



MANWAH

MAN WAH HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 01999)

Interim Report 2014

FIRST CLASS
EXPERIENCE EVERYDAY



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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

Independent non-executive Directors

Mr. Ong Chor Wei

Mr. Chau Shing Yim, David

Mr. Lee Teck Leng, Robson

Mr. Kan Chung Nin, Tony

AUDIT COMMITTEE

Mr. Chau Shing Yim, David

Mr. Lee Teck Leng, Robson

Mr. Ong Chor Wei

Mr. Xie Fang

NOMINATION COMMITTEE

Mr. Wong Man Li (*Chairman*)

Mr. Lee Teck Leng, Robson

Mr. Chau Shing Yim, David

Mr. Wang Guisheng

Mr. Kan Chung Nin, Tony

REMUNERATION COMMITTEE

Mr. Lee Teck Leng, Robson (*Chairman*)

Mr. Wong Man Li

Mr. Chau Shing Yim, David

Mr. Wang Guisheng

Mr. Kan Chung Nin, Tony

COMPANY SECRETARY

Mr. Wang Guisheng

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

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 (the "Board") of directors (the "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 six months ended 30 September 2014 ("1HFY2015", the "Review Period" or "1H of the Current FY").

BUSINESS REVIEW

During the Review Period, although there were a variety of uncertainties in the global economy, the Group continued to benefit from its concrete development strategy, and maintained a steady growth of its business. At the same time, the Group has further implemented the detailed management, thus further improving its operational efficiency. The growth rate of the profit from the core business continued to exceed that of the revenue during the Review Period.

In the North America market, the economy of the United States ("US") continued to recover, and consumer demand spurred by the property market increased notably, which in turn supported the long-term steady growth of the furniture retail market. During the Review Period, the Group continuously enhanced its core competitiveness in product innovation, quality and services, and participated in furniture exhibitions held regularly in the US while introducing a series of innovative products. Thus the Group was able to successfully seize market opportunities, maintain the growth of its revenue and profits, and consolidate its market share in the North America market.

As for Europe and other overseas markets, due to the poor economic performance in Europe, the GDP of the Eurozone for the second quarter remained at the same level as in the same quarter last year. In particular, the GDP performance of Germany and France, the two biggest economies, failed to meet market expectation. Owing to the unfavourable external environment, the furniture market was still facing challenges, which in turn affected the Group's sales performance in the Review Period. Nonetheless, the Group continued to develop new markets and explore new customers, and managed to realise a revenue growth in this market.

In the China market, despite the slowdown of the property market, the overall domestic economic performance maintained a healthy and stable growth. In view of this, the Group continued to further penetrate the market during the Review Period, as it invested in improving brand awareness, and introduced new products in line with the market demand thereby successfully seizing the business opportunities. In the meantime, the Group further optimised its domestic logistics management, and reduced the logistics cost effectively, making the China market as the fastest-growing area in terms of revenue and profit for the Review Period.

As for internal operations, the Group has further enhanced its internal management by gradually establishing a comprehensive performance evaluation and motivation system, thus optimizing its productivity. As such, during the Review Period, the Group's selling and distribution expenses and administrative expenses continued to fall as a percentage of revenue.

PROSPECTS

Looking ahead, the ongoing recovery of the economy in the US will lay a good foundation for the long-term development of the furniture market. As the new home sales performance data in the US improved and personal consumption increased gradually, the Group will continue to align with market demand, maintain long-term and stable cooperation with quality retailers and strive to present consumers with higher value-added products, so as to further increase its market share and boost the Group's sales performance.

In Europe and other overseas markets, although the European economy is still facing challenges, the Group has the confidence to leverage its competitive advantage to overcome the instability in the market so as to further expand its customer base, as well as strive for higher sales growth.

In the China market, the steady domestic economic growth and the increasing customer demand for quality branded furniture are both conducive to the long-term development of the furniture market. While consolidating its leading position in the reclining sofas segment, the Group has taken the initiative in considering enriching its product lines, so as to meet the demands of different types of consumers. Therefore, it officially launched "Cheers Urban" series of stationary sofas, and "Enlanda Home" series of bedding and ancillary products in September 2014, and expects that the new products will become new drivers of our sales growth.

In terms of production capacity expansion, to support the Group's revenue growth, the construction of the Phase One of the Tianjin factory has been completed and put into operation since August 2014, which has increased our annual production capacity by 200,000 sets of sofas raising its annual sofa production capacity from 1,116,000 sets to 1,316,000 sets, which enables the Group to take a better advantage of business opportunities in the future.

APPRECIATION

On behalf of the Board, I would like to extend my heartfelt thanks to our shareholders and business partners for their long-term support. I would also like to express my gratitude for the efforts of all the Group's employees during the past six months. The Group will continue to strive for its utmost to create better returns for shareholders.

Wong Man Li
Chairman
Man Wah Holdings Limited

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In the 1HFY2015, the Group has continued to adhere to its established development strategy of focusing on its core products. Through product innovation, service improvement and expansion of sales channels, the Group has overall maintained a steady sales growth. As for the internal control, the Group further enhanced its operational efficiency, thus recorded a satisfactory increase in its profits during the Review Period compared with the six-month period ended 30 September 2013 (the “Last Corresponding Period” or the “1HFY2014”).

China market

During the Review Period, the growth of property market has slowed down to a level below the market expectation. From January to August in 2014, the year-on-year growth of the national residential investment amounted to 12.4%, 6.8 percentage points lower than the year-on-year growth rate of the same period last year, and the sales value and sales area of commodity housing have decreased by 8.9% and 10.0% respectively since the beginning of the year. The furniture market, which was closely linked to the property market, was also challenged. However, the Group has promptly adjusted its sales strategy to seize the new opportunities arising from the market trends, to focus on expanding its retail network in third- and fourth-tier cities by opening franchise stores, and to make further investment in online sales platforms. These efforts effectively sustained a steady sales growth.

Although there was much uncertainty in the property market, the Chinese government had adopted a series of policies for promoting stable economic growth, and the overall Chinese domestic economy continued to expand steadily. According to the data published by the National Bureau of Statistics of China, GDP growth in the third quarter of 2014 achieved 7.3% year-on-year, while the total retail sales of consumer goods grew by 13.1% in this September year-on-year. These macro-economic data affirmed the effectiveness of policies adopted by the government, which has further stimulated the performance in the retail consumer market.

North America market

Thanks to the gradual decrease in the unemployment rate, the continuous improvement of the exports and consumer spending, real GDP growth of the US reached 4.6% in the second quarter of this year, which reflected the significant recovery of the US economy in that quarter. In addition, according to the data from the Department of Commerce of the US, the new home sales in August of this year surged 18% to 504,000 units month-on-month, and rose 33% year-on-year, which achieved a six-year record high, reflecting a strong demand in the property market there. Moreover, the nationwide survey report on economic trends conducted by the US Federal Reserve pointed out that personal consumption in most parts of the US continued to grow. It is expected that housing and consumption will grow considerably, and will benefit the related markets such as the furniture industry.

Europe and other overseas markets

The European economy remained weak in the second quarter of 2014, with the pace of its recovery performing below market expectations. According to the Eurostat Home, the initial GDP of the Eurozone in the second quarter grew by only 0.7% quarter-on-quarter, within which the GDP of Germany contracted at 0.2% quarter-on-quarter for the first time since 2012, and the GDP of France also remained stagnant on a quarter-on-quarter basis. Despite the external economic environment, the Group carefully took into consideration the local economic condition and market demand, and introduced a number of high cost performance reclining sofas, thereby managing to achieve stable sales performance in the European market.

BUSINESS REVIEW

In the 1HFY2015, although there were numerous challenges within the global economy, the Group has maintained a steady revenue growth, and achieved a record high profit through strengthening its internal control and improving its operational efficiency.

China market

During the Review Period, the Group continued to devote resources to enhance the brand awareness and market penetration of its reclining sofas in China, as well as actively expanded store network especially the retail stores operated by franchisees in third- and fourth-tier cities in the country. During the Review Period, the number of the Group's retail stores increased by 106. At the same time, the Group has set up its own truck fleet for long-distance delivery to boost logistics efficiency, and further improved its brand awareness by its truck body advertisement. In addition, the Phase 1 of the new factory in Tianjin of the Group has begun its operation in August 2014, which will further reduce transportation cost to the market in the Northern China.

As at 30 September 2014, there were a total of 1,288 "CHEERS", "ENLANDA" and "MOREWELL" retail stores self-owned by the Group and operated by distributors in China as set out below.

The Group owned 125 "CHEERS" and 37 "ENLANDA" self-owned retail stores located in 12 cities in Mainland China, including first- and second-tier cities such as Shenzhen, Guangzhou and Shanghai, as well as 5 "CHEERS" and "MOREWELL" retail stores in Hong Kong.

Distributors of the Group operated 840 "CHEERS" and 281 "ENLANDA" retail stores across 29 provinces in Mainland China.

North America market

Thanks to the economic recovery in the North America market, furniture retailers recorded satisfactory sales which had a positive impact on the sales of the Group. During the Review Period, the Group has continued to maintain its good cooperative relationship with its customers, which were mostly retailers, and also introduced a variety of innovative products through furniture exhibitions held regularly in the US, propelling the growth of sales as well as highlighting the Group's competitiveness.

During the Review Period, the Group participated in two furniture exhibitions and introduced over 40 new sofa models to its customers. The newly launched Wireless Chair products and Calf Suede synthetic fabric sofas became the star products in the Las Vegas Market held in July 2014. Apart from maintaining sound collaboration with its existing customers, the Group gained eight new customers from North America during the Review Period. Further, during the Review Period, sales in the North America market grew by approximately 9.4% compared with the Last Corresponding Period.

Europe and other overseas markets

In Europe, as the overall economy had a sluggish growth, the demand in the furniture market was weak. The Group still achieved growth in sales in most countries through selling high cost performance products despite the adverse market environment. During the Review Period, the Group gained more than twenty new customers in these markets. Sales in the UK decreased by approximately 22.2%, while sales in other European countries and other overseas markets rose by approximately 21.7%. As the sales in the UK accounted for a large proportion, the overall growth in this segment rose by approximately 0.5%, of which the revenue in Europe was down by approximately 7.3%.

Product Research and Development

During the Review Period, the Group continued to prioritize product innovation as the driving power for growth. The Group has successfully launched the Wireless Chair products, which have combined a range of functions including power motion with rechargeable batteries, adjustable headrest, glider and swivel function, and they have been well received in the market since their launch. In July 2014, the Group launched Calf Suede synthetic fabric, another new material following the introduction of LEATHE-AIRE material. The advantages of this fabric over many common synthetic fabrics are expected to promote the sales growth. During the Review Period, the Group has introduced more than 70 new sofa models. The sales volume of non-leather sofas and leather sofas in the overseas markets accounted for approximately 66.6% and 33.4%, respectively, and those in China market accounted for approximately 40.1% and 59.9%, respectively.

FINANCIAL REVIEW

Revenue and gross profit margin

	Revenue (HK\$'000)			As a percentage of sales (%)		Gross profit margin (%)	
	1HFY2015	1HFY2014	Change (%)	1HFY2015	1HFY2014	1HFY2015	1HFY2014
North America Market	1,766,148	1,614,183	9.4%	55.2%	56.0%	33.7%	32.2%
Europe and other overseas markets	461,181	458,761	0.5%	14.4%	15.9%	27.6%	24.8%
China Market	972,753	811,667	19.8%	30.4%	28.1%	44.0%	46.4%
Total	3,200,082	2,884,611	10.9%	100.0%	100.0%	35.9%	35.0%

For the 1HFY2015, total revenue rose by approximately 10.9% to approximately HK\$3,200,082,000 (1HFY2014: approximately HK\$2,884,611,000), whereas the overall gross profit margin increased to approximately 35.9% from approximately 35.0% when compared to that in the Last Corresponding Period.

During 1HFY2015, cost of goods sold rose by approximately 9.4%.

During the Review Period, the Group raised selling prices of sofa products again. After the average wholesale and retail prices of sofa products in the China market were increased by 5% in May 2014, the Group has been increasing the selling price of leather sofas gradually since July 2014 in the overseas markets, with an average increase of over 2%.

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

	1HFY2015	1HFY2014	Change (%)
Sales Volume (sets)	418,812	371,588	12.7%
Average Selling Price (HK\$)	6,779	6,946	-2.4%
Sales revenue from sofa products (HK\$'000)	2,839,312	2,581,014	10.0%

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 equals to six seats of sofa.

During the Review Period, revenue from CHEERS brand reclining sofas rose by approximately 10.0% to approximately HK\$2,839,312,000, accounting for approximately 88.7% of the Group's total revenue. The growth in revenue was mainly due to volume growth of approximately 12.7% to 418,812 sets (1HFY2014: 371,588 sets), and the fall in the average selling price of approximately 2.4% to approximately HK\$6,779 per set (1HFY2014: approximately HK\$6,946 per set). The average selling price in China market fell by approximately 12.8% and the price for each set of sofa fell from approximately HK\$12,210 to approximately HK\$10,648. The average selling price of the North America market also fell by approximately 1.0% and the price of each set of sofa fell from approximately HK\$6,689 to approximately HK\$6,621. Average selling price in Europe and other overseas markets fell by approximately 5.9%, and price of each set of sofa fell from approximately HK\$5,114 to approximately HK\$4,810. The fall was mainly due to the Company increasing the proportion of non-leather sofa (which has a lower average unit price) out of total sofa sales to penetrate more quickly into the third and fourth-tier cities in the China market, and to minimise the impact on gross profit margin out of leather price fluctuation, also in China market, the Company increased the proportion of wholesale to distributors out of total sales.

China market

During the Review Period, revenue from the China market reached approximately HK\$972,753,000, up by approximately 19.8% from approximately HK\$811,667,000 in the Last Corresponding Period. Of this:

1. Revenue from CHEERS brand sofa self-operated retail stores reached approximately HK\$260,344,000 down by approximately 7.7% compared with approximately HK\$281,958,000 in the Last Corresponding Period.

During the Review Period, the number of self-operated stores was increased to 130 as of 30 September 2014 from 128 as of 31 March 2014, up by approximately 1.6%.

During the Review Period, average sales per self-operated store increased by approximately 15.2% from the Last Corresponding Period (average sales per store is calculated as sales of all stores during the Review Period divided by average number of stores; and average number of stores is calculated as the arithmetic mean of stores at the beginning of the Review Period and those at the end of the Review Period respectively).

2. Wholesale revenue from CHEERS brand sofa retail stores operated by distributors reached approximately HK\$516,946,000, up by approximately 41.0% compared with approximately HK\$366,628,000 in the Last Corresponding Period.

During the Review Period, the Group continued to expand its store network according to its established store opening plan. Stores operated by distributors rose to 840 as of 30 September 2014 from 745 as of 31 March 2014, representing a growth of approximately 12.8%.

During the Review Period, the average sales per distributor store under CHEERS brand decreased by approximately 4.5% from the Last Corresponding Period.

3. Retail revenue from bedding self-operated retail stores under ENLANDA brand reached approximately HK\$34,092,000, down by approximately 35.7% compared with approximately HK\$53,029,000 in the Last Corresponding Period.

During the Review Period, the number of ENLANDA brand self-operated retail stores was adjusted to 37 as of 30 September 2014 from 43 as of 31 March 2014, down by approximately 14.0%. During the Review Period, average sales per ENLANDA self-operated retail store increased by approximately 13.3% from the Last Corresponding Period.

4. Wholesale revenue from bedding retail stores operated by distributors under ENLANDA brand reached approximately HK\$68,462,000, up by approximately 20.5% compared with approximately HK\$56,837,000 in the Last Corresponding Period.

During the Review Period, the number of stores operated by distributors went up from 266 as of 31 March 2014 to 281 as of 30 September 2014, up by approximately 5.6%; and the average sales per ENLANDA distributor store decreased by approximately 6.6% from the Last Corresponding Period.

5. Revenue from the internet and television platform reached approximately HK\$31,659,000, up by approximately 21.0% from approximately HK\$26,166,000 in the Last Corresponding Period.

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

6. During the Review Period, revenue from commercial clients reached approximately HK\$61,250,000, up by approximately 126.4% from approximately HK\$27,049,000 in the Last Corresponding Period.

North America market

During the Review Period, revenue from the North America market reached approximately HK\$1,766,148,000, up by approximately 9.4% compared with approximately HK\$1,614,183,000 in the Last Corresponding Period. Of this, revenue from the US reached approximately HK\$1,657,431,000, up by approximately 11.2% compared with approximately HK\$1,490,309,000 in the Last Corresponding Period, and revenue from Canada reached approximately HK\$108,173,000, down by approximately 12.5% compared with approximately HK\$123,632,000 in the Last Corresponding Period.

Europe and other overseas markets

During the Review Period, revenue from Europe and other overseas markets was approximately HK\$461,181,000, up by approximately 0.5% compared with approximately HK\$458,761,000 in the Last Corresponding Period. Of this, revenue from Europe reached approximately HK\$286,112,000, down by approximately 7.3% compared with approximately HK\$308,667,000 in the Last Corresponding Period, and revenue from other overseas markets reached approximately HK\$175,069,000, up by approximately 16.6% compared with approximately HK\$150,094,000 in the Last Corresponding Period.

During the Review Period, the growth rate of revenue had slowed down mainly due to the decrease in revenue from the UK market for approximately 22.2%, while the growth rate of revenue from countries other than the UK was approximately 21.7%.

Cost of goods sold

Cost of goods sold breakdown

	1HFY2015 HK\$'000	1HFY2014 HK\$'000	Change (%)
Cost of raw materials	1,747,705	1,613,609	8.3%
Labour costs	216,675	194,099	11.6%
Manufacturing overhead	86,197	66,745	29.1%
Total	2,050,577	1,874,453	9.4%

Major raw materials	Average unit cost year-on-year change (%)	% of total cost of sales (%)
Leather	6.1%	23.6%
Metal	-0.4%	18.0%
PVC	-3.5%	1.6%
Wood	1.2%	8.3%
Fabric	2.4%	11.1%
Chemicals	3.8%	9.1%

During the Review Period, overall cost of major raw materials rose slightly mainly due to the increase in leather price by approximately 6.1% compared with the Last Corresponding Period.

OTHER INCOME

During the 1HFY2015, other income of the Group increased by approximately 33.5% to approximately HK\$168,883,000, mainly due to the increase of government grant income and income from structured deposit and sales of industrial waste (1HFY2014: approximately HK\$126,524,000).

	1HFY2015 HK\$'000	1HFY2014 HK\$'000	Change (%)
Income from sale of industrial waste*	21,284	19,383	9.8%
Government subsidies**	76,564	59,941	27.7%
Income on structured deposits***	66,786	42,770	56.2%
Others	4,249	4,430	-4.1%
Total	168,883	126,524	33.5%

Notes:

* Income from sale of industrial waste is revenue from the sale of non-reusable leather, cotton, wood generated in the normal production process of the Company's sofas and bedding products. During the 1HFY2015, such income accounted for approximately 0.7% of total income (income from sales of industrial waste accounted for approximately 0.7% of total income in the Last Corresponding Period).

** Government subsidies mainly consist of subsidy on tax paid and financial subsidies from the local government of subsidiaries in Mainland China.

*** Income from structured deposits originated from the use of unutilised funds by the Company to invest in commercial banking wealth management products of major banks in the Mainland China. The banks have provided guarantee for principal and gains for all products. The investment period is not more than six months. As at 30 September 2014, the principal and gains of such investments have been fully recovered.

OTHER GAINS AND LOSSES

During the 1HFY2015, other gains and losses of the Group amounted to approximately HK\$5,688,000, down by approximately 94.6% compared with approximately HK\$104,787,000 in the Last Corresponding Period. The decrease was mainly due to the closure or termination of all foreign exchange forward contracts as at 31 March 2014, and that no gains or losses on foreign exchange forward contracts were recorded during the Review Period (gains on foreign exchange forward contracts were approximately HK\$106,046,000 during the Last Corresponding Period).

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses decreased by approximately 0.03% from approximately HK\$503,397,000 in the 1HFY2014 to approximately HK\$503,258,000 in the 1HFY2015. Selling and distribution expenses as a percentage of revenue decreased from approximately 17.5% in the 1HFY2014 to approximately 15.7% in the 1HFY2015. The decrease was mainly due to the continuous improvement in the Group's operational efficiencies, including:

- (a) overseas transportation and port fees increased by approximately 0.3% from approximately HK\$235,282,000 to approximately HK\$235,937,000. As the Group's export container shipping rate was lower than that of the Last Corresponding Period, overseas transportation and port fees as a percentage of revenue decreased from approximately 8.2% to approximately 7.4%;
- (b) rent, property management fees and utility decreased by approximately 11.6% from approximately HK\$79,034,000 to approximately HK\$69,900,000. Rent, property management fees and utility as a percentage of revenue decreased from approximately 2.7% to approximately 2.2%;
- (c) advertising, promotion and brand building expenses increased by approximately 3.7% from approximately HK\$40,031,000 to approximately HK\$41,503,000. Advertising, promotion and brand building expenses as a percentage of revenue decreased from approximately 1.4% to approximately 1.3%;
- (d) salaries, welfare and commissions of sales staff increased by approximately 1.3% from approximately HK\$69,587,000 to approximately HK\$70,515,000. Salaries, welfare and commissions of sales staff as a percentage of revenue decreased from approximately 2.4% to approximately 2.2%; and
- (e) domestic transportation expenses decreased by approximately 1.9% from approximately HK\$18,434,000 to approximately HK\$18,090,000. Domestic transportation expenses as a percentage of revenue decreased from approximately 0.64% to approximately 0.57%.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by approximately 7.6% from approximately HK\$149,094,000 in the 1HFY2014 to approximately HK\$160,383,000 in the 1HFY2015. As a percentage of revenue, administrative expenses decreased from approximately 5.2% in the 1HFY2014 to approximately 5.0% in the 1HFY2015, including:

- (a) salaries and welfare of employees increased by approximately 3.8% from approximately HK\$70,685,000 to approximately HK\$73,341,000. Salaries and welfare of employees as a percentage of revenue decreased from approximately 2.5% to approximately 2.3%; and
- (b) depreciation and amortisation expenses increased by approximately 3.9% from approximately HK\$30,711,000 to approximately HK\$31,898,000. Depreciation and amortisation expenses as a percentage of revenue decreased from approximately 1.1% to approximately 1.0%.

SHARE OF PROFIT OF A JOINT VENTURE

During the Review Period, share of profit of a joint venture was approximately HK\$1,396,000 (1HFY2014: approximately HK\$5,084,000).

SHARE OF LOSS OF AN ASSOCIATE

During the Review Period, share of loss of an associate was approximately HK\$1,020,000 (1HFY2014: loss of approximately HK\$4,000).

FINANCE COSTS

The finance costs decreased by approximately 48.6% from approximately HK\$24,402,000 in 1HFY2014 to approximately HK\$12,543,000 in 1HFY2015, of which interest expense of bank loans decreased by approximately 35.5% from approximately HK\$9,552,000 in 1HFY2014 to approximately HK\$6,165,000 in 1HFY2015. In addition, the interest expense of convertible bonds in the 1HFY2015 was approximately HK\$6,378,000 (1HFY2014: approximately HK\$14,850,000). As the balance of convertible bonds has decreased to nil as at 17 October 2014, the Group predicts the interest expense of convertible bonds in the second half of the financial year ending 31 March 2015 will fall considerably.

INCOME TAX EXPENSE

Income tax expense increased by approximately 31.8% from approximately HK\$65,199,000 in 1HFY2014 to approximately HK\$85,931,000 in 1HFY2015. The increase in income tax expense was mainly due to the rise in profit before tax. Income tax as a percentage of profit before tax increased from approximately 11.4% in 1HFY2014 to approximately 13.3% in the 1HFY2015.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY AND NET PROFIT MARGIN

The profit attributable to owners of the Company increased by approximately 10.7% from approximately HK\$502,373,000 in 1HFY2014 to approximately HK\$556,125,000 in 1HFY2015. The net profit margin of the Group was approximately 17.4% during the Review Period, similar with that in 1HFY2014. The increase in profit attributable to owners of the Company during the Review Period was mainly due to the increase in earnings generated from our core business (calculated by gross profits plus income from sales of industrial waste net of selling expenses and administrative expenses). During the Review Period, profit before income tax generated from our core business was approximately HK\$507,148,000, representing an increase of approximately 34.5% compared with approximately HK\$377,050,000 in the Last Corresponding Period.

WORKING CAPITAL

As at 30 September 2014, the Group's bank balances and cash were approximately HK\$2,690,345,000.

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 to ensure that we have sufficient funds to meet our existing and future cash requirements. We have not experienced and do not expect any difficulties meeting our obligations as they become due.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 September 2014, the Group's short-term bank borrowings amounted to approximately HK\$700,756,000, all of which were repayable within twelve months from 30 September 2014. Most of the borrowings bore floating interest rates.

The Group's primary source of working capital is cash flow from operating activities and bank deposits. As at 30 September 2014, the Group's current ratio was approximately 2.9 (31 March 2014: approximately 3.1). The Group maintained a net cash position, reflecting its healthy financial position, paving the way for future development. As at 30 September 2014, the Group's gearing ratio was approximately 19.7% (31 March 2014: approximately 17.8%), 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 1HFY2015, the Group reversed allowance for inventories of approximately HK\$4,457,000 (1HFY2014: allowance made approximately HK\$2,588,000).

IMPAIRMENT LOSS ON TRADE RECEIVABLES

For the 1HFY2015, the Group provided impairment loss on trade receivables of approximately HK\$2,877,000 (1HFY2014: approximately HK\$329,000).

PLEDGE OF ASSETS

As at 30 September 2014, except for approximately HK\$3,977,000 restricted bank balances, the Group did not have any pledged assets.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Save as disclosed in note 19 to the condensed consolidated financial statements, the Group did not have any material capital commitment.

As at 30 September 2014, the Group did not have any contingent liabilities.

FOREIGN CURRENCY RISKS

The Group's exposure to currency risks is mainly attributable to the trade and other receivables, bank balances, trade and other payables and bank borrowings, which are denominated in currencies other than USD, the functional currency of the Company. The People's Bank of China has adjusted the fluctuation range of the mid-point of RMB exchange rate against USD upwards to 2% since March 2014, and RMB exchange rate against USD showed a trend of two-way fluctuation. In the future, the Group will put greater effort in increasing the proportion of sales from the China market out of the Group's total revenue to achieve natural hedging against foreign exchange risks.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

During the Review Period, the Group sold its 50% equity interests held in China Yield Limited to an independent third party at a cash consideration of approximately HK\$66,503,000, which realized an investment loss of approximately HK\$2,355,000. Since the investment to China Yield Limited, the accumulated profit recognized was approximately HK\$9,958,000 (including: financial year ended 31 March 2013: loss of approximately HK\$1,000, financial year ended 31 March 2014: profit of approximately HK\$12,314,000, the Review Period: loss of approximately HK\$2,355,000, respectively).

Except for the equity transfer above, the Group did not have any significant investments or acquisitions or sales of subsidiaries or associates during the 1HFY2015. The Group continues to seek opportunities to acquire furniture companies to accelerate the development of the Group.

HUMAN RESOURCES

As at 30 September 2014, the Group had 8,851 employees (31 March 2014: 9,035 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 its organisation structure and corporate culture to ensure that the Group will be able to maintain sustainable development in the future.

During the 1HFY2015, the total staff cost for the Group amounted to approximately HK\$370,543,000 (1HFY2014: approximately HK\$340,393,000), of which approximately HK\$21,910,000 (1HFY2014: approximately HK\$18,644,000) 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 a share award scheme, both of which enable the Group to reward employees and incentivise them to perform better.

OTHER INFORMATION

INTERIM DIVIDEND AND SPECIAL DIVIDEND

Given the Company's financial position and having taken into account its future plans, the recent reduction in debt due to the conversion of all convertible bonds issued by the Company, retained profits from prior years and to mark the upcoming 5th anniversary of its listing in Hong Kong in April 2015, the Board declared an interim dividend and a special dividend of 176.8% of profit attributable to owners of the Company for the six months ended 30 September 2014.

The Board has resolved to declare an interim dividend of HK25.0 cents per share (six months ended 30 September 2013: HK25.0 cents per share) and a special dividend of HK75.0 cents per share for the six months ended 30 September 2014 (six months ended 30 September 2013: nil) payable to those shareholders of the Company ("Shareholders") whose names appear on the Company's register of members on Monday, 8 December 2014.

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

There was no purchase, sale or redemption of the shares of the Company by the Company or any of its subsidiaries during the Review Period.

EVENT AFTER THE END OF THE REPORTING PERIOD

In addition to an interim dividend, the Board will also propose, subject to the Shareholders' approval, a bonus issue of shares on the basis of 1 bonus share for every 1 existing share held by the Shareholders. Further details of this bonus issue, including the relevant details of the resolutions to be passed by Shareholders and the record date for such entitlements, will be disclosed in a further announcement and a circular to be published by the Company.

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

As at 30 September 2014, 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	Number of shares held	Approximate
			percentage of the issued share capital of the Company ¹
Mr. Wong Man Li	Interest in controlled corporation	592,240,400 ²	62.17%
	Spouse	288,000 ²	0.03%
	Beneficial owner	408,000 ²	0.04%
Ms. Hui Wai Hing	Beneficial owner	288,000 ³	0.03%
	Spouse	592,648,400 ³	62.22%
Mr. Stephen Allen Barr	Beneficial owner	14,514,800 ⁴	1.52%
Mr. Wang Guisheng	Beneficial owner	1,446,800 ⁵	0.15%
Mr. Alan Marnie	Beneficial owner	2,273,600 ⁶	0.24%
Mr. Dai Quanfa	Beneficial owner	844,400 ⁷	0.09%

Notes:

- The percentage of the Company's issued share capital is based on the 952,639,000 Shares issued as at 30 September 2014.
- These 592,240,400 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 592,240,400 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. 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 592,648,400 Shares in which Mr. Wong Man Li, the spouse of Ms. Hui is interested (i.e. 408,000 Shares as beneficial owner and 592,240,400 Shares as interest in a controlled corporation).
4. This figure represents the aggregate number of 186,400 Shares held by Mr. Barr and 14,328,400 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 14,514,800 Shares.
5. This figure represents the 1,446,800 Share Options granted to Mr. Wang under the Share Option Scheme that are exercisable. Upon exercise of the Share Options, Mr. Wang will acquire an aggregate of 1,446,800 Shares.
6. This figure represents the aggregate number of 617,200 Shares held by Mr. Marnie and 1,656,400 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 2,273,600 Shares.
7. This figure represents the aggregate number of 156,400 Shares held by Mr. Dai and 688,000 Share Options granted to Mr. Dai under the Share Option Scheme that are exercisable. Upon exercise of the Share Options, Mr. Dai will acquire an aggregate of 844,400 Shares.

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

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

Save as disclosed above, as at 30 September 2014, 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 2014.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 September 2014, 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 ¹
Man Wah Investments Limited	Beneficial owner	592,240,400	62.17%
CDH W-Tech Limited ("CDH") ²	Beneficial owner	79,848,484	8.38%
Miracle Eagle Holdings Limited ³	Interest of a controlled corporation	79,848,484	8.38%

Notes:

1. The percentage of the Company's issued share capital is based on the 952,639,000 Shares issued as at 30 September 2014.
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 MW Limited ("ChinaAMC"), as the nominee of ChinaAMC Capital Management Limited ("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 was 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. 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.

CDH has its conversion right to convert 84,848,484 shares of principal amount HK\$700,000,000 under the Tranche I Bonds. Prior to 30 September 2014, CDH has exercised an aggregate of 54,303,200 shares of principal amount of HK\$448,001,400. On 19 September 2013, 25 October 2013 and 5 December 2013, the Company has issued and allotted 8,484,800 new Shares, 6,788,000 new Shares and 39,030,400 new Shares to CDH respectively. As at 30 September 2014, the outstanding principal amount of the Tranche I Bonds was HK\$251,998,600.

ChinaAMC has exercised its conversion right to convert 18,181,818 shares of principal amount HK\$150,000,000 under the Tranche II Bonds. On 9 July 2013, 19 September 2013, 25 October 2013 and 5 December 2013, the Company has issued and allotted 2,727,600 new Shares, 3,000,000 new Shares, 6,000,000 new Shares and 6,454,000 new Shares to ChinaAMC respectively. The balance of Tranche II Bonds HK\$1,800 was refunded to ChinaAMC. As at 30 September 2014, there was no outstanding principal amount in the Tranche II Bonds.

The number of shares held by CDH represents the aggregate number of Shares held by CDH and the number of Shares that may 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.

Subsequent to the Review Period, as at 17 October 2014, based on the early share conversion application made by CDH to the Company, the Company has issued 30,545,200 new shares, and returned HK\$700 of the balance of the Tranche I Bonds. As at the date of this interim report, all of the Bonds have been fully converted and/or refunded (as the case may be), and there was no outstanding Bonds existing.

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 2014, 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 1HFY2015 were as follows:

Grantee	Date of grant ²	Vesting period	Exercisable period	Exercise price per share HK\$	Number of Share Options ¹				
					Outstanding at 1.4.2014	Granted during the Review Period	Cancelled/ Lapsed Review Period	Exercised during the Review Period	Outstanding at 30.9.2014
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 – 7.10.2020	10.18	2,000,000	-	-	-	2,000,000
	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
	21.5.2014	21.5.2014 – 20.5.2016	21.5.2016 – 3.3.2020	11.88	-	2,128,400	-	-	2,128,400
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
	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
	22.1.2014	22.1.2014 – 21.1.2016	22.1.2016 – 21.1.2018	14.56	255,600	-	-	-	255,600
		22.1.2014 – 21.1.2017	22.1.2017 – 21.1.2019	14.56	255,600	-	-	-	255,600

Grantee	Date of grant ²	Vesting period	Exercisable period	Exercise price per share HK\$	Number of Share Options ¹				
					Outstanding at 1.4.2014	Granted during the Review Period	Cancelled/ Lapsed/ Review Period	Exercised during the Review Period	Outstanding at 30.9.2014
Mr. Alan Marnie	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	706,400	-	-	-	706,400
	21.5.2014	21.5.2014 – 20.5.2016	21.5.2016 – 20.5.2018	11.88	-	950,000	-	-	950,000
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 – 7.2.2015	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
	22.1.2014	22.1.2014 – 21.1.2016	22.1.2016 – 21.1.2018	14.56	117,200	-	-	-	117,200
		22.1.2014 – 21.1.2017	22.1.2017 – 21.1.2019	14.56	117,200	-	-	-	117,200
	Other employees	6.7.2011	6.7.2011 – 5.7.2014	6.7.2014 – 5.7.2016	8.55	2,055,000	-	(50,000)	(1,635,000)
8.2.2012		8.2.2012 – 7.2.2014	8.2.2014 – 7.2.2016	4.72	201,600	-	-	(201,600)	-
		8.2.2012 – 7.2.2015	8.2.2015 – 7.2.2017	4.72	1,229,600	-	(65,600)	-	1,164,000
		8.2.2012 – 7.2.2016	8.2.2016 – 7.2.2018	4.72	1,229,600	-	(65,600)	-	1,164,000
1.2.2013		8.2.2012 – 7.2.2017	8.2.2017 – 7.2.2019	4.72	1,191,200	-	(63,200)	-	1,128,000
		1.2.2013 – 31.1.2015	1.2.2015 – 31.1.2017	7.17	4,051,600	-	(149,200)	-	3,902,400
		1.2.2013 – 31.1.2016	1.2.2016 – 31.1.2018	7.17	3,954,000	-	(144,800)	-	3,809,200
22.1.2014		1.2.2013 – 31.1.2017	1.2.2017 – 31.1.2019	7.17	3,953,600	-	(144,800)	-	3,808,800
		22.1.2014 – 21.1.2016	22.1.2016 – 21.1.2018	14.56	3,355,600	-	(188,800)	-	3,166,800
		22.1.2014 – 21.1.2017	22.1.2017 – 21.1.2019	14.56	3,409,600	-	(194,000)	-	3,215,600
					41,042,600	3,078,400	(1,066,000)	(2,540,600)	40,514,400
Number of Share Options exercisable at 30 September 2014									2,740,000

Notes:

1. Number of Shares in the Company over which options granted under the Scheme are exercisable.
2. The closing price of the Share immediately before the date on which the Share Options were granted on (i) 18 October 2010, i.e. on 15 October 2010 was HK\$10.00, (ii) 30 June 2011, i.e. on 29 June 2011 was HK\$8.01, (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, (vii) 31 May 2013, i.e. on 30 May 2013 was HK\$8.22, (viii) 22 January 2014, i.e. on 21 January 2014 was HK\$14.32 and (ix) 21 May 2014, i.e. on 20 May 2014 was HK\$12.20.
3. Share options under each grant are subject to the restrictions that up to 50% and 100% of the total options granted will be exercisable during the period of 18th and 60th months respectively from the date of acceptance of the grant of options by the relevant grantees.
4. The weighted average closing price immediately before the dates on which the options were exercised was HK\$9.14.

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.

As at 30 September 2014, the Share Award Scheme remained in place. There were no Shares granted by the Company to employees of the Company and Directors pursuant to the Share Award Scheme during the Review Period.

Given that all distributions under the Share Award Scheme for the past financial year have been made, no Shares were held by the trustee of the Share Award Scheme as at 30 September 2014.

CONVERTIBLE BONDS

On 17 April 2013, the Company, CDH and ChinaAMC Capital Management Limited, a company incorporated in Cayman Islands with limited liability (“Huaxia”) entered into a subscription agreement, pursuant to which CDH and Huaxia had severally agreed to subscribe for the Tranche I Bonds (in the principal amount of HK\$700,000,000) and Tranche II Bonds (in the principal amount of HK\$150,000,000) respectively. The Tranche I Bonds were issued on 20 May 2013 and the Tranche II Bonds were issued on 27 June 2013. The Bonds entitled the holders to convert the Bonds into ordinary shares of the Company at a conversion price of HK\$8.25 per share (subject to adjustment) at any time between the issue dates of the Bonds and 20 May 2018.

The Directors considered that issue of the Bonds represented an opportunity to broaden the capital base of the Company and to raise capital for the development of the core sofas business as well as working capital to fund other business opportunities should the occasion arise. The investment by two established institutional investors in the unsecured unsubordinated convertible bond of the Company reflected the confidence of the investors in the Company. The Company can also benefit from the extensive business networks of the holders of the Bonds.

The initial conversion price (subject to adjustment) was HK\$8.25 per share, which represented (i) a premium of approximately 19.22% over the closing price of the shares as quoted on the Stock Exchange on 17 April 2013, being HK\$6.92 per share, (ii) a premium of approximately 17.86% to the five-day average closing price of the Shares over the five trading days up to and including 17 April 2013, and (iii) a premium of approximately 18.06% to the ten-day average closing price of the Shares over the ten trading days up to and including 17 April 2013. The initial conversion price was determined after arm’s length negotiations between the parties with reference to the prevailing market price of the shares. The net price of each conversion share to the Company, based on the net proceeds of approximately HK\$849,500,000 and the estimated 103,030,302 conversion shares in aggregate under the Bonds, is approximately HK\$8.245.

By 30 September 2014, CDH and ChinaAMC (as Huaxia’s nominee to subscribe for the Tranche II Bonds) had exercised their bonds into 54,303,200 ordinary shares and 18,181,600 ordinary shares respectively, the nominal value of which were HK\$21,721,280 and HK\$7,272,640 respectively. All such shares were issued at HK\$8.25 per share. As at 30 September 2014, the outstanding principal amounts under the Tranche I Bonds was HK\$251,998,600 and there was no outstanding amount under the Tranche II Bonds.

By 30 September 2014, part of the net proceeds, being approximately HK\$562,301,000, had been applied as to approximately HK\$387,700,000 for construction of factory buildings in China and related expenditure on land use rights, approximately HK\$82,400,000 for procurement of production machineries, approximately HK\$12,000,000 for setting up a fleet of trucks in China for the transportation of the Group's products and approximately HK\$80,201,000 for advertising, promotion and brand building. The remaining net proceeds of approximately HK\$287,199,000 have been earmarked to fund the Group's possible further expansion of production facilities, procurement of production machineries, further investment in its truck fleet in China, advertising, promotion and brand building, and working capital requirements (as the case may be).

Subsequent to the Review Period, as at 17 October 2014, CDH converted all outstanding Tranche I Bonds into 30,545,200 new ordinary shares at a conversion price of HK\$8.25 per share. As at the date of this interim report, all of the Bonds have been fully converted and/or refunded (as the case may be), and there was no outstanding Bonds existing. Taking into account all conversions of the Bonds, a total of 103,030,000 ordinary shares were issued, the nominal value of which was HK\$41,212,000 and the net price of each conversion share, based on the net proceeds of approximately HK\$849,500,000 and the 103,030,000 conversion shares, is approximately HK\$8.245. Any nominal principal amounts not converted so as to facilitate the issue of shares in board lots were refunded in cash.

Particulars of the Bonds as at 30 September 2014 are set out in note 15 to the condensed consolidated financial statements. For further details of the Bonds, please refer to the announcements of the Company dated 17 April 2013, 20 May 2013, 27 June 2013 and 17 October 2014.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the Review Period, other than those disclosed in note 21 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 any of its subsidiaries, was a party and in which a director of the Company had a material interest, whether directly or 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 to approximately 26.9% and 31.4% of the total revenue and purchases for the Review Period, respectively. The Group's largest supplier accounted to approximately 9.0% of the total purchases for the Review Period, and none of the Group's customer individually accounted to more than 9.0% 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 2014 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 month period ended 30 September 2014.

CLOSURE OF REGISTER OF MEMBERS

Shareholders whose names appear on the Company's register of members on Monday, 8 December 2014, will be eligible for the interim dividend and special dividend. The transfer books and the register of members of the Company will be closed from Thursday, 4 December 2014 to Monday, 8 December 2014, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend and special 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 Wednesday, 3 December 2014. The interim dividend and special dividend are expected to be payable on or after Monday, 22 December 2014 to the Shareholders whose names appear on the register of members of the Company on Monday, 8 December 2014.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 September 2014, 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 a strong and consistent leadership enabling the Group to operate efficiently.

Under the Code Provision A.6.7, independent non-executive Directors should attend general meetings of the Company. Mr. Kan Chung Nin, Tony, an independent non-executive Director could not attend the annual general meeting of the Company held on 3 July 2014 due to other business commitments.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as a code of conduct of the Company for Directors’ securities transactions. Having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code and the Company’s code of conduct regarding Directors’ securities transactions throughout the six months ended 30 September 2014.

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

Hong Kong, 12 November 2014

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 32 to 56, which comprise the condensed consolidated statement of financial position as of 30 September 2014 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

12 November 2014

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

		Six months ended 30 September	
	NOTES	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Revenue	3	3,200,082	2,884,611
Cost of goods sold		(2,050,577)	(1,874,453)
Gross profit		1,149,505	1,010,158
Other income		168,883	126,524
Other gains and losses	4	5,688	104,787
Selling and distribution expenses		(503,258)	(503,397)
Administrative expenses		(160,383)	(149,094)
Share of profit of a joint venture		1,396	5,084
Share of loss of an associate		(1,020)	(4)
Finance costs		(12,543)	(24,402)
Profit before income tax		648,268	569,656
Income tax expense	5	(85,931)	(65,199)
Profit for the period	6	562,337	504,457
Other comprehensive income:			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		51,756	52,412
Total comprehensive income for the period		614,093	556,869
Profit for the period attributable to:			
Owners of the Company		556,125	502,373
Non-controlling interest		6,212	2,084
		562,337	504,457
Total comprehensive income for the period attributable to:			
Owners of the Company		607,429	554,387
Non-controlling interest		6,664	2,482
		614,093	556,869
Earnings per share	8		
Basic (HK cents)		58.46	56.71
Diluted (HK cents)		56.65	53.88

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2014

		30 September 2014	31 March 2014
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment	9	1,801,452	1,606,740
Investment properties	9	17,200	17,200
Lease premium for land		543,895	542,855
Intangible assets		748	852
Interest in a joint venture		542	10,365
Interest in an associate	10	–	12,318
Loan to an associate	10	–	56,539
Available-for-sale investment		3,788	3,740
Deferred tax assets		1,502	2,881
Refundable earnest money paid for lease premium for land		4,270	4,216
Deposits paid for acquisition of property, plant and equipment		118,786	53,115
		2,492,183	2,310,821
Current assets			
Inventories		720,901	701,959
Trade receivables	11	555,529	500,897
Other receivables and prepayments	11	168,185	214,930
Lease premium for land		12,181	12,028
Derivative financial instruments		8,569	23,103
Tax recoverable		576	996
Restricted bank balances		3,977	2,929
Bank balances and cash		2,690,345	2,362,450
		4,160,263	3,819,292
Current liabilities			
Trade payables	12	325,130	290,472
Other payables and accruals	12	357,142	357,227
Unsecured bank borrowings	14	700,756	537,870
Derivative financial instruments		4,992	3,796
Convertible bonds – current portion	15	4,626	5,218
Tax payable		44,773	45,970
		1,437,419	1,240,553
Net current assets		2,722,844	2,578,739
Total assets less current liabilities		5,215,027	4,889,560

		30 September 2014	31 March 2014
	<i>NOTES</i>	HK\$'000 (Unaudited)	<i>HK\$'000</i> (Audited)
Non-current liabilities			
Convertible bonds			
– non-current portion	15	251,473	251,412
Deferred tax liabilities		4,877	4,877
Government grant receipt in advance	13	44,268	130,960
		300,618	387,249
		4,914,409	4,502,311
Capital and reserves			
Share capital	16	381,056	380,039
Reserves		4,478,958	4,074,541
Equity attributable to owners of the Company			
		4,860,014	4,454,580
Non-controlling interest		54,395	47,731
		4,914,409	4,502,311

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

	Attributable to owners of the Company											Total HK\$'000		
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000 (note i)	Other reserve HK\$'000 (note ii)	PRC Statutory reserve HK\$'000 (note iii)	Translation reserve HK\$'000	Shares held under share award scheme HK\$'000	Share award scheme reserve HK\$'000	Share option reserve HK\$'000	Convertible bonds equity reserve HK\$'000 (note 14)	Retained profits HK\$'000		Sub-total HK\$'000	Non- controlling interest HK\$'000
At 1 April 2013 (audited)	356,412	1,248,263	(16,132)	(3,944)	80,146	178,286	(6,476)	2,891	19,942	-	1,570,624	3,430,012	38,561	3,468,573
Profit for the period	-	-	-	-	-	-	-	-	-	-	502,373	502,373	2,084	504,457
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	-	-	52,014	-	-	-	-	-	52,014	388	52,412
Total comprehensive income for the period	-	-	-	-	-	52,014	-	-	-	-	502,373	554,387	2,462	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 15)	-	-	-	-	-	-	-	-	-	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 15)	5,685	111,644	-	-	-	-	-	-	-	(3,466)	(159,402)	-	113,863	
Dividends paid (note 7)	-	-	-	-	-	-	-	-	-	-	(159,402)	-	-	(159,402)
At 30 September 2013 (unaudited)	358,926	1,399,373	(16,132)	(3,944)	80,146	230,300	(6,476)	3,535	25,273	8,779	1,913,595	3,893,375	41,043	3,934,418
Profit for the period	-	-	-	-	-	-	-	-	-	-	474,592	474,592	7,279	481,871
Exchange differences arising on translation of financial statements of foreign operation	-	-	-	-	-	(81,453)	-	-	-	-	-	(81,453)	(591)	(82,044)
Exchange difference reclassified on disposal of subsidiaries	-	-	-	-	-	535	-	-	-	-	-	535	-	535
Total comprehensive income (expense) for the period	-	-	-	-	-	(80,918)	-	-	-	-	474,592	393,674	6,688	400,362
Repurchase of shares	(2,618)	(89,529)	-	-	-	-	-	(207)	9,300	-	-	(92,147)	-	(92,147)
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	-	-	-	-	9,093	-	9,093
Issue of shares upon exercise of share option	422	5,267	-	-	-	-	-	-	(712)	-	-	4,977	-	4,977
Issue of shares upon exercise of convertible bonds	23,309	457,950	-	-	-	-	-	-	-	(8,124)	-	473,155	-	473,155
Transfer to PRC statutory reserve	-	-	-	-	45,243	-	-	-	-	-	(45,243)	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	(227,527)	-	-	(227,527)
At 31 March 2014 (audited)	380,039	1,673,061	(16,132)	(3,944)	125,389	149,382	(6,476)	3,328	33,861	665	2,115,417	4,454,580	47,731	4,502,311

Attributable to owners of the Company

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000 (note i)	Other reserve HK\$'000 (note ii)	PRC Statutory reserve HK\$'000 (note iii)	Translation reserve HK\$'000	Shares held under share award scheme HK\$'000	Share award scheme reserve HK\$'000	Share option reserve HK\$'000	Convertible bonds equity reserve HK\$'000 (note iv)	Retained profits HK\$'000	Sub-total HK\$'000	Non-controlling interest HK\$'000	Total HK\$'000
Profit for the period	-	-	-	-	-	-	-	-	-	-	556,125	556,125	6,212	562,337
Exchange differences arising on translation of financial statements of foreign operation	-	-	-	-	-	51,304	-	-	-	-	-	51,304	462	51,766
Total comprehensive income for the period	-	-	-	-	-	51,304	-	-	-	-	556,125	607,429	6,664	614,093
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	-	12,224	-	-	12,224	-	12,224
Issue of shares upon exercise of share options	1,017	22,459	-	-	-	-	-	-	(2,732)	-	-	20,744	-	20,744
Dividends paid (note 7)	-	-	-	-	-	-	-	-	-	-	(237,663)	(237,663)	-	(237,663)
Shares vested under share award scheme	-	-	-	-	-	-	3,328	(3,328)	-	-	-	-	-	-
Disposal of shares held under share award scheme	-	-	-	-	-	-	2,700	(2,700)	-	-	-	2,700	-	2,700
At 30 September 2014 (unaudited)	381,056	1,895,520	(16,132)	(3,944)	125,389	200,686	(448)	-	43,353	655	2,433,879	4,860,014	54,395	4,914,409

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 2014

		Six months ended	
		30 September	
	NOTES	2014	2013
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Net cash from operating activities		575,904	370,535
Net cash used in investing activities			
Investment on structured deposits		(7,024,242)	(4,597,385)
Payments for property, plant and equipment		(357,754)	(141,388)
Proceeds on disposal of structured deposits		7,090,591	4,638,988
Proceeds received from disposal of an associate	10	66,178	-
Dividend received from a joint venture		11,219	-
Loan to an associate		-	(35,000)
Other investing cash flows		1,206	7,185
Payments for purchase of lease premium for land		-	(81,668)
Government grant received		-	55,604
Proceeds from disposal of a subsidiary		-	153
		(212,802)	(153,511)
Net cash (used in) from financing activities			
Dividends paid		(237,663)	(159,402)
Repayment of bank borrowings		(150,000)	(195,000)
New bank borrowings raised		312,626	200,000
Proceeds from issue of shares upon exercise of share options		20,744	4,087
Repurchase of shares		-	(69,016)
Proceeds from issue of convertible bonds	15	-	850,000
		(54,293)	630,669
Net increase in cash and cash equivalents		308,809	847,693
Effect of foreign exchange rate changes		19,086	18,970
Cash and cash equivalents at beginning of the period		2,362,450	1,655,439
Cash and cash equivalents at end of the period		2,690,345	2,522,102

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

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.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2014 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2014.

Adoption of new and revised International Financial Reporting Standards (“IFRSs”) effective in the current period

In the current interim period, the Group has applied, for the first time, the following new Interpretation and amendments to IFRSs that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities
Amendments to IAS 32 Amendments to IAS 36	Offsetting Financial Assets and Financial Liabilities Recoverable Amount Disclosures for Non-Financial Assets
Amendments to IAS 39 IFRIC 21	Novation of Derivatives and Continuation of Hedge Accounting Levies

The application of the above new Interpretation and amendments to 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.

3. SEGMENT INFORMATION

The Group's operating and reportable segments, based on information reported to the Company's executive directors, being the chief operating decision makers of the Group, in respect of the Group's business focused on the location of customers, are as follows:

- | | |
|-----------------------------------|---|
| North America market | – manufacture and sale of sofa and related products 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 and related products for customers located overseas except those customers located in North America market |
| China market | – manufacture and distribution of sofa and related products, mattress and bedding products in Mainland China, Hong Kong and Taiwan |

The Company's executive directors make decisions based on the operating results of each segment and review reports on the aging analysis of trade receivables and expected usage of inventories of the Group as a whole. No information of segment assets and liabilities is reviewed by the Company's executive directors for the assessment of performance of operating segments. Therefore, only the segment revenue and segment results are presented.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the profit before income tax earned by each segment without allocation of interest income, income on structured deposits, rental income, net exchange gain/loss, net gain on changes in fair value of derivative financial instruments, finance costs, loss on disposal of an associate, loss on disposal of subsidiaries, central administrative costs and directors' emoluments, share of profit of a joint venture and share of loss of an associate. This is the measure reported to the executive directors for the purposes of resource allocation and performance assessment.

Information of segments revenue and segment results are as follows:

Six months ended 30 September 2014

	North America market HK\$'000	Europe and other overseas markets HK\$'000	China market HK\$'000	Total HK\$'000
REVENUE				
External sales	<u>1,766,148</u>	<u>461,181</u>	<u>972,753</u>	<u>3,200,082</u>
RESULTS				
Segment results	<u>277,607</u>	<u>82,185</u>	<u>245,353</u>	605,145
Interest income				437
Income on structured deposits				66,349
Rental income				484
Exchange gain – net				8,079
Finance costs				(12,543)
Loss on disposal of an associate				(1,335)
Central administrative costs and directors' remunerations				(18,724)
Share of profit of a joint venture				1,396
Share of loss of an associate				<u>(1,020)</u>
Profit before income tax				<u>648,268</u>

Six months ended 30 September 2013

	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>
REVENUE				
External sales	<u>1,614,183</u>	<u>458,761</u>	<u>811,667</u>	<u>2,884,611</u>
RESULTS				
Segment results	<u>203,037</u>	<u>68,812</u>	<u>201,256</u>	473,105
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				<u>(4)</u>
Profit before income tax				<u>569,656</u>

4. OTHER GAINS AND LOSSES

	Six months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
Exchange gain – net	8,079	8,539
(Loss) gain on disposal of property, plant and equipment	(1,056)	34
Loss on disposal of an associate (note 10)	(1,335)	–
Loss on disposal of a subsidiary	–	(2,805)
Gain on changes in fair value of derivative financial instruments	–	106,046
Impairment losses on property, plant and equipment	–	(7,027)
	5,688	104,787

5. INCOME TAX EXPENSE

	Six months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
Current tax:		
PRC Enterprise income tax	94,995	63,996
United States of America (“U.S.”)	497	406
	95,492	64,402
Net (over) underprovision in prior years:		
PRC Enterprise income tax	(10,638)	2,874
U.S.	(323)	61
	(10,961)	2,935
Deferred tax:		
Current year	1,400	(2,138)
	85,931	65,199

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the period. No provision for Hong Kong Profits Tax had been made in both periods as the Group had no assessable profits arising in Hong Kong.

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.

During the year ended 31 March 2014, a PRC subsidiary of the Group has obtained the qualification of being a high technology enterprise for a consecutive three years from year 2012 to 2014. With such qualification, and subject to annual review of the PRC tax authority, the subsidiary is approved to enjoy the preferential tax rate of 15% for the year 2013, resulting in an overprovision of income tax expense amounted to HK\$8,740,000, credited to the condensed consolidated statement of profit or loss and other comprehensive income for the period ended 30 September 2014. The preferential tax rate is subject to annual review by the PRC tax authority.

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.

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.

6. PROFIT FOR THE PERIOD

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

	Six months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
Staff costs	370,543	340,393
Rents and rates	45,840	54,098
Release of lease premium for land	5,807	5,529
Amortisation of intangible assets (recognised in selling and distribution expenses)	114	115
Depreciation	73,921	71,141
(Reversal of) allowance for inventories	(4,457)	2,588
Interest income	(437)	(1,166)
Income on structured deposits included in other income	(66,349)	(41,603)
Government grant included in other income	(76,564)	(59,941)
	<hr/>	<hr/>

7. DIVIDENDS

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

	Six months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
Final dividend for the year ended 31 March 2014 of HK\$0.25 per share (2013: HK\$0.18 per share for the year ended 31 March 2013)	237,663	159,402
	<hr/>	<hr/>

Subsequent to the end of the Review Period, the directors of the Company have determined that an interim dividend of HK\$0.25 per share (six months ended 30 September 2013: HK\$0.25 per share) and a special dividend of HK\$0.75 per share (six months ended 30 September 2013: nil) will be paid to the shareholders of the Company whose names appear in the Company's register of members on 8 December 2014.

8. EARNINGS PER SHARE

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

	Six months ended 30 September 2014 HK\$'000	2013 HK\$'000
Earnings		
Profit for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share	556,125	502,373
Effect of dilutive potential ordinary shares		
– interest on convertible bonds, net of tax	6,379	14,850
	562,504	517,223
Number of shares		
	'000	Number of shares '000
Number of shares		
Weighted average number of ordinary shares in issue during the period for the purpose of basic earnings per share	951,227	885,938
Effect of dilutive potential ordinary shares:		
– Unvested awarded shares	–	278
– Share options	11,210	4,629
– Convertible bonds	30,545	69,177
	992,982	960,022
Weighted average number of ordinary shares in issue during the period for the purpose of diluted earnings per share	992,982	960,022

The weighted average number of shares for the six months ended 30 September 2013 has been arrived at after eliminating the shares of the Company held under the share award scheme.

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

During the Review Period, the Group acquired property, plant and equipment and incurred expenditure on construction in progress of HK\$84,797,000 and HK\$165,727,000 (six months ended 30 September 2013: HK\$69,060,000 and HK\$45,804,000) respectively for the purpose of expanding the Group's business.

At 30 September 2014, 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. DISPOSAL OF AN ASSOCIATE/LOAN TO AN ASSOCIATE

During the current interim period, the Group disposed of 50% interest in China Yield Limited ("China Yield") and the shareholder's loan to a third party for a consideration of HK\$66,503,000. Before the disposal, the Group owned 50% interest in China Yield and the investment was previously accounted for as an investment in an associate using the equity method of accounting. The transaction has resulted in the Group recognising a loss of HK\$1,335,000.

11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	30 September 2014 HK\$'000	31 March 2014 HK\$'000
Trade receivables		
Trade and bills receivables	555,529	500,897
Other receivables and prepayments		
Valued added taxes recoverable	30,878	89,250
Deposits	20,483	19,763
Sundry receivables	30,715	28,532
Prepayments to suppliers	86,109	74,385
Dividend receivable from a joint venture	-	3,000
	168,185	214,930

Other than cash and credit card sales for retail transactions, 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:

	30 September 2014 HK\$'000	31 March 2014 HK\$'000
0 – 30 days	362,980	344,586
31 – 60 days	147,799	105,375
61 – 90 days	27,345	33,043
Over 90 days	17,405	17,893
	555,529	500,897

12. TRADE AND OTHER PAYABLES AND ACCRUALS

	30 September 2014 HK\$'000	31 March 2014 HK\$'000
Trade payables		
Trade and bills payables (<i>Note</i>)	325,130	290,472
Other payables and accruals		
Trade deposits received from customers	104,318	95,203
Accruals	219,105	236,939
Payables for acquisition of property, plant and equipment	7,151	7,218
Others	26,568	17,867
	357,142	357,227

Note: 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:

	30 September 2014 HK\$'000	31 March 2014 HK\$'000
0 – 30 days	294,131	261,835
31 – 60 days	29,534	20,292
61 – 90 days	913	5,883
Over 90 days	552	2,462
	325,130	290,472

13. GOVERNMENT GRANT RECEIPT IN ADVANCE

	30 September 2014 HK\$'000	31 March 2014 HK\$'000
Government grant receipt in advance	44,268	130,960

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 six months ended 30 September 2013, 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. During the Review Period, an amount of RMB48,914,000 (approximately HK\$61,173,000) (six months ended 30 September 2013: RMB40,672,000 (approximately HK\$51,373,000)), representing sales, marketing and corporate activities incurred, 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 six months ended 30 September 2013, the PRC government granted a subsidy of RMB44,022,000 (approximately HK\$55,604,000) 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 RMB33,311,000 (approximately HK\$42,059,000) (six months ended 30 September 2013: RMB2,902,000 (approximately HK\$3,666,000)) had set off against the construction costs of the assets.

14. UNSECURED BANK BORROWINGS

During the current interim period, the Group obtained new bank loans amounting to approximately HK\$312,626,000 (six months ended 30 September 2013: HK\$200,000,000). The outstanding loans of the Group carry interest at variable market rate ranging from 1.69% to 4.56% (31 March 2014: 1.65% to 4.56%) and are repayable within one year. The Group repaid borrowings of approximately HK\$150,000,000 (six months ended 30 September 2013: HK\$195,000,000) during the period.

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

	Liability component <i>HK\$'000</i>	Equity component <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	738,742	8,779
Interest charged	10,183	–
Interest paid	(19,160)	–
Conversion of convertible bonds	<u>(473,135)</u>	<u>(8,124)</u>
At 31 March 2014	256,630	655
Interest charged	6,379	–
Interest paid	<u>(6,910)</u>	<u>–</u>
At 30 September 2014	<u>256,099</u>	<u>655</u>

On 17 October 2014, holders of the convertible bonds have converted the convertible bonds with the principal amount of HK\$251,997,900 into 30,545,200 ordinary shares of the Company at the conversion price of HK\$8.25.

16. SHARE CAPITAL

	Number of shares <i>'000</i>	Amount <i>HK\$'000</i>
Ordinary shares of HK\$0.40 each		
Issued and fully paid:		
At 1 April 2013	891,030	356,412
Repurchase of shares (<i>Note</i>)	(8,778)	(3,511)
Exercise of share options (<i>note 17</i>)	852	340
Conversion of convertible bonds (<i>note 15</i>)	14,212	5,685
	<hr/>	<hr/>
At 30 September 2013	897,316	358,926
Repurchase of shares (<i>Note</i>)	(6,545)	(2,618)
Exercise of share options (<i>note 17</i>)	1,054	422
Conversion of convertible bonds (<i>note 15</i>)	58,273	23,309
	<hr/>	<hr/>
At 31 March 2014	950,098	380,039
Exercise of share options (<i>note 17</i>)	2,541	1,017
	<hr/>	<hr/>
At 30 September 2014	<u>952,639</u>	<u>381,056</u>

Note: During the year ended 31 March 2014, 15,322,400 ordinary shares of HK\$0.40 each of the Company were repurchased at a price ranging from HK\$6.46 to HK\$14.60 per share.

17. 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 2014.

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

	Number of share options	
	2014	2013
	'000	'000
Outstanding as at 1 April	41,043	30,557
Granted during the period	3,078	8,506
Forfeited during the period	(1,066)	(2,062)
Exercised during the period	(2,541)	(852)
	<hr/>	<hr/>
Outstanding as at 30 September	40,514	36,149

Share option of 3,078,400 shares was granted on 21 May 2014. The closing price of the Company's shares immediately before the date of grant was HK\$11.88. The fair value of the option was determined at the date of grant using the Binomial model amounted to approximately HK\$10,051,000.

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

	21 May 2014
Closing share price at date of grant	HK\$11.88
Exercise price	HK\$11.88
Expected exercise multiple	2.8
Expected volatility	51.98% to 60.28%
Expected dividend yield	4.21%
Risk free rate	0.96% to 1.3%

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
Jan 2014	22.1.2014	3,765,600	22.1.2014 – 22.1.2016	22.1.2016 – 21.1.2016	HK\$14.56
		3,820,400	22.1.2014 – 22.1.2017	22.1.2012 – 21.1.2019	HK\$14.56
May 2014	21.5.2014	2,128,400	21.5.2014 – 21.5.2016	21.5.2016 – 3.3.2020	HK\$11.88
		950,000	21.5.2014 – 21.5.2016	21.5.2016 – 20.5.2018	HK\$11.88

The Group recognised an expense of HK\$12,224,000 for the six months ended 30 September 2014 (six months ended 30 September 2013: HK\$6,555,000) in relation to the share options granted by the Company.

18. 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 2014.

All remaining shares held under the Share Award Scheme have been disposed of during the period ended 30 September 2014, with an aggregate consideration of HK\$2,700,000.

19. CAPITAL COMMITMENTS

	30 September 2014 HK\$'000	31 March 2014 HK\$'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of		
– acquisition of property, plant and equipment	94,027	69,988
– construction of production plant	260,825	161,098
	354,852	231,086
Capital expenditure authorised but not contracted for in the condensed consolidated financial statements in respect of		
– acquisition of property, plant and equipment	–	119,671
– lease premium for land	15,991	15,788
	15,991	135,459

20. 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).

The fair value measurements for all of the Group's foreign currency forward contracts are categorized as level 2. The fair values were determined, on a recurring basis, based on the redemption price of these contracts which were estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates.

No change in the fair values of foreign currency forward contracts during the period (six months ended 30 September 2013: net increase of HK\$106,046,000).

21. RELATED PARTY DISCLOSURES

(I) Related party transactions

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

	Six months ended 30 September 2014 HK\$'000	2013 HK\$'000
Rental expense paid to related parties (<i>Note</i>)	1,147	1,063
Rental expense paid to a joint venture	358	1,010

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:

	Six months ended 30 September 2014 HK\$'000	2013 HK\$'000
Short-term employee benefits	13,500	13,707
Post employment benefits	59	53
Equity-settled share-based payment expenses	8,351	4,884
	21,910	18,644

22. EVENT AFTER THE END OF THE REPORTING PERIOD

On 12 November 2014, directors of the Company propose, subject to the Shareholders' approval, a bonus issue of shares on the basis of one bonus share for every one existing share held by the shareholders.