



MANWAH

MAN WAH HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 01999)

Interim Report 2015



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. Wang Guisheng

Mr. Alan Marnie

Mr. Dai Quanfa

Ms. Wong Ying Ying

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 (*Chairman*)

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
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LEGAL ADVISERS

Reed Smith Richards Butler
Appleby

PRINCIPAL BANKERS

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

STOCK CODE

1999

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Strategic Financial Relations Limited
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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 2015 ("1HFY2016" or the "Review Period").

BUSINESS REVIEW

During the Review Period, the Group has further improved its core competitiveness through product innovation, process improvement and management efficiency enhancement to enlarge the gap over its competitors. During the Review Period, the Group continued to keep stable and healthy revenue growth. The growth rate of the core business profit continued to exceed that of the revenue.

In the North America market, the economy of the United States of America ("US") maintained a trend of sustained recovery, thereby driving a stable growth of the furniture market in the US.

The Group seized positive opportunities in the market and has successfully launched numerous innovative products to cater for the contemporaneous changes in the demand and purchasing power of consumers. During the Review Period, the Group's sales growth in respect of sofas in the North America further accelerated.

As for Europe and other overseas markets, the economy was recovering but the overall unemployment rate remained high in Europe during the Review Period. In the recent two years, the decline of the exchange rate of the Euro against the US dollar imposed high pressure on imports of the furniture from places outside the Eurozone, and also affected the Group's sales performance in the Review Period.

In the China market, although economic growth has slowed down, there were still many growth opportunities in the consumption field as residents' disposable income increased. The Group has been committing to providing healthy and comfortable furniture products for its consumers, and therefore will benefit more from the grand trend of consumption upgrade of furniture products in China. During the Review Period, the Group increased its efforts on product promotion and managed to make the China market as the fastest-growing area in terms of revenue and profit again in coordination with the increase in domestic capacity and further improvement in logistics efficiency.

PROSPECTS

The ongoing recovery of the economy in the US has laid a foundation for the stable growth of the furniture market. Benefiting from its sound foundation in the North America market, its ever strengthening product innovation capability and its leading manufacturing capability, the Group will fully capture positive development opportunities to further increase its market share.

The economy in Europe has seen recovery signs recently in spite of challenges. The Group will further reinforce its sales force in Europe and other overseas markets to strive to achieve stable sales growth through constantly launching products with high competitiveness.

In China, as consumers gradually deepened their understandings on furniture products, their demand for healthier and more comfortable furniture products will become the impetus for long-term growth of the furniture market in China, which also corresponds to the advantage of the Group's products. During the "Double 11" promotion organized by TMALL (TMALL.COM) on 11 November 2015, the Group received over HK\$87 million orders, increased by approximately over 140% over the same day of last year. The Group will further strengthen its leading position in the reclining sofa segment, and will also consider gradually meeting the demand of a wider group of consumers. After launching "Cheers Urban" series of stationary sofas and "Enlanda Home" series of bedding and ancillary products in September last year, the Group has officially launched three chair series products to domestic consumers in the China International Furniture Fair (Shanghai) in September this year, so as to further diversify its product lines.

APPRECIATION

On behalf of the Board, I would like to thank our shareholders and business partners for their long-term support and recognition. I would also like to express my gratitude for the efforts and contributions of all the Group's employees. We will continue to strive to raise the value of the Group for shareholders.

Wong Man Li

Chairman

Man Wah Holdings Limited

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In the 1HFY2016, the Group has continued to adhere to the product focused strategy so as to allow itself to constantly increase its core competitiveness in various business segments. During the Review Period, the Group reached a new height in respect of product innovation, channel expansion, manufacturing capability enhancement and internal management efficiency, enabling the Group to record satisfying growth again in terms of revenue and profit from core businesses.

China market

During the Review Period, the economic growth in China has slowed down, imposing big challenges to the furniture market. In the reporting period, the Group increased its efforts on marketing and promotion, properly adjusted its structure of products to cater for the demand of consumers in different regions and continued to expand its retail store network and the online sales platform, keeping sales growth at a relatively high rate.

North America market

As announced by the US Bureau of Economic Analysis previously, the real GDP growth of the US reached approximately 3.9% in the second quarter of this year. According to the data from the Department of Commerce of the US, the new home sales in August of this year surged by approximately 21.6% to 552,000 units as compared with the six-month period ended 30 September 2014 (the "1HFY2015" or the "Last Corresponding Period"), reflecting an overall sound economy in the US. The initial University of Michigan Consumer Sentiment Index released recently rose to 92.1 in October from 87.2 in September 2015, exceeding market expectations. Owing to the positive economic environment, the furniture market in the US was also benefited accordingly. The Group took full advantage of the beneficial external environment and further exerted its own advantages, thus recording a better sales growth.

Europe and other overseas markets

According to the data from the Eurostat Home, the GDP of the Eurozone in the second quarter grew by only approximately 0.4% quarter-on-quarter, which was lower than expected, reflecting that the recovery of the European economy will still take a long time. At the same time, since 2014, the Group's sales have been suffering large impacts due to the sharp decline in the exchange rate of the Euro against the US dollar.

BUSINESS REVIEW

In the 1HFY2016, benefiting from the Group's reasonable market layout in global market and increasing competitiveness, the Group continued to maintain a sustained and steady revenue growth amid various challenges. During the Review Period, its profit hit another record high due to the continual increase in internal operating efficiency and fall in prices of raw materials.

1 Wholesales business of sofa and ancillary products

The Group sells sofa products, most of which are reclining sofas, to retailers and distributors in the North America, Europe and other overseas markets, and sells sofas and relevant ancillary products to sofa distributors in the China market. During the Review Period, such business achieved sales of approximately HK\$3,145,420,000 in aggregate, representing an increase of approximately 15.3% as compared with approximately HK\$2,728,732,000 recorded in the Last Corresponding Period.

1.1 North America market

During the Review Period, in view of the generally favourable economic indicators in the North America market and increase in consumers' disposable income, the Group increased the proportion of the high-price products in an appropriate manner. Besides, the Group continued to create values for its customers through product innovation. The synthetic fabric products newly launched at the beginning of the year were widely commended again, which strongly promoted sales growth.

During the Review Period, the Group participated in two furniture exhibitions in the North America market and introduced over 50 new sofa models to its customers. The Group gained 12 new customers from the North America market during the Review Period. Further, during the Review Period, revenue in the North America market grew by approximately 18.9% as compared with the Last Corresponding Period.

1.2 Europe and other overseas markets

In Europe, as the Euro, Ruble and Pound continued to depreciate and the overall economic growth was weak, the Group suffered certain pressure in its product sales during the Review Period. The Group effectively mitigated sales decrease through adjustment of the product structure amid the adverse market environment. As the sales in major countries (being United Kingdom and Germany) declined, its sofa sales in Europe and other overseas markets still decreased by approximately 9.4% in the Review Period.

1.3 China market

In the China market, the Group has been treating the business of sales to distributors as one of the important sofa distribution channels in China. During the Review Period, distributors opened 130 new “CHEERS” brand sofa retail stores in aggregate. As at 30 September 2015, the Group had a total of 1,132 “CHEERS” brand sofa retail stores operated by distributors in China. The wholesale business of sofas and ancillary products from the distributors in the China market grew by approximately 24.6% in the Review Period.

2 Sofa and ancillary products retail business

The Group sold sofas and relevant ancillary products through the self-operated “CHEERS” and “MOREWELL” brand sofa retail stores opened in Hong Kong and first-tier and second-tier cities in China. Meanwhile, the Group also sold sofas and ancillary products directly to consumers through internet platforms such as the TMALL website (www.tmall.com).

The Group seized the consumers’ demand for upgraded furniture products in first-tier and second-tier cities in China by continuously launching products with high quality and high cost performance, and recorded satisfying sales growth in retail stores through improvements in store management. During the Review Period, the number of “CHEERS” and “MOREWELL” brand sofa retail stores self-operated by the Group increased to 119 from 118 at the beginning of the year. During the Review Period, the Group’s revenue in respect of the sofa retail business grew by approximately 6.3%.

3 Other products businesses

Apart from focusing on sofa production and sales, the Group also produced and sold ENLANDA brand bedding products and sold chairs and other products to high-speed rail manufacturers. At the same time, the Group also produced and sold other products such as furniture components. The Group sold bedding products mainly through ENLANDA brand retail stores in mainland China. As at 30 September 2015, the Group had 297 ENLANDA brand retail stores operated by distributors (as at 31 March 2015: 289) and 30 self-operated ENLANDA brand retail stores (as at 31 March 2015: 32).

During the Review Period, the Group’s revenue from other product businesses grew by approximately 27.2% as compared with the Last Corresponding Period.

Product Research and Development

During the Review Period, the Group continued to commit on strengthening its research and development advantage in the reclining sofa field. After successfully launching sofa products made with BOLERO, a brand new synthetic fabric material featured the texture of genuine leather in April, the Group launched sofa products made with BANNER, another innovative synthetic fabric material featured the texture of hand rubbing genuine leather again in September in the China International Furniture Fair (Shanghai). These sofa products made of new fabrics have filled the market gap again, and have received enthusiastic response from customers. In addition, during the Review Period, the Group further improved structures of reclining sofas and launched new reclining sofas with more compact structures and more attractive appearances. Such type of products are expected to become a new driver of sales growth.

During the Review Period, the Group has introduced more than 140 new sofa models. The sales volume of non-leather sofas and leather sofas in the overseas markets accounted for approximately 65.0% and 35.0%, respectively, and those in the China market accounted for approximately 41.9% and 58.1%, respectively.

FINANCIAL REVIEW

Revenue and gross profit margin

	Revenue (HK\$'000)			As a percentage of sales (%)		Gross profit margin (%)	
	1HFY2016	1HFY2015	Change (%)	1HFY2016	1HFY2015	1HFY2016	1HFY2015
Sofa and ancillary products wholesale business	3,145,420	2,728,732	15.3%	85.4%	85.3%	35.0%	32.9%
Sofa and ancillary products retail business	310,391	292,003	6.3%	8.4%	9.1%	59.8%	61.2%
Other products	228,104	179,347	27.2%	6.2%	5.6%	34.4%	40.3%
Total	3,683,915	3,200,082	15.1%	100.0%	100.0%	37.0%	35.9%

For the 1HFY2016, total revenue rose by approximately 15.1% to approximately HK\$3,683,915,000 (1HFY2015: approximately HK\$3,200,082,000), whereas the overall gross profit margin increased to approximately 37.0% from approximately 35.9% when compared to that for the Last Corresponding Period. The increase in gross profit margin month-on-month was mainly due to the decrease in price of major raw materials since the second quarter of the current financial year.

During the 1HFY2016, cost of goods sold rose by approximately 13.2%.

Revenue, sales volume and average selling price of sofas

	1HFY2016	1HFY2015	Change (%)
Sales Volume (sets)	465,360	418,812	11.1%
Average Selling Price (HK\$)	6,852	6,779	1.1%
Sales revenue from sofa products (HK\$'000)	3,188,540	2,839,312	12.3%

Note: In calculating average selling prices, business customer products and sofa ancillary products which were not applicable in the calculation of comparable average selling prices were not included.

In calculating sofa sets, one set equals to a six-seat sofa.

During the Review Period, revenue from sofa products rose by approximately 12.3% to approximately HK\$3,188,540,000, accounting for approximately 86.6% of the Group's total revenue. The growth in revenue was mainly due to a sales volume growth of approximately 11.1% to 465,360 sets (1HFY2015: 418,812 sets), and the increase in average selling price of approximately 1.1% to approximately HK\$6,852 per set (1HFY2015: approximately HK\$6,779 per set). Of this, the average selling price of wholesale business rose by approximately 2.0%, with the price for each set of sofa rising from approximately HK\$6,483 to approximately HK\$6,611, and the average selling price of retail business fell by approximately 14.9%, with the price of each set of sofa falling from approximately HK\$16,315 to approximately HK\$13,877.

1 Wholesale business of sofa and ancillary products

During the Review Period, wholesale business of sofa and ancillary products achieved sales of approximately HK\$3,145,420,000 in aggregate, representing an increase of approximately 15.3% as compared with approximately HK\$2,728,732,000 recorded in the Last Corresponding Period.

1.1 North America market

During the Review Period, revenue from the North America market reached approximately HK\$2,088,947,000, up by approximately 18.9% compared with approximately HK\$1,756,776,000 in the Last Corresponding Period. Of this, revenue from the US reached approximately HK\$1,966,274,000, up by approximately 19.3% compared with approximately HK\$1,648,059,000 in the Last Corresponding Period, and revenue from Canada reached approximately HK\$117,933,000, up by approximately 9.0% compared with approximately HK\$108,173,000 in the Last Corresponding Period.

1.2 Europe and other overseas markets

During the Review Period, revenue from Europe and other overseas markets was approximately HK\$411,728,000, down by approximately 9.4% compared with approximately HK\$454,501,000 in the Last Corresponding Period. Of this, revenue from Europe reached approximately HK\$241,008,000, down by approximately 15.8% compared with approximately HK\$286,112,000 in the Last Corresponding Period, and revenue from other overseas markets reached approximately HK\$170,720,000, up by approximately 1.4% compared with approximately HK\$168,389,000 in the Last Corresponding Period.

1.3 China market

During the Review Period, revenue from the China market reached approximately HK\$644,745,000, up by approximately 24.6% from approximately HK\$517,455,000 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 1,132 as of 30 September 2015 from 1,002 as of 31 March 2015, representing a growth of approximately 13.0%.

During the Review Period, the average sales per distributor store under CHEERS brand decreased by approximately 7.4% 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 Retail business of sofas and ancillary products

2.1 Revenue from CHEERS brand sofa self-operated retail stores reached approximately HK\$279,782,000, up by approximately 7.5% compared with approximately HK\$260,344,000 in the Last Corresponding Period.

During the Review Period, the number of self-operated stores was adjusted to 119 as of 30 September 2015 from 118 as of 31 March 2015, up by approximately 0.8%.

During the Review Period, average sales per self-operated store increased by approximately 17.0% 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).

2.2 Revenue from the internet and television platform reached approximately HK\$30,609,000, down by approximately 3.3% from approximately HK\$31,659,000 in the Last Corresponding Period.

3 Sales of other products

During the Review Period, the Group's revenue from other products reached approximately HK\$228,104,000, representing an increase of approximately 27.2% as compared to approximately HK\$179,347,000 in the Last Corresponding Period.

3.1 Retail revenue from bedding self-operated retail stores under ENLANDA brand reached approximately HK\$25,374,000, down by approximately 25.6% compared with approximately HK\$34,092,000 in the Last Corresponding Period.

During the Review Period, the number of ENLANDA brand self-operated retail stores was adjusted to 30 as of 30 September 2015 from 32 as of 31 March 2015, down by approximately 6.3%. During the Review Period, average sales per ENLANDA self-operated retail store decreased by approximately 4.0% from the Last Corresponding Period.

3.2 Wholesale revenue from bedding retail stores operated by distributors under ENLANDA brand reached approximately HK\$68,821,000, up by approximately 0.5% compared with approximately HK\$68,462,000 in the Last Corresponding Period.

During the Review Period, the number of stores operated by distributors went up from 289 as of 31 March 2015 to 297 as of 30 September 2015, up by approximately 2.8%; and the average sales per ENLANDA distributor store decreased by approximately 6.2% from the Last Corresponding Period.

3.3 During the Review Period, revenue from other furniture products sold to commercial clients reached approximately HK\$17,688,000, down by approximately 33.5% from approximately HK\$26,587,000 in the Last Corresponding Period.

3.4 Revenue from furniture components reached HK\$116,221,000, up by approximately 131.5% from approximately HK\$50,206,000 in the Last Corresponding Period.

Cost of goods sold

Cost of goods sold breakdown

	1HFY2016 HK\$'000	1HFY2015 HK\$'000	Change (%)
Cost of raw materials	1,946,490	1,747,705	11.4%
Labour costs	281,618	216,675	30.0%
Manufacturing overhead	92,165	86,197	6.9%
Total	2,320,273	2,050,577	13.2%

Major raw materials for production of sofas	Average unit cost year-on-year change (%)	% of total cost of sales (%)
Leather	-8.6%	26.7%
Metal	-4.2%	15.3%
PVC	-7.0%	1.7%
Wood	-2.5%	8.5%
Fabric	-3.6%	11.2%
Chemicals	-17.6%	8.3%

During the Review Period, major raw materials showed a declining trend since the second quarter.

OTHER INCOME

During the 1HFY2016, other income of the Group decreased by approximately 41.5% to approximately HK\$98,779,000. The decrease was mainly due to the significant decrease in government grant income and decrease in the yields from structured deposits resulting from the decrease in benchmark rates on deposits in the mainland China.

	1HFY2016 HK\$'000	1HFY2015 HK\$'000	Change (%)
Income from sale of industrial waste*	20,765	21,284	-2.4%
Government subsidies**	24,159	76,564	-68.4%
Income on structured deposits and interest income***	48,001	66,786	-28.1%
Others	5,854	4,249	37.8%
Total	98,779	168,883	-41.5%

Notes:

- * Income from sale of industrial waste is revenue from the sale of non-reusable leather, cotton, wood etc generated in the normal production process of the Company's sofas and bedding products. During the 1HFY2016, such income accounted for approximately 0.6% of total revenue (income from sales of industrial waste accounted for approximately 0.7% of total revenue in the Last Corresponding Period).
- ** Government subsidies mainly consist of subsidies on tax paid and financial subsidies from the local government of subsidiaries in mainland China.
- *** Income from structured deposits originated from the use of unutilized funds by the Group to invest in wealth management products of major commercial 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 2015, the principal and gains of such investments have been fully recovered.

OTHER GAINS AND LOSSES

During the 1HFY2016, other gains and losses of the Group amounted to approximately HK\$8,367,000, up by approximately 47.1% compared with approximately HK\$5,688,000 in the Last Corresponding Period.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses increased by approximately 19.7% from approximately HK\$503,258,000 in the 1HFY2015 to approximately HK\$602,573,000 in the 1HFY2016. Selling and distribution expenses as a percentage of revenue increased from approximately 15.7% in the 1HFY2015 to approximately 16.4% in the 1HFY2016, including:

- (a) Overseas transportation and port fees increased by approximately 19.9% from approximately HK\$235,937,000 to approximately HK\$282,775,000. Overseas transportation and port fees as a percentage of revenue increased from approximately 7.4% to approximately 7.7%;
- (b) Rent, property management fees and utility decreased by approximately 6.4% from approximately HK\$69,900,000 to approximately HK\$65,415,000. Rent, property management fees and utility as a percentage of revenue decreased from approximately 2.2% to approximately 1.8%;
- (c) Advertising, promotion and brand building expenses increased by approximately 48% from approximately HK\$41,503,000 to approximately HK\$61,436,000. Advertising, promotion and brand building expenses as a percentage of revenue increased from approximately 1.3% to approximately 1.7%; and

- (d) Salaries, welfare and commissions of sales staff increased by approximately 26.2% from approximately HK\$70,515,000 to approximately HK\$89,017,000. Salaries, welfare and commissions of sales staff as a percentage of revenue increased from approximately 2.2% to approximately 2.4%.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by approximately 4.8% from approximately HK\$160,383,000 in the 1HFY2015 to approximately HK\$168,025,000 in the 1HFY2016. As a percentage of revenue, administrative expenses decreased from approximately 5.0% in the 1HFY2015 to approximately 4.6% in the 1HFY2016. Among them:

- (a) Salaries and welfare of employees decreased by approximately 4.2% from approximately HK\$73,341,000 to approximately HK\$70,288,000. Salaries and welfare of employees as a percentage of revenue decreased from approximately 2.3% to approximately 1.9%; and
- (b) Depreciation and amortization expenses increased by approximately 15.8% from approximately HK\$31,898,000 to approximately HK\$36,923,000. Depreciation and amortization expenses as a percentage of revenue was approximately 1.0%, approximately equal with the Last Corresponding Period.

SHARE OF RESULT OF A JOINT VENTURE

During the Review Period, share of loss of a joint venture was approximately HK\$221,000 (1HFY2015: profit of approximately HK\$1,396,000).

SHARE OF RESULT OF AN ASSOCIATE

During the Review Period, no profit or loss was shared from an associate (1HFY2015: loss of approximately HK\$1,020,000).

FINANCE COSTS

The finance costs decreased by approximately 23.0% from approximately HK\$12,543,000 in 1HFY2015 to approximately HK\$9,661,000 in 1HFY2016, all of which was interest expense of short term loan (in the Last Corresponding Period, HK\$6,165,000 was loan interest expense, HK\$6,378,000 was interest expense of convertible bond).

INCOME TAX EXPENSE

Income tax expense decreased by approximately 26.4% from approximately HK\$85,931,000 in 1HFY2015 to approximately HK\$63,253,000 in 1HFY2016. Income tax as a percentage of profit before tax decreased from approximately 13.3% in 1HFY2015 to approximately 9.2% in the 1HFY2016.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY AND NET PROFIT MARGIN

The profit attributable to owners of the Company increased by approximately 10.4% from approximately HK\$556,125,000 in 1HFY2015 to approximately HK\$613,870,000 in 1HFY2016. The net profit margin of the Group was approximately 16.7% during the Review Period (approximately 17.4% in 1HFY 2015). 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\$613,809,000, representing an increase of approximately 21.0% compared with approximately HK\$507,148,000 in the Last Corresponding Period.

WORKING CAPITAL

As at 30 September 2015, the Group's bank balances and cash were approximately HK\$2,082,987,000.

During the Review Period, turnover of the Group's working capital was good and inventory turnover days have been further shortened. 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 2015, the Group's short-term bank borrowings amounted to approximately HK\$1,002,478,000, all of which were repayable within twelve months from 30 September 2015. 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 2015, the Group's current ratio was approximately 2.1 (31 March 2015: approximately 2.1). The Group maintained a net cash position, reflecting its healthy financial position, paving the way for future development. As at 30 September 2015, the Group's gearing ratio was approximately 21.6% (31 March 2015: approximately 21.3%), which is defined as total borrowings of approximately HK\$1,002,478,000 divided by total equity attributable to owners of the Group.

ALLOWANCE FOR INVENTORIES

For the 1HFY2016, the Group reversed allowance for inventories of approximately HK\$616,000 (1HFY2015: reversed allowance for inventories of approximately HK\$4,457,000).

IMPAIRMENT LOSS ON TRADE RECEIVABLES

For the 1HFY2016, the Group provided impairment loss on trade receivables of approximately HK\$879,000 (1HFY2015: approximately HK\$2,877,000).

PLEDGE OF ASSETS

As at 30 September 2015, except for approximately HK\$853,000 restricted bank balances, the Group did not have any pledged assets.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Save as disclosed in note 16 to the condensed consolidated financial statements, the Group did not have any material capital commitments.

As at 30 September 2015, 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 Group's revenue from overseas market is substantially denominated in USD while revenue from mainland China and Hong Kong is denominated in RMB and HKD, respectively. The Group's costs and expenses are substantially denominated in RMB and USD. 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

The Group did not have any significant investments or acquisitions or sales of subsidiaries or associates during the 1HFY2016. The Group continues to seek opportunities to acquire furniture companies to accelerate the development of the Group.

HUMAN RESOURCES

As at 30 September 2015, the Group had 10,037 employees (31 March 2015: 12,121 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 its human resources management to provide strong support for the development of the Group's business through staff recruitment initiatives and optimization of its organization structure and corporate culture to ensure that the Group will be able to maintain sustainable development in the future.

During the 1HFY2016, the total staff cost for the Group amounted to approximately HK\$454,198,000 (1HFY2015: approximately HK\$370,543,000), of which approximately HK\$9,552,000 (1HFY2015: approximately HK\$21,910,000) 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

The results of Group for the Review Period are set out in the unaudited condensed consolidated statement of profit or loss and other comprehensive income on page 30 of this interim result.

The Board has resolved to declare an interim dividend of HK16.0 cents per share (six months ended 30 September 2014: an interim dividend of HK25.0 cents per share and a special dividend of HK75.0 cents per share) payable to those shareholders of the Company ("Shareholders") whose names appear on the Company's register of members on Friday, 11 December 2015.

As if the bonus shares issued on 7 January 2015, on the basis of one bonus share for every one existing share, happened on or before 30 September 2014, the interim dividend and special dividend declared in November 2014 would be HK\$0.125 per share and HK\$0.375 per share respectively.

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.

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

As at 30 September 2015, 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	1,191,480,800 ²	61.33%
	Spouse	892,000 ²	0.05%
	Beneficial owner	1,213,600 ²	0.06%
Ms. Hui Wai Hing	Beneficial owner	892,000 ³	0.05%
	Spouse	1,192,694,400 ³	61.39%
Mr. Wang Guisheng	Beneficial owner	3,827,600 ⁴	0.20%
Mr. Alan Marnie	Beneficial owner	3,907,200 ⁵	0.20%
Mr. Dai Quanfa	Beneficial owner	1,652,800 ⁶	0.09%
Ms. Wong Ying Ying	Beneficial owner	870,000 ⁷	0.04%

Notes:

- The percentage of the Company's issued share capital is based on the 1,942,864,400 Shares of the Company ("Shares") issued as at 30 September 2015.
- These 1,191,480,800 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 1,191,480,800 Shares held by Man Wah Investments Limited. Mr. Wong is also the sole director of Man Wah Investments Limited. Mr. Wong also holds 272,000 Shares and 941,600 Share Options (as defined below) granted to him under the Share Option Scheme (as defined below) respectively. Upon exercise of the Share Options, Mr. Wong will directly own an aggregate of 1,213,600 Shares. Mr. Wong is also deemed, under Part XV of the SFO, to be interested in the 892,000 Shares in which Ms. Hui Wai Hing, the spouse of Mr. Wong, has a long position.

3. These 892,000 Shares represent the 192,000 Shares and the 700,000 Share Options granted to Ms. Hui under the Share Option Scheme that are exercisable respectively. Upon exercise of the Share Options, Ms. Hui will own an aggregate of 892,000 Shares. Ms. Hui is also deemed, under Part XV of the SFO, to be interested in the 1,192,694,400 Shares in which Mr. Wong Man Li, the spouse of Ms. Hui is interested (i.e. 1,213,600 Shares as beneficial owner and 1,191,480,800 Shares as interest in a controlled corporation).
4. This figure represents the aggregate number of 624,800 Shares held by Mr. Wang and the 3,202,800 Share Options granted to Mr. Wang under the Share Option Scheme that are exercisable. Upon exercise of the Share Options, Mr. Wang will own an aggregate of 3,827,600 Shares.
5. This figure represents the aggregate number of 394,400 Shares held by Mr. Marnie and 3,512,800 Share Options granted to Mr. Marnie under the Share Option Scheme that are exercisable. Upon exercise of the Share Options, Mr. Marnie will own an aggregate of 3,907,200 Shares.
6. This figure represents the aggregate number of 303,200 Shares held by Mr. Dai and 1,349,600 Share Options granted to Mr. Dai under the Share Option Scheme that are exercisable. Upon exercise of the Share Options, Mr. Dai will own an aggregate of 1,652,800 Shares.
7. This figure represents the aggregate number of 195,200 Shares held by Ms. Wong and 674,800 Share Options granted to Ms. Wong under the Share Option Scheme that are exercisable. Upon exercise of the Share Options, Ms. Wong will own an aggregate of 870,000 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 2015, 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 2015.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 September 2015, 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	1,191,480,800	61.33%
CDH W-Tech Limited ("CDH")	Beneficial owner	150,696,800	7.76%
Miracle Eagle Holdings Limited ²	Interest of a controlled corporation	150,696,800	7.76%

Notes:

1. The percentage of the Company's issued share capital is based on the 1,942,864,400 Shares issued as at 30 September 2015.
2. 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 2015, 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 Share Option Scheme ("Share Options") during the 1HFY2016 were as follows:

Grantee	Date of grant ²	Vesting period	Exercisable period	Exercise price per share HK\$	Number of Share Options ¹				
					Outstanding as at 1.4.2015	Granted during the Review Period	Cancelled/ Lapsed during the Review Period	Exercised during the Review Period	Outstanding as at 30.9.2015
Mr. Wong Man Li	1.2.2013	1.2.2013 – 31.1.2016	1.2.2016 – 31.1.2018	3.59	272,000	-	-	-	272,000
		1.2.2013 – 31.1.2017	1.2.2017 – 31.1.2019	3.59	272,000	-	-	-	272,000
	10.2.2015	10.2.2015 – 9.2.2017	10.2.2017 – 9.2.2019	6.72	198,800	-	-	-	198,800
		10.2.2015 – 9.2.2018	10.2.2018 – 9.2.2020	6.72	198,800	-	-	-	198,800
Ms. Hui Wai Hing	1.2.2013	1.2.2013 – 31.1.2016	1.2.2016 – 31.1.2018	3.59	192,000	-	-	-	192,000
		1.2.2013 – 31.1.2017	1.2.2017 – 31.1.2019	3.59	192,000	-	-	-	192,000
	10.2.2015	10.2.2015 – 9.2.2017	10.2.2017 – 9.2.2019	6.72	158,000	-	-	-	158,000
		10.2.2015 – 9.2.2018	10.2.2018 – 9.2.2020	6.72	158,000	-	-	-	158,000
Mr. Wang Guisheng	8.2.2012	8.2.2012 – 7.2.2016	8.2.2016 – 7.2.2018	2.36	108,000	-	-	-	108,000
		8.2.2012 – 7.2.2017	8.2.2017 – 7.2.2019	2.36	108,000	-	-	-	108,000
		1.2.2013	1.2.2013 – 31.1.2016	1.2.2016 – 31.1.2018	3.59	515,200	-	-	-
	22.1.2014	1.2.2013 – 31.1.2017	1.2.2017 – 31.1.2019	3.59	515,200	-	-	-	515,200
		22.1.2014 – 21.1.2016	22.1.2016 – 21.1.2018	7.28	511,200	-	-	-	511,200
		22.1.2014 – 21.1.2017	22.1.2017 – 21.1.2019	7.28	511,200	-	-	-	511,200
	10.2.2015	10.2.2015 – 9.2.2017	10.2.2017 – 9.2.2019	6.72	467,200	-	-	-	467,200
		10.2.2015 – 9.2.2018	10.2.2018 – 9.2.2020	6.72	466,800	-	-	-	466,800

Grantee	Date of grant ²	Vesting period	Exercisable period	Exercise price per share HK\$	Number of Share Options ¹				
					Outstanding as at 1.4.2015	Granted during the Review Period	Cancelled/ Lapsed during the Review Period	Exercised during the Review Period	Outstanding as at 30.9.2015
Mr. Alan Marnie	31.5.2013	31.5.2013 – 30.5.2015	31.5.2015 – 3.3.2020	4.08	1,412,800	-	-	-	1,412,800
	21.5.2014	21.5.2014 – 20.5.2016	21.5.2016 – 20.5.2018	5.94	1,900,000	-	-	-	1,900,000
	21.5.2015	21.5.2015 – 20.5.2017	21.5.2017 – 20.5.2019	9.51	-	200,000	-	-	200,000
Mr. Dai Quanfa	8.2.2012	8.2.2012 – 7.2.2016	8.2.2016 – 7.2.2018	2.36	52,800	-	-	-	52,800
		8.2.2012 – 7.2.2017	8.2.2017 – 7.2.2019	2.36	52,000	-	-	-	52,000
	1.2.2013	1.2.2013 – 31.1.2016	1.2.2016 – 31.1.2018	3.59	249,600	-	-	-	249,600
		1.2.2013 – 31.1.2017	1.2.2017 – 31.1.2019	3.59	249,600	-	-	-	249,600
	22.1.2014	22.1.2014 – 21.1.2016	22.1.2016 – 21.1.2018	7.28	234,400	-	-	-	234,400
		22.1.2014 – 21.1.2017	22.1.2017 – 21.1.2019	7.28	234,400	-	-	-	234,400
	10.2.2015	10.2.2015 – 9.2.2017	10.2.2017 – 9.2.2019	6.72	138,400	-	-	-	138,400
		10.2.2015 – 9.2.2018	10.2.2018 – 9.2.2020	6.72	138,400	-	-	-	138,400
Ms. Wong Ying Ying	8.2.2012	8.2.2012 – 7.2.2016	8.2.2016 – 7.2.2018	2.36	21,600	-	-	-	21,600
		8.2.2012 – 7.2.2017	8.2.2017 – 7.2.2019	2.36	21,600	-	-	-	21,600
	1.2.2013	1.2.2013 – 31.1.2016	1.2.2016 – 31.1.2018	3.59	140,800	-	-	-	140,800
		1.2.2013 – 31.1.2017	1.2.2017 – 31.1.2019	3.59	140,800	-	-	-	140,800
	22.1.2014	22.1.2014 – 21.1.2016	22.1.2016 – 21.1.2018	7.28	88,000	-	-	-	88,000
		22.1.2014 – 21.1.2017	22.1.2017 – 21.1.2019	7.28	88,000	-	-	-	88,000
	10.2.2015	10.2.2015 – 9.2.2017	10.2.2017 – 9.2.2019	6.72	87,200	-	-	-	87,200
		10.2.2015 – 9.2.2018	10.2.2018 – 9.2.2020	6.72	86,800	-	-	-	86,800

Grantee	Date of grant ²	Vesting period	Exercisable period	Exercise price per share HK\$	Number of Share Options ¹				
					Outstanding as at 1.4.2015	Granted during the Review Period	Cancelled/Lapsed during the Review Period	Exercised during the Review Period	Outstanding as at 30.9.2015
Other employees	6.7.2011	6.7.2011 – 5.7.2014	6.7.2014 – 5.7.2016	4.28	320,000	-	-	-	320,000
	8.2.2012	8.2.2012 – 7.2.2016	8.2.2016 – 7.2.2018	2.36	2,220,000	-	(256,000)	-	1,964,000
		8.2.2012 – 7.2.2017	8.2.2017 – 7.2.2019	2.36	2,148,800	-	(251,200)	-	1,897,600
1.2.2013		1.2.2013 – 31.1.2016	1.2.2016 – 31.1.2018	3.59	7,163,200	-	(1,190,400)	-	5,972,800
		1.2.2013 – 31.1.2017	1.2.2017 – 31.1.2019	3.59	7,162,400	-	(1,190,400)	-	5,972,000
22.1.2014		22.1.2014 – 21.1.2016	22.1.2016 – 21.1.2018	7.28	6,007,200	-	(902,400)	-	5,104,800
		22.1.2014 – 21.1.2017	22.1.2017 – 21.1.2019	7.28	6,100,000	-	(908,800)	-	5,191,200
10.2.2015		10.2.2015 – 9.2.2017	10.2.2017 – 9.2.2019	6.72	8,574,800	-	(898,400)	-	7,676,400
		10.2.2015 – 9.2.2018	10.2.2018 – 9.2.2020	6.72	8,483,600	-	(889,600)	-	7,594,000
					<u>58,361,600</u>	<u>200,000</u>	<u>(6,487,200)</u>	<u>-</u>	<u>52,074,400</u>
Number of Share Options exercisable at 30 September 2015									<u>1,732,800</u>

Notes:

- Number of Shares in the Company over which options granted under the Share Option Scheme are exercisable.
- The closing price of the Share immediately before the date on which the Share Options were granted on (i) 6 July 2011, i.e. on 5 July 2011 was HK\$4.22, (ii) 8 February 2012, i.e. on 7 February 2012 was HK\$2.10, (iii) 1 February 2013, i.e. on 31 January 2013 was HK\$3.57, (iv) 31 May 2013, i.e. on 30 May 2013 was HK\$4.11, (v) 22 January 2014, i.e. on 21 January 2014 was HK\$7.16, (vi) 21 May 2014, i.e. on 20 May 2014 was HK\$6.10, (vii) 10 February 2015, i.e. on 9 February 2015 was HK\$6.41 and (viii) 21 May 2015, i.e. on 20 May 2015 was HK\$9.72.
- Share Options under each grant are subject to the restrictions that up to 50% and 100% of the total options granted will be exercisable during the period of 18th and 60th months respectively from the date of acceptance of the grant of options by the relevant grantees.
- The weighted average closing price immediately before the dates on which the options were exercised was HK\$5.508.

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 2015, 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 2015.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the Review Period, the Company and the Group had continuing connected transactions, certain details of which have been disclosed in the prospectus of the Company dated 18 March 2010 and note 17 to the consolidated financial statements. Such continuing connected transaction are exempted from the reporting, announcement, shareholders' approval and annual review requirements under the Listing Rules. Save as the above continuing connected transactions, there were no transactions 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 had a material interest, whether directly and indirectly, subsisted at the end of 30 September 2015 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

During the Review Period, sales to the Group's five largest customers and purchases from the five largest suppliers accounted for approximately 25.4% and 27.9% of the total revenue and purchases for the Review Period, respectively. The Group's largest supplier accounted for approximately 8.8% of the total purchase for the Review Period.

At no time during the Review Period did a Director, a close 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 2015 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 report of the Group for the six month period ended 30 September 2015.

CLOSURE OF REGISTER OF MEMBERS

Shareholders whose names appear on the Company's register of members on Friday, 11 December 2015, will be eligible for the interim dividend. The transfer books and the register of members of the Company will be closed from Wednesday, 9 December 2015 to Friday, 11 December 2015, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 8 December 2015. The interim dividend is expected to be payable on or after Monday, 28 December 2015 to the Shareholders whose names appear on the register of members of the Company on Friday, 11 December 2015.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 September 2015, 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 deviations 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 concerning 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 and non-executive directors should attend general meetings of the Company. Mr. Lee Teck Leng, Robson, an independent non-executive director and Mr. Xie Fang, a non-executive director could not attend the annual general meeting of the Company held on 7 July 2015 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 2015.

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

Hong Kong, 17 November 2015

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

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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 30 to 50, which comprise the condensed consolidated statement of financial position as of 30 September 2015 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

17 November 2015

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

		Six months ended 30 September	
	NOTES	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Revenue	3	3,683,915	3,200,082
Cost of goods sold		(2,320,273)	(2,050,577)
Gross profit		1,363,642	1,149,505
Other income		98,779	168,883
Other gains and losses	4	8,367	5,688
Selling and distribution expenses		(602,573)	(503,258)
Administrative expenses		(168,025)	(160,383)
Share of (loss) profit of a joint venture		(221)	1,396
Share of loss of an associate		-	(1,020)
Finance costs		(9,661)	(12,543)
Profit before income tax		690,308	648,268
Income tax expense	5	(63,253)	(85,931)
Profit for the period	6	627,055	562,337
Other comprehensive (expense) income:			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		(124,574)	51,756
Total comprehensive income for the period		502,481	614,093
Profit for the period attributable to:			
Owners of the Company		613,870	556,125
Non-controlling interest		13,185	6,212
		627,055	562,337
Total comprehensive income for the period attributable to:			
Owners of the Company		490,199	607,429
Non-controlling interest		12,282	6,664
		502,481	614,093
Earnings per share	7		
Basic (HK cents) (restated)		31.60	29.23
Diluted (HK cents) (restated)		31.33	28.32

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2015

		30 September 2015 HK\$'000 (Unaudited)	31 March 2015 HK\$'000 (Audited)
	<i>NOTES</i>		
Non-current assets			
Property, plant and equipment	9	2,094,181	1,987,681
Investment properties	9	53,500	53,500
Lease premium for land	10	571,510	534,323
Intangible assets		500	626
Interest in a joint venture		–	221
Available-for-sale investment		1,827	3,748
Deferred tax assets		778	1,731
Refundable earnest money paid for lease premium for land		4,120	7,973
Deposits paid for acquisition of property, plant and equipment		30,534	102,907
Deposit paid for a land lease		39,206	–
		2,796,156	2,692,710
Current assets			
Inventories		682,580	781,231
Trade receivables	11	644,112	622,052
Other receivables and prepayments	11	235,766	215,404
Lease premium for land		12,969	12,109
Derivative financial instruments		–	4,067
Tax recoverable		336	1,372
Structured deposits		–	165,059
Restricted bank balances		853	2,698
Bank balances and cash		2,082,987	1,599,028
		3,659,603	3,403,020
Current liabilities			
Trade payables	12	317,848	280,647
Other payables and accruals	12	378,189	371,439
Unsecured bank borrowings	13	1,002,478	937,912
Derivative financial instruments		–	3,006
Tax payable		44,779	45,327
		1,743,294	1,638,331
Net current assets		1,916,309	1,764,689
Total assets less current liabilities		4,712,465	4,457,399

	<i>NOTE</i>	30 September 2015 HK\$'000 (Unaudited)	31 March 2015 HK\$'000 (Audited)
Non-current liability			
Deferred tax liabilities		5,016	5,068
		4,707,449	4,452,331
Capital and reserves			
Share capital	14	777,146	778,426
Reserves		3,861,137	3,617,324
Equity attributable to owners of the Company		4,638,283	4,395,750
Non-controlling interest		69,166	56,581
		4,707,449	4,452,331

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

	Attributable to owners of the Company											Total HK\$'000				
	Share capital HK\$'000	Treasury shares HK\$'000 (note 14)	Share premium HK\$'000	Special reserve HK\$'000	Other reserve HK\$'000	PRC Statutory reserve HK\$'000	Translation reserve HK\$'000	Revaluation surplus 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	Retained profits HK\$'000	Sub-total HK\$'000	Non- controlling interest HK\$'000
At 1 April 2014 (audited)	380,089	-	1,673,061	(16,132)	(3,944)	125,389	149,382	-	(6,576)	3,328	33,861	655	2,115,417	4,454,580	47,731	4,502,311
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	-	-	-	-	-	-	-	-	462	51,756
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	-	22,469	-	-	-	-	-	-	(2,732)	-	-	20,744	-	20,744	
Dividends paid (note 7)	-	-	-	-	-	-	-	-	-	-	-	-	(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	
At 30 September 2014 (unaudited)	381,056	-	1,695,520	(16,132)	(3,944)	125,389	200,686	-	(448)	-	43,333	655	2,433,879	4,860,014	54,395	4,914,409
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	519,034	519,034	2,567	521,601	
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	-	-	(44,276)	-	-	-	-	-	-	-	-	(44,276)	(44,657)
Increase in fair value of property, plant and equipment	-	-	-	-	-	-	2,845	-	-	-	-	-	-	-	2,845	2,845
Total comprehensive income for the year	-	-	-	-	-	(44,276)	2,845	-	-	-	-	519,034	477,603	2,166	479,769	

Attributable to owners of the Company

	Share capital HK\$'000	Treasury shares HK\$'000 (note 14)	Share premium HK\$'000	Special reserve HK\$'000	Other reserve HK\$'000	PRC Statutory reserve HK\$'000	Translation reserve HK\$'000	Revaluation surplus 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	Retained profits HK\$'000	Sub-total HK\$'000	Non-controlling interest HK\$'000	Total HK\$'000
Bonus issue	393,274	-	(393,274)	-	-	-	-	-	-	-	-	-	-	-	-	-
Repurchase of shares	(14,720)	(1,280)	(256,930)	-	-	-	-	-	-	-	-	-	-	(272,950)	-	(277,950)
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	-	-	-	(390)	-	-	(390)	-	(390)
Lapsed of share options	-	-	-	-	-	-	-	-	-	-	(13,532)	-	13,532	-	-	-
Issue of shares upon exercise of share options	6,530	-	74,514	-	-	-	-	-	-	-	(15,332)	-	-	63,180	-	63,180
Issue of shares upon conversion of convertible bonds	12,218	-	239,915	-	-	56,912	-	-	-	-	-	(655)	(56,912)	251,478	-	251,478
Transfer to PRC statutory reserves	-	-	-	-	-	-	-	-	-	-	-	-	(983,185)	(983,185)	-	(983,185)
Dividends paid (note 7)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
At 31 March 2015 (audited)	778,426	(1,280)	1,357,725	(16,132)	(3,944)	182,301	156,410	2,845	(448)	-	13,479	-	1,926,368	4,395,750	56,381	4,452,331
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	-	613,870	613,870	13,185	627,055
Exchange differences arising on translation of financial statements of foreign operation	-	-	-	-	-	-	(123,671)	-	-	-	-	-	-	(123,671)	(903)	(124,574)
Total comprehensive income for the period	-	-	-	-	-	-	(123,671)	-	-	-	-	-	613,870	490,199	12,282	502,481
Cancellation of treasury shares	(1,280)	1,280	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital contribution by non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	303	303
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	-	-	-	4,906	-	-	4,906	-	4,906
Dividends paid (note 7)	-	-	-	-	-	-	-	-	-	-	-	-	(252,572)	(252,572)	-	(252,572)
At 30 September 2015 (unaudited)	777,146	-	1,357,725	(16,132)	(3,944)	182,301	32,739	2,845	(448)	-	18,385	-	2,287,666	4,638,283	69,166	4,707,149

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

	Six months ended	
	30 September	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash from operating activities	780,345	575,904
Net cash used in investing activities		
Investment on structured deposits	(6,552,120)	(7,024,242)
Payments for property, plant and equipment	(179,043)	(357,754)
Payments for land lease premium	(94,958)	-
Proceeds on disposal of structured deposits	6,764,560	7,090,591
Proceeds received from disposal of an associate	-	66,178
Dividend received from a joint venture	-	11,219
Other investing cash flows	6,460	1,206
	(55,101)	(212,802)
Net cash used in financing activities		
Repayment of bank borrowings	(472,496)	(150,000)
Dividends paid	(252,572)	(237,663)
New bank borrowings raised	537,670	312,626
Capital contribution by non-controlling interest	303	-
Proceeds from issue of shares upon exercise of share options	-	20,744
	(187,095)	(54,293)
Net increase in cash and cash equivalents	538,149	308,809
Effect of foreign exchange rate changes	(54,190)	19,086
Cash and cash equivalents at beginning of the period	1,599,028	2,362,450
Cash and cash equivalents at end of the period	2,082,987	2,690,345

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

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 which are measured at fair values at the end of each reporting period.

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 2015 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2015.

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 IAS 19	Defined Benefit Plans: Employee Contributions
Amendments to IFRSs	Annual Improvements to IFRSs 2010 – 2012 Cycle
Amendments to IFRSs	Annual Improvements to IFRSs 2011 – 2013 Cycle

The application of the above 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

In prior periods, information reported to the Company's executive directors, being the chief operating decision makers of the Group, in respect of the Group's business are focused on the location of customers. During the current period, in order to present a more meaningful representation of different types of products, consistent with how performance of different products via different distribution channel is assessed, the Group changed the structure of its internal reports reviewed by the Company's executive directors.

This led to a change in the segment report for all comparable periods. The three existing operating and reportable segments, namely North America market, Europe and other overseas markets and China market have therefore been converted into Sofa and ancillary products (wholesale), Sofa and ancillary products (retail) and Other products.

- | | |
|---|---|
| Sofa and ancillary products (wholesale) | - manufacture and distribution of sofas and ancillary products through wholesale and distributors |
| Sofa and ancillary products (retail) | - manufacture and sale of sofas and ancillary products through self-operated shops including online shops |
| Other products | - manufacture and distribution of other products |

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 other income (mainly include government grant, interest income, income on structured deposits and rental income), net exchange gain, finance costs, loss on disposal of an associate, central administrative costs and directors' emoluments, share of profit (loss) 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 2015

	Sofa and ancillary products (wholesale) HK\$'000	Sofa and ancillary products (retail) HK\$'000	Other products HK\$'000	Total HK\$'000
REVENUE				
External sales	<u>3,145,420</u>	<u>310,391</u>	<u>228,104</u>	<u>3,683,915</u>
RESULTS				
Segment results	<u>664,209</u>	<u>70,801</u>	<u>47,857</u>	<u>782,867</u>
Other income				73,589
Exchange gain – net				8,219
Finance costs				(9,661)
Central administrative costs and directors' remunerations				(164,485)
Share of loss of a joint venture				<u>(221)</u>
Profit before income tax				<u>690,308</u>

Six months ended 30 September 2014 (restated)

	Sofa and ancillary products (wholesale) HK\$'000	Sofa and ancillary products (retail) HK\$'000	Other products HK\$'000	Total HK\$'000
REVENUE				
External sales	<u>2,728,732</u>	<u>292,003</u>	<u>179,347</u>	<u>3,200,082</u>
RESULTS				
Segment results	<u>530,225</u>	<u>66,889</u>	<u>47,044</u>	644,158
Other income				143,834
Exchange gain – net				8,079
Finance costs				(12,543)
Loss on disposal of an associate				(1,335)
Central administrative costs and directors' remunerations				(134,301)
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>

There were no inter-segment sales during both periods.

4. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
Exchange gain – net	8,219	8,079
Gain (loss) on disposal of property, plant and equipment	148	(1,056)
Loss on disposal of an associate	–	(1,335)
	<u>8,367</u>	<u>5,688</u>

5. INCOME TAX EXPENSE

	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
Current tax:		
PRC Enterprise income tax	78,584	94,995
United States of America ("U.S.")	675	497
	<u>79,259</u>	<u>95,492</u>
Net overprovision in prior years:		
PRC Enterprise income tax	(16,124)	(10,638)
U.S.	–	(323)
	<u>(16,124)</u>	<u>(10,961)</u>
Deferred tax	<u>118</u>	<u>1,400</u>
	<u>63,253</u>	<u>85,931</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the current 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 general 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, the subsidiary is then approved to enjoy the preferential tax rate of 15% for its profits earned from July 2012 to December 2014, resulting in an overprovision of income tax expense amounted to HK\$14,147,000 and HK\$8,740,000, credited to the condensed consolidated statement of profit or loss and other comprehensive income for the period ended 30 September 2015 and 2014. The preferential tax rate of 15% for the year 2014 was approved by the PRC tax authority in May 2015.

During the current period, another subsidiary of the Group also obtained the qualification of being a high technology enterprise and is approved to enjoy the preferential tax rate of 15% for a consecutive three years from year 2014. An overprovision of income tax expense amounted to HK\$3,748,000, is then credited to the condensed consolidated statement of profit or loss and other comprehensive income for the current period.

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	
	2015	2014
	HK\$'000	HK\$'000
Staff costs	454,198	370,543
Rents and rates	42,191	45,840
Release of lease premium for land	6,434	5,807
Amortisation of intangible assets (recognised in selling and distribution expenses)	113	114
Depreciation	78,354	73,921
Reversal of inventories	(616)	(4,457)
Interest income	(620)	(437)
Income on structured deposits included in other income	(47,381)	(66,349)
Government grant included in other income	(24,159)	(76,564)
	_____	_____

7. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
<u>Earnings</u>		
Profit for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share	613,870	556,125
Effect of dilutive potential ordinary shares – interest on convertible bonds, net of tax	–	6,379
	613,870	562,504
	2015	2014
	'000	'000
		(restated)
<u>Number of shares</u>		
Weighted average number of ordinary shares in issue during the period for the purpose of basic earnings per share	1,942,864	1,902,454
Effect of dilutive potential ordinary shares:		
– Share options	16,761	22,420
– Convertible bonds	–	61,090
Weighted average number of ordinary shares in issue during the period for the purpose of diluted earnings per share	1,959,625	1,985,964

During the year ended 31 March 2015, the Company had issued bonus shares on the basis of one bonus share for every one existing share held by the shareholders on 7 January 2015 (the "Bonus Issue"). Accordingly, the weighted average number of shares for the purpose of basic and diluted earnings per share have been adjusted.

The weighted average number of shares for the six months ended 30 September 2015 has been arrived at after eliminating the treasury shares held by the Company.

8. DIVIDENDS

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

	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
Final dividend for the year ended 31 March 2015 of HK\$0.13 per share (2014: HK\$0.25 per share for the year ended 31 March 2014)	252,572	237,663

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of HK\$0.16 per share (six months ended 30 September 2014: HK\$0.25 per share and a special dividend of HK\$0.75 per share, determined without the effect of the Bonus Issue on 7 January 2015) will be paid to the shareholders of the Company whose names appear in the Company's register of members on Friday, 11 December 2015.

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

During the current interim period, the Group acquired property, plant and equipment and incurred expenditure on construction in progress of HK\$116,237,000 and HK\$120,799,000 (six months ended 30 September 2014: HK\$84,797,000 and HK\$165,727,000) respectively for the purpose of expanding the Group's business.

At 30 September 2015, the directors of the Company consider that the carrying amounts of the Group's investment properties do not differ significantly from their fair values. Consequently, no gain or loss on fair value change of investment properties has been recognised in the current period.

10. LEASE PREMIUM FOR LAND

As of 30 September 2015, the Group had not obtained land use right certificates for leasehold land located in Wujiang, the PRC, with a carrying value of HK\$57,521,000 that acquired during the period. The directors of the Company expect to obtain the land use right for the leasehold land in 2015.

11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	30 September 2015 HK\$'000	31 March 2015 HK\$'000
Trade receivables		
Trade and bills receivables	644,112	622,052
Other receivables and prepayments		
Valued added taxes recoverable	94,735	101,738
Deposits	23,799	21,159
Sundry receivables	33,417	36,354
Prepayments to suppliers	83,815	56,153
	235,766	215,404

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 2015 HK\$'000	31 March 2015 HK\$'000
0 – 30 days	382,341	306,524
31 – 60 days	206,921	215,956
61 – 90 days	30,547	73,807
Over 90 days	24,303	25,765
	644,112	622,052

12. TRADE AND OTHER PAYABLES AND ACCRUALS

	30 September 2015 HK\$'000	31 March 2015 HK\$'000
Trade payables		
Trade and bills payables	317,848	280,647
Other payables and accruals		
Trade deposits received from customers	149,414	96,799
Accruals	173,540	212,544
Payables for acquisition of property, plant and equipment	29,501	33,902
Others	25,734	28,194
	378,189	371,439

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 2015 HK\$'000	31 March 2015 HK\$'000
0 – 30 days	295,865	263,902
31 – 60 days	15,135	15,936
61 – 90 days	6,797	424
Over 90 days	51	385
	317,848	280,647

13. UNSECURED BANK BORROWINGS

During the current interim period, the Group obtained new bank loans amounting to approximately HK\$537,670,000 (six months ended 30 September 2014: HK\$312,626,000). The outstanding loans of the Group carry interest at variable market rate ranging from 1.47% to 1.70% (31 March 2015: 1.65% to 2.35%) and are repayable within one year. The Group repaid borrowings of approximately HK\$472,496,000 (six months ended 30 September 2014: HK\$150,000,000) during the period.

An amount of approximately HK\$12,492,000 included in the Group's bank borrowing as at 31 March 2015 represented an entrusted loan by a non-controlling interest through a bank. The loan carried interest at 4.56% per annum and were repaid during the current period.

14. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.40 each		
Issued and fully paid:		
At 1 April 2014	950,098	380,039
Exercise of share options (<i>note 15</i>)	2,541	1,017
	<hr/>	<hr/>
At 30 September 2014	952,639	381,056
Repurchase of shares (<i>Note b</i>)	(36,800)	(14,720)
Exercise of share options (<i>note 15</i>)	16,496	6,598
Conversion of convertible bonds	30,545	12,218
Issue of shares pursuant to bonus issue (<i>Note a</i>)	983,184	393,274
	<hr/>	<hr/>
At 31 March 2015	1,946,064	778,426
Cancellation of treasury shares (<i>Note b</i>)	(3,200)	(1,280)
	<hr/>	<hr/>
At 30 September 2015	1,942,864	777,146

Notes:

- (a) On 14 January 2015, the Company issued 983,184,000 bonus shares on the basis of one bonus share for every one existing share held on 7 January 2015.
- (b) During the year ended 31 March 2015, 40,000,000 ordinary shares of the Company at HK\$0.4 each were repurchased at a price ranging from HK\$6.29 to HK\$7.67 per share. 36,800,000 shares were cancelled. The remaining 3,200,000 shares were recognised as treasury shares as at 31 March 2015 and were cancelled during the current period on 9 April 2015.

15. SHARE OPTION SCHEME

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 2015.

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

	Number of share options	
	2015	2014
	'000	'000
Outstanding as at 1 April	58,361	41,043
Granted during the period	200	3,078
Forfeited during the period	(6,487)	(1,066)
Exercised during the period	-	(2,541)
	<hr/>	<hr/>
Outstanding as at 30 September	52,074	40,514

Share option of 200,000 shares was granted on 21 May 2015. The closing price of the Company's shares immediately before the date of grant was HK\$9.39. The fair value of the option was determined at the date of grant using the Binomial model amounted to approximately HK\$697,400.

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

	21 May 2015
Closing share price at date of grant	HK\$9.39
Exercise price	HK\$9.51
Expected exercise multiple	2.8
Expected volatility	56.97%
Expected dividend yield	2.73%
Risk free rate	0.93%

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	Adjusted number of share options granted (Note)	Vesting period	Exercise period	Exercise Price HK\$	Adjusted exercise price HK\$ (Note)
October 2010	18.10.2010	2,100,000	4,200,000	18.10.2010 – 17.4.2012	18.4.2012 – 17.10.2020	10.18	5.09
		2,000,000	4,000,000	18.10.2010 – 17.10.2015	18.10.2015 – 17.10.2020	10.18	5.09
June 2011	30.6.2011	240,000	480,000	30.6.2011 – 29.6.2013	30.6.2013 – 29.6.2015	8.11	4.06
July 2011	6.7.2011	4,500,000	9,000,000	6.7.2011 – 5.7.2014	6.7.2014 – 5.7.2016	8.55	4.28
February 2012	8.2.2012	1,903,200	3,806,400	8.2.2012 – 7.2.2014	8.2.2014 – 7.2.2016	4.72	2.36
		1,903,200	3,806,400	8.2.2012 – 7.2.2015	8.2.2015 – 7.2.2017	4.72	2.36
		1,903,200	3,806,400	8.2.2012 – 7.2.2016	8.2.2016 – 7.2.2018	4.72	2.36
		1,840,000	3,680,000	8.2.2012 – 7.2.2017	8.2.2017 – 7.2.2019	4.72	2.36
June 2012	1.6.2012	611,600	1,223,200	1.6.2012 – 31.5.2013	1.6.2013 – 3.3.2020	3.50	1.75
February 2013	1.2.2013	5,381,600	10,763,200	1.2.2013 – 31.1.2015	1.2.2015 – 31.1.2017	7.17	3.59
		5,266,400	10,532,800	1.2.2013 – 31.1.2016	1.2.2016 – 31.1.2018	7.17	3.59
		5,266,000	10,532,000	1.2.2013 – 31.1.2017	1.2.2017 – 31.1.2019	7.17	3.59
May 2013	31.5.2013	8,506,400	17,012,800	31.5.2013 – 30.5.2015	31.5.2015 – 3.3.2020	8.16	4.08
January 2014	22.1.2014	3,765,600	7,531,200	22.1.2014 – 21.1.2016	22.1.2016 – 21.1.2018	14.56	7.28
		3,820,400	7,640,800	22.1.2014 – 21.1.2017	22.1.2017 – 21.1.2019	14.56	7.28
May 2014	21.5.2014	2,128,400	4,256,800	21.5.2014 – 20.5.2016	21.5.2016 – 3.3.2020	11.88	5.94
		950,000	1,900,000	21.5.2014 – 20.5.2016	21.5.2016 – 20.5.2018	11.88	5.94
February 2015	10.2.2015	9,674,400	N/A	10.2.2015 – 9.2.2017	10.2.2017 – 9.2.2019	6.72	6.72
		9,582,000	N/A	10.2.2015 – 9.2.2018	10.2.2018 – 9.2.2020	6.72	6.72
May 2015	21.5.2015	200,000	N/A	21.5.2015 – 20.5.2017	21.5.2017 – 20.5.2019	9.51	9.51

Note: The number of share options granted and the exercise price are adjusted to reflect the effect of Bonus Issue as defined in note 7.

The Group recognised an expense of HK\$4,906,000 for the six months ended 30 September 2015 (six months ended 30 September 2014: HK\$12,224,000) in relation to the share options granted by the Company.

16. CAPITAL COMMITMENTS

	30 September 2015 HK\$'000	31 March 2015 HK\$'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of		
– acquisition of property, plant and equipment	28,539	44,970
– construction of production plant	95,102	146,887
– lease premium for land	23,066	–
	146,707	191,857
Capital expenditure authorised but not contracted for in the condensed consolidated financial statements in respect of lease premium for land	15,821	75,925

17. RELATED PARTY DISCLOSURES

(I) Related party transactions

During the period, the Group has entered into the following transaction with a related party:

	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
Rental expense paid to a related party (<i>Note</i>)	1,195	1,147
Rental expense paid to a joint venture	–	358

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

(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	
	2015	2014
	HK\$'000	HK\$'000
Short-term employee benefits	7,060	13,500
Post employment benefits	50	59
Equity-settled share-based payment expenses	2,442	8,351
	9,552	21,910