comprehensive income for the period	-	-	-	-	-	-	-	52,014	-	-	-	-	-	52,014	388	52,412
Total comprehensive income for the period	-	-	-	-	-	-	-	52,014	-	-	-	-	502,373	554,387	2,482	556,869
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	-	-	644	6,555	-	-	7,199	-	7,199
Repurchase of shares	(3,511)	-	(65,505)	-	-	-	-	-	-	-	-	-	-	(69,016)	-	(69,016)
Recognition of equity component of convertible bonds (Note 13)	-	-	-	-	-	-	-	-	-	-	-	12,245	-	12,245	-	12,245
Issue of shares upon exercise of share options	340	-	4,971	-	-	-	-	-	-	-	(1,224)	-	-	4,087	-	4,087
Issue of shares upon conversion of convertible bonds (Note 13)	5,685	-	111,644	-	-	-	-	-	-	-	-	(3,466)	-	113,863	-	113,863
Dividends paid (Note 7)	-	-	-	-	-	-	-	-	-	-	-	-	(159,402)	(159,402)	-	(159,402)
At 30 September 2013 (unaudited)	358,926	-	1,299,373	(16,132)	(3,944)	80,146	230,300	3,535	25,273	8,779	1,913,595	3,883,375	41,043	3,934,418	-	3,934,418

**Notes:**

- (i) Special reserve arose from the acquisition of equity interest of certain subsidiaries through a corporate reorganisation. It represents the difference between the nominal value of share capital of these subsidiaries at 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 subsidiaries attributable to the additional interest at the dates of acquisition and the fair value of consideration paid by the Company.
- (iii) The statutory reserve represents the amount transferred from profit after taxation of the subsidiaries established in the People's Republic of China (the "PRC") in accordance with the relevant PRC laws until the PRC statutory reserve reaches 50% of the registered capital of the respective subsidiaries. The statutory reserve can be applied either in setting off the accumulated losses or increasing capital.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

	<b>Six months ended</b>	
	<b>2013</b>	2012
NOTE	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Net cash from operating activities	<b>370,535</b>	253,258
Net cash used in investing activities		
Investment on structured deposits	<b>(4,597,385)</b>	(3,671,246)
Payments for purchase of property, plant and equipment	<b>(141,388)</b>	(138,614)
Payments for purchase of lease premium for land	<b>(81,668)</b>	(82,370)
Loan to an associate	<b>(35,000)</b>	-
Proceeds on disposal of structured deposits	<b>4,638,988</b>	3,694,701
Government grant received	<b>55,604</b>	68,897
Proceeds from disposal of a subsidiary	<b>153</b>	-
Refundable earnest-money paid for lease premium for land	-	(15,896)
Other investing cash flows	<b>7,185</b>	866
	<b>(153,511)</b>	(143,662)
Net cash from (used in) financing activities		
Proceeds from issue of convertible bonds	<b>850,000</b>	-
New bank borrowings raised	<b>200,000</b>	-
Proceeds from issue of shares upon exercise of share options	<b>4,087</b>	-
Repayment of bank borrowings	<b>(195,000)</b>	(17,726)
Dividends paid	<b>(159,402)</b>	(63,027)
Repurchase of shares	<b>(69,016)</b>	(179,335)
Capital injection by a non-controlling interest	-	10,343
	<b>630,669</b>	(249,745)
Net increase (decrease) in cash and cash equivalents	<b>847,693</b>	(140,149)
Effect of foreign exchange rate changes	<b>18,970</b>	(4,169)
Cash and cash equivalents at beginning of the period	<b>1,655,439</b>	1,190,072
Cash and cash equivalents at end of the period	<b>2,522,102</b>	1,045,754

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
*FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013*

**1. BASIS OF PREPARATION**

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

**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 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2013, except for the accounting policies for convertible bonds, property, plant and equipment and the new or revised International Financial Reporting Standards ("IFRSs") newly adopted by the Group in the current interim period which have been disclosed below.

**Adoption of new accounting policies**

***Convertible bonds***

Convertible bonds issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bonds into equity, is included in equity (convertible bonds equity reserve).



In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds equity reserve until the embedded option is exercised (in which case the balance stated in convertible bonds equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible bonds equity reserve will be released to the retained profits. Neither gain nor loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

### **Property, plant and equipment**

An investment property carried at fair value is transferred to property, plant and equipment when the transfer is evidenced by commencement of owner occupation of the relevant property. The fair value at the date of change in use is the deemed cost of the property for its subsequent accounting in accordance with IAS 16.

### **Adoption of new and revised IFRSs effective in the current period**

In the current interim period, the Group has applied, for the first time, the following new or revised IFRSs issued by the IASB that are relevant for the preparation of the Group's condensed consolidated financial statements:

- IFRS 10 Consolidated Financial Statements;
- IFRS 11 Joint Arrangements;
- IFRS 12 Disclosure of Interests in Other Entities;
- Amendments to IFRS 10, IFRS 11 and IFRS 12 Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance;
- IFRS 13 Fair Value Measurement;
- IAS 19 (as revised in 2011) Employee Benefits;
- IAS 27 (as revised in 2011) Separate Financial Statements
- IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures;
- Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities;
- Amendments to IAS 1 Presentation of Items of Other Comprehensive Income;
- Amendments to IFRSs Annual Improvements to IFRSs 2009-2011 Cycle; and
- IFRIC – Int 20 Stripping Costs in the Production Phase of a Surface Mine.

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

### **IFRS 10 Consolidated Financial Statements**

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC – Int 12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 had no impact on the consolidation of investees held by the Group.

### **IFRS 11 Joint Arrangements**

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC – Int 13 Jointly-controlled Entities – Non-monetary Contributions by Venturers.

Under IFRS 11 investments in joint arrangements are classified either as joint operations or joint ventures, depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement. Unlike IAS 31, the use of "proportionate consolidation" to account for joint ventures is not permitted. The application of this new standard had no impact on the Group's results of operations or financial position.

## **IFRS 13 Fair Value Measurement**

The Group has applied IFRS 13 for the first time in the current interim period. IFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various IFRSs. Consequential amendments have been made to IAS 34 to require certain disclosures to be made in the condensed consolidated financial statements.

The scope of IFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. IFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of IFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Disclosures of fair value information are set out in note 18.

## **Amendments to IAS 1 Presentation of Items of Other Comprehensive Income**

The amendments to IAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to IAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

### 3. SEGMENT INFORMATION

At the commencement of the current period, the Group reorganised the structure of its sales teams for better management and accountabilities. Reflecting this organisational reconfiguration, information for different sales teams is reported separately to the Group's executive directors, being the chief operating decision makers of the Group, for the purposes of allocating resources to the segments and assessing the performance of the segment.

In compliance with the requirements of IFRS 8 Operating Segments, this organisational reconfiguration led to a change in the segment report for all comparable periods. The four existing operating and reportable segments – Sofa (export sales), Sofa (retail and wholesale in Mainland China), Sofa (retail and wholesale in Hong Kong) and Bedding products have therefore been converted into three operating and reportable segments that representing different sales teams: "North America market", "Europe and other overseas markets" and "China market".

Comparative segment information was revised to conform to current operating structure.

The Group's operating and reportable segments are as follows:

- |                                   |  |
|-----------------------------------|--|
| North America market              | – manufacture and sale of sofa for customers located in the United States of America, Canada and other North America countries |
| Europe and other overseas markets | – manufacture and sale of sofa for customers located overseas except those customers located in North America market           |
| China market                      | – manufacture and distribution of sofa, mattress and bedding products in Mainland China, Hong Kong and Taiwan                  |

Information regarding the above segments is reported below.

**For the six months ended 30 September 2013**

	<b>North America market HK\$'000</b>	<b>Europe and other overseas markets HK\$'000</b>	<b>China market HK\$'000</b>	<b>Total HK\$'000</b>
Segment revenue	<u>1,614,183</u>	<u>458,761</u>	<u>811,667</u>	<u>2,884,611</u>
Segment results	<u>203,037</u>	<u>68,812</u>	<u>201,256</u>	<u>473,105</u>
Interest income				1,166
Income on structured deposits				41,603
Rental income				418
Exchange gain – net				8,539
Gain on changes in fair value of derivative financial instruments				106,046
Finance costs				(24,402)
Loss on disposal of a subsidiary				(2,805)
Central administrative costs and directors' remunerations				(39,094)
Share of profit of a joint venture				5,084
Share of loss of an associate				(4)
Profit before income tax				<u>569,656</u>



**For the six months ended 30 September 2012**

	North America market <i>HK\$'000</i>	Europe and other overseas markets <i>HK\$'000</i>	China market <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	<u>1,419,955</u>	<u>343,157</u>	<u>638,386</u>	<u>2,401,498</u>
Segment results	<u>141,054</u>	<u>39,945</u>	<u>78,760</u>	259,759
Interest income				1,547
Income on structured deposits				23,455
Rental income				1,483
Exchange loss – net				(3,683)
Finance costs				(8,888)
Central administrative costs and directors' remunerations				(39,586)
Share of profit of a joint venture				<u>4,460</u>
Profit before income tax				<u>238,547</u>

Segment results represent profit before income tax earned by each segment without allocation of interest income, income on structured deposits, finance costs, rental income, net exchange gain/loss, central administrative costs and directors' remunerations, share of profit of a joint venture, share of loss of an associate, gain on changes in fair value of derivative financial instruments and loss on disposal of a subsidiary.

#### 4. OTHER GAINS AND LOSSES

	<b>Six months ended 30 September 2013 HK\$'000</b>	2012 HK\$'000
Gain on changes in fair value of derivative financial instruments	<b>106,046</b>	–
Exchange gain (loss) – net	<b>8,539</b>	(3,683)
Gain on disposal of property, plant and equipment	<b>34</b>	44
Impairment losses on property, plant and equipment	<b>(7,027)</b>	–
Loss on disposal of a subsidiary	<b>(2,805)</b>	–
	<b>104,787</b>	(3,639)

#### 5. INCOME TAX EXPENSE

	<b>Six months ended 30 September 2013 HK\$'000</b>	2012 HK\$'000
Current tax:		
PRC Enterprise income tax	<b>63,996</b>	20,413
United States of America ("U.S.")	<b>406</b>	1,074
	<b>64,402</b>	21,487
Underprovision in prior years:		
PRC Enterprise income tax	<b>2,874</b>	324
U.S.	<b>61</b>	–
	<b>2,935</b>	324
Deferred tax:		
Current year	<b>(2,138)</b>	–
	<b>65,199</b>	21,811

No Hong Kong Profits Tax has been provided for as the assessable profit is wholly absorbed by tax losses brought forward in the current period and the Group had no assessable profits arising in Hong Kong in prior period.

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.

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

The U.S. income tax charge comprises federal income tax calculated at 34% and state income tax calculated from 0% to 9.8% 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:

	<b>Six months ended 30 September</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Staff costs	<b>340,393</b>	264,171
Rents and rates	<b>54,098</b>	64,182
Release of lease premium for land	<b>5,529</b>	1,704
Amortisation of intangible assets (recognised in selling and distribution expenses)	<b>115</b>	112
Depreciation	<b>71,141</b>	58,588
Allowance for inventories	<b>2,588</b>	6,029
Interest income	<b>(1,166)</b>	(1,547)
Income on structured deposits included in other income	<b>(41,603)</b>	(23,455)

## 7. DIVIDENDS

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

	<b>Six months ended 30 September</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Final dividend for the year ended 31 March 2013 of HK\$0.18 per share (2012: HK\$0.07 per share for the year ended 31 March 2012)	<b>159,402</b>	63,027

Subsequent to the end of the current period, the directors of the Company have determined that an interim dividend of HK\$0.25 per share (six months ended 30 September 2012: HK\$0.10 per share) will be paid to the shareholders of the Company whose names appear in the Company's Register of Members on 29 November 2013.

## 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:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
<b>Earnings</b>		
Profit for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share	<b>502,373</b>	219,281
Effect of dilutive potential ordinary shares – interest on convertible bonds, net of tax	<b>14,850</b>	–
	<b>517,223</b>	219,281
	<b>Number of shares '000</b>	Number of shares '000
<b>Number of shares</b>		
Weighted average number of ordinary shares in issue during the period for the purpose of basic earnings per share	<b>885,938</b>	917,547
Effect of dilutive potential ordinary shares		
– Unvested awarded shares	<b>278</b>	307
– Share options	<b>4,629</b>	–
– Convertible bonds	<b>69,177</b>	–
Weighted average number of ordinary shares in issue during the period for the purpose of diluted earnings per share	<b>960,022</b>	917,854

The weighted average number of shares for both periods have been arrived at after eliminating the shares of the Company held under the share award scheme as detailed in note 16.

The computation of diluted earnings per share for the six months ended 30 September 2012 did not assume the exercise of the Company's outstanding share options because the exercise price of these options was higher than the average market price for shares for the 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\$69,060,000 and HK\$45,804,000 (six months ended 30 September 2012: HK\$100,567,000 and HK\$97,511,000) respectively for the purpose of expanding the Group's business.

In addition, the Group transferred investment properties in the PRC with fair value of RMB12,400,000 (approximately HK\$15,780,000) to property, plant and equipment on 1 April 2013 as evidenced by owner occupation.

At 30 September 2013, the directors of the Company consider 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

	<b>30 September 2013 HK\$'000</b>	31 March 2013 HK\$'000
Trade and bills receivables	<b>494,789</b>	369,119
Other receivables and prepayments		
Valued added taxes recoverable	<b>110,872</b>	96,197
Deposits	<b>23,354</b>	32,652
Sundry receivables	<b>21,145</b>	28,325
Prepayments to suppliers	<b>63,604</b>	40,466
	<b>218,975</b>	197,640



Other than cash and credit card sales for retail business, the Group generally allows a credit period of 30 to 90 days for export customers and 180 days for high speed train manufacturers which are state-owned enterprises. 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:

	<b>30 September 2013 HK\$'000</b>	31 March 2013 HK\$'000
0 – 30 days	<b>300,213</b>	243,706
31 – 60 days	<b>158,776</b>	82,114
61 – 90 days	<b>25,003</b>	33,575
Over 90 days	<b>10,797</b>	9,724
	<b><u>494,789</u></b>	<u>369,119</u>

#### **11. TRADE AND OTHER PAYABLES AND ACCRUALS AND GOVERNMENT GRANT RECEIPT IN ADVANCE**

	<b>30 September 2013 HK\$'000</b>	31 March 2013 HK\$'000
Trade and bills payables ( <i>Note i</i> )	<b><u>284,247</u></b>	<u>259,135</u>
Other payables and accruals		
Trade deposits received from customers	<b>100,214</b>	91,684
Accruals	<b>197,611</b>	174,612
Payables for acquisition of property, plant and equipment	<b>14,845</b>	33,551
Others	<b>14,089</b>	11,946
	<b><u>326,759</u></b>	<u>311,793</u>
Government grant ( <i>Note ii</i> )	<b><u>182,248</u></b>	<u>200,394</u>

Notes:

- (i) The aged analysis of the Group's trade and bills payables presented based on the invoice date at the end of the reporting period is as follows:

	<b>30 September 2013 HK\$'000</b>	31 March 2013 HK\$'000
0 – 30 days	<b>271,371</b>	205,318
31 – 60 days	<b>11,681</b>	35,537
61 – 90 days	<b>868</b>	17,321
Over 90 days	<b>327</b>	959
	<b>284,247</b>	259,135

- (ii) During the year ended 31 March 2012, Man Wah Furniture Headquarter (Wujiang) Co., Ltd., a wholly owned subsidiary of the Group, received a government subsidy of RMB146,629,000 (approximately HK\$180,890,000) in respect of the Group's development of a regional headquarter and furniture mall in Wujiang City, the PRC.

During the current period, a supplementary agreement entered between the local government and the Group, whereby the government grant to the Group by way of subsidy has been changed to a subsidy to develop the sales, marketing and corporate activities conducted by the wholly owned subsidiary. An amount of RMB40,672,000 (approximately HK\$51,373,000), representing sales, marketing and corporate activities incurred during the period, was released from the government grant receipt in advance and recorded as other income in the condensed consolidated statement of profit or loss and other comprehensive income.

During the current period, the PRC government granted subsidies of RMB6,783,000 (approximately HK\$8,568,000) (six months ended 30 September 2012: RMB668,000 (approximately HK\$820,000)) on PRC taxes paid (other than PRC Enterprise Income Tax) and research and development cost incurred.

During the current period, the PRC government granted a subsidy of RMB44,022,000 (approximately HK\$55,604,000) (six months ended 30 September 2012: RMB56,344,000 (approximately HK\$69,160,000)) in respect of the Group's development of manufacturing plant in Tianjin City, the PRC. Such amount was fully paid to the Group prior to the development of the plant. The above amounts (net of tax) will be set off against the construction costs of the assets. During the current period, an amount of RMB2,902,000 (approximately HK\$3,666,000) (six months ended 30 September 2012: nil) had set off against the construction costs of the assets.

## **12. BANK BORROWINGS**

During the current period, the Group obtained new bank loans amounting to approximately HK\$200,000,000 (six months ended 30 September 2012: nil). The outstanding loans of the Group carry interest at variable market rate ranging from 2.04% to 4.56% (31 March 2013: 2.67% to 4.56%) and are repayable within one year. The Group repaid borrowings of approximately HK\$195,000,000 (six months ended 30 September 2012: HK\$17,726,000) during the period.

## **13. CONVERTIBLE BONDS**

On 20 May 2013 and 27 June 2013 (the "Issue Dates"), the Company issued Tranche I Bond and Tranche II Bond, in the principal amounts of HK\$700,000,000 and HK\$150,000,000, respectively. The convertible bonds are denominated in a designated rate converted from Hong Kong dollars to United States dollars. The bonds entitle the holders to convert them into ordinary shares of the Company at any time between the Issue Dates of the bonds and their settlement date on 20 May 2018 (the "Maturity Date") at a conversion price of HK\$8.25 per convertible bond. If the bonds have not been converted, they will be redeemed on the Maturity Date at par. Interest of 5% per annum will be paid semi-annually in arrears on 20 May and 20 November in each year until the Maturity Date.

The principal terms of the convertible bonds are as follows:

The holders of the bonds have the right to convert all or part of the bonds into shares of the Company at the conversion price of HK\$8.25 per share (subject to anti-dilutive adjustment). The conversion right can be exercised at any time on or after Issue Dates up to the close of business on the Maturity Date, or if notice requiring redemption has been given on or after the Issue Dates, then up to the close of business on the day prior to the giving of such notice.

Unless previously redeemed or purchased and cancelled, the Company may at any time on or after the Issue Dates up to the close of business on the Maturity Date require a portion or all of the bonds to be converted into shares upon the occurrence of corresponding trigger events. When the arithmetic average of the volume weighted average price for one share for 60 consecutive trading days is not less than HK\$10.35, HK\$12.45 and HK\$14.45 and the closing price of one share on the date falling at the end of the aforesaid 60-day period is not less than HK\$10.35, HK\$12.45 and HK\$14.45 respectively, principal amount of the bonds held by the relevant holder of the bonds such that, immediately after the conversion, such holder has converted or redeemed not less than 18 per cent, 64 per cent and 100 per cent respectively of the principal amount of the bonds subscribed by it on the Issue Dates.

The convertible bonds contain a liability component and an equity component. The equity component is presented in the equity under the heading "Convertible bonds equity reserve". The effective interest rates of the liability components of the Tranche I Bond and Tranche II Bond are 5.12% and 6.80% respectively.

The movements of the liability and equity components of the convertible bonds for the current period are set out below:

	<b>Liability component</b> <i>HK\$'000</i>	<b>Equity component</b> <i>HK\$'000</i>
Issue on 20 May 2013	698,181	1,819
Issue on 27 June 2013	139,574	10,426
Interest charged	14,850	–
Conversion of convertible bonds	<u>(113,863)</u>	<u>(3,466)</u>
At 30 September 2013	<u>738,742</u>	<u>8,779</u>

#### 14. SHARE CAPITAL

	<b>Number of shares</b> <i>'000</i>	<b>Amount</b> <i>HK\$'000</i>
<b>Ordinary shares of HK\$0.40 each</b>		
<b>Issued and fully paid:</b>		
At 1 April 2012	947,742	379,097
Repurchase of shares ( <i>Note a</i> )	(42,752)	(17,101)
Cancellation of treasury shares ( <i>Note b</i> )	<u>(4,595)</u>	<u>(1,838)</u>
At 30 September 2012	900,395	360,158
Cancellation of treasury shares ( <i>Note a</i> )	<u>(9,365)</u>	<u>(3,746)</u>
At 31 March 2013	891,030	356,412
Repurchase of shares ( <i>Note a</i> )	(8,778)	(3,511)
Exercise of share options ( <i>Note 15</i> )	852	340
Conversion of convertible bonds ( <i>Note 13</i> )	<u>14,212</u>	<u>5,685</u>
At 30 September 2013	<u>897,316</u>	<u>358,926</u>

Notes:

(a) During the six months ended 30 September 2012, 52,117,200 ordinary shares of HK\$0.4 each of the Company were repurchased at a price ranging from HK\$2.78 to HK\$3.87 per share. 42,752,800 ordinary shares were cancelled during the period and the remaining 9,364,400 shares which were recognised as treasury shares at the end of the reporting period were cancelled on 5 October 2012.

During the six months ended 30 September 2013, 8,778,000 ordinary shares of HK\$0.4 each of the Company were repurchased at a price ranging from HK\$6.46 to HK\$9.71 per share.

(b) 4,594,400 ordinary shares of the Company at HK\$0.4 each, recognised as treasury shares at 31 March 2012, were cancelled on 20 April 2012.

## 15. 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 2013.

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

	Number of share options	
	2013	2012
	'000	'000
Outstanding as at 1 April	30,557	15,722
Granted during the period	8,506	612
Forfeited during the period	(2,062)	(56)
Exercised during the period	(852)	-
	<hr/>	<hr/>
Outstanding as at 30 September	36,149	16,278

Share option of 8,506,400 shares was granted on 31 May 2013. The closing price of the Company's shares immediately before the date of grant was HK\$8.16. The fair value of the option was determined at the date of grant using the Binomial model amounted to approximately HK\$17,444,000.

The following assumptions were used to calculate the fair value of share option:

	31 May 2013
Closing share price at date of grant	HK\$8.16
Exercise price	HK\$8.16
Expected exercise multiple	2.8
Expected volatility	51.90%
Expected dividend yield	3.43%
Risk free rate	0.991%

The variables and assumptions used above are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.



Details of specific categories of options are as follows:

Options	Date of grant	Number of share options granted	Vesting period	Exercise period	Exercise Price
October 2010	18.10.2010	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	30.6.2011	240,000	30.6.2011 – 29.6.2013	30.6.2013 – 29.6.2015	HK\$8.11
July 2011	6.7.2011	4,500,000	6.7.2011 – 5.7.2014	6.7.2014 – 5.7.2016	HK\$8.55
February 2012	8.2.2012	1,903,200	8.2.2012 – 7.2.2014	8.2.2014 – 7.2.2016	HK\$4.72
		1,903,200	8.2.2012 – 7.2.2015	8.2.2015 – 7.2.2017	HK\$4.72
		1,903,200	8.2.2012 – 7.2.2016	8.2.2016 – 7.2.2018	HK\$4.72
		1,840,000	8.2.2012 – 7.2.2017	8.2.2017 – 7.2.2019	HK\$4.72
June 2012	1.6.2012	611,600	1.6.2012 – 31.5.2013	1.6.2013 – 3.3.2020	HK\$3.50
February 2013	1.2.2013	5,381,600	1.2.2013 – 31.1.2015	1.2.2015 – 31.1.2017	HK\$7.17
		5,266,400	1.2.2013 – 31.1.2016	1.2.2016 – 31.1.2018	HK\$7.17
		5,266,000	1.2.2013 – 31.1.2017	1.2.2017 – 31.1.2019	HK\$7.17
May 2013	31.5.2013	8,506,400	31.5.2013 – 30.5.2015	31.5.2015 – 3.3.2020	HK\$8.16

The Group recognised an expense of HK\$6,555,000 for the six months ended 30 September 2013 (six months ended 30 September 2012: HK\$2,990,000) in relation to the share options granted by the Company.

## 16. 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 2013.

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:

<b>Category</b>	<b>Date of grant</b>	<b>Vesting period</b>	<b>Fair value per share (Note) HK\$</b>	<b>As at 31.3.2013 and 30.9.2013</b>
Employees	11.2.2011	11.2.2011 – 31.12.2013	12.34	238,000
Directors	11.2.2011	11.2.2011 – 31.12.2013	12.34	10,000
	15.6.2011	15.6.2011 – 15.6.2014	8.6	30,000
				<u>278,000</u>

*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\$644,000 for the period ended 30 September 2013 (six months ended 30 September 2012: HK\$651,000).

## 17. CAPITAL COMMITMENTS

	<b>30 September 2013 HK\$'000</b>	<b>31 March 2013 HK\$'000</b>
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of		
– acquisition of property, plant and equipment	<b>55,865</b>	60,630
– construction of production plant	<b>149,489</b>	3,359
– lease premium for land	<b>–</b>	43,381
	<u><b>205,354</b></u>	<u>107,370</u>
Capital expenditure authorised but not contracted for in the condensed consolidated financial statements in respect of lease premium for land	<u><b>16,117</b></u>	<u>–</u>

## 18. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial assets and liabilities are measured at fair value at the end of each reporting period. The following table describes how the fair values of these financial assets and liabilities are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Other than derivative financial instruments carried at fair value as detailed in the following table, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

Financial assets	Fair value as at 30 September 2013 HK\$'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
<b>Financial assets at fair value through profit or loss</b>					
Foreign currency forward contracts classified as derivative financial instruments	94,184	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A

There was no transfer amongst Levels 1, 2 and 3 in the current and prior periods.

## 19. RELATED PARTY DISCLOSURES

### (I) Related party transactions

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Rental expense paid to related parties ( <i>Note</i> )	<b>1,063</b>	723
Rental expense paid to a joint venture	<b>1,010</b>	1,118

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

### (II) Compensation of key management personnel

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Short-term employee benefits	<b>13,707</b>	9,450
Post employment benefits	<b>53</b>	404
Share-based payment expenses	<b>4,884</b>	2,026

## 20. EVENT AFTER THE END OF THE REPORTING PERIOD

On 25 October 2013, holders of the convertible bonds have converted HK\$105,501,000 principal amount of the convertible bonds into 12,788,000 ordinary shares of the Company at the conversion price of HK\$8.25.