MANWAH

MAN WAH HOLDINGS LIMITED

敏華控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 01999)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

INTERIM RESULTS

The board of directors (the "Board") of Man Wah Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (together the "Group") for the six months ended 30 September 2010. These interim results have been reviewed by the Company's Audit Committee and its Auditor.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

		Six months ended 30 September	
		2010	2009
	NOTES	***HK$'000***	*HK$'000*
		(Unaudited)	(Audited)
Revenue	*4*	**1,979,301**	1,326,646
Cost of goods sold		**(1,106,047)**	(777,222)
Gross profit		**873,254**	549,424
Other income		**14,955**	5,147
Other gains and losses		**8,499**	6,002
Selling and distribution expenses		**(393,933)**	(207,173)
Administrative expenses		**(106,006)**	(68,383)
Share of profit (loss) of jointly controlled entities		**199**	(1,837)
Finance costs		**(972)**	(2,318)
Profit before income tax		**395,996**	280,862
Income tax expense	*5*	**(24,500)**	(18,640)
Profit for the period	*6*	**371,496**	262,222

	NOTE	Six months ended 30 September 2010 HK$'000 (Unaudited)	2009 HK$'000 (Audited)
Other comprehensive income			
Exchange difference arising on translation		**11,008**	–
Total comprehensive income for the period		**382,504**	262,222
Profit (loss) for the period attributable to:			
Owners of the Company		**371,868**	255,311
Non-controlling interests		**(372)**	6,911
		371,496	262,222
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**382,876**	255,311
Non-controlling interests		**(372)**	6,911
		382,504	262,222
EARNINGS PER SHARE	*8*		
Basic *(HK cents)*		**38.74**	36.14

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2010

	NOTES	**30 September 2010 HK$'000 (Unaudited)**	31 March 2010 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment		**666,419**	530,762
Investment properties		**23,059**	22,914
Lease premium for land		**98,857**	98,888
Intangible assets		**1,519**	1,606
Interests in jointly controlled entities		**354**	155
Loan to a jointly controlled entity		**4,995**	4,995
Deferred tax assets		**280**	280
Deposits paid for acquisition of property, plant and equipment		**12,593**	6,281
		808,076	665,881
Current assets			
Inventories		**383,414**	316,608
Trade receivables	*9*	**340,057**	192,916
Other receivables and prepayments		**149,784**	97,730
Amount due from a non-controlling interest shareholder of a subsidiary		**1,146**	–
Lease premium for land		**2,156**	2,134
Derivative financial instruments		**11,577**	14,711
Pledged bank deposits		**3,531**	3,531
Bank balances and cash		**1,705,942**	375,460
		2,597,607	1,003,090
Current liabilities			
Trade payables	*10*	**179,162**	167,305
Other payables and accruals		**236,585**	188,229
Tax payable		**6,936**	10,108
Derivative financial instruments		**539**	984
Bank borrowings		**47,080**	125,240
		470,302	491,866

	30 September 2010	31 March 2010
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Net current assets	**2,127,305**	511,224
Total assets less current liabilities	**2,935,381**	1,177,105
Non-current liabilities		
Bank borrowings	**–**	21,960
Deferred tax liabilities	**4,535**	4,513
	4,535	26,473
	2,930,846	1,150,632
Capital and reserves		
Share capital	**388,454**	289,526
Reserves	**2,541,642**	861,106
Equity attributable to owners of the Company	**2,930,096**	1,150,632
Non-controlling interests	**750**	–
	2,930,846	1,150,632

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

1. BASIS OF PREPARATION

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

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. SEGMENT INFORMATION

The Group's operating segments, based on information reported to the Company's executive directors, for the purposes of resource allocation and performance assessment are as follows:

Sofa (export sales)	–	manufacture and sale of sofa for customers located outside the PRC
Sofa (retail and wholesale in the PRC excluding Hong Kong)	–	manufacture and distribution of sofa in the PRC (excluding Hong Kong) through self-owned shops and distributors
Sofa (retail and wholesale in Hong Kong)	–	distribution of sofa in Hong Kong through wholesale and self-owned shops
Bedding products	–	manufacture and distribution of mattress and bedding products in the PRC

Information regarding the above segments is reported below.

For the six months ended 30 September 2010

	Sofa (export sales) *HK$'000*	Sofa (retail and wholesales in the PRC) *HK$'000*	Sofa (retail and wholesales in Hong Kong) *HK$'000*	Bedding Products *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
REVENUE						
External sales	**1,513,210**	**312,242**	**58,962**	**94,887**	**–**	**1,979,301**
Inter-segment sales	**23,674**	**8,989**	**–**	**4,365**	**(37,028)**	**–**
	1,536,884	**321,231**	**58,962**	**99,252**	**(37,028)**	**1,979,301**
RESULTS						
Segment results	**342,254**	**56,039**	**3,628**	**17,904**	**(4,373)**	**415,452**
Interest income						**7,131**
Rental income						**1,424**
Exchange gain – net						**1,306**
Gain on changes in fair value of derivative financial instruments						**7,154**
Finance costs						**(972)**
Central administrative costs and directors' remunerations						**(35,698)**
Share of profit of jointly controlled entities						**199**
Profit before income tax						**395,996**

For the six months ended 30 September 2009

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

Inter-segment sales are charged at prevailing market price.

Segment results represent the profits before income tax earned by each segment without allocation of interest income, finance costs, rental income, net exchange gain/loss, central administrative costs and director's salaries, fair value gain on investment properties, share of profit (losses) of jointly controlled entities and gain on changes in fair value of derivative financial instruments.

5. **INCOME TAX EXPENSE**

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

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

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

6. **PROFIT FOR THE PERIOD**

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

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

7. DIVIDENDS

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

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

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

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

8. EARNINGS PER SHARE

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

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

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

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

9. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

Other than cash and credit card sales for retail transactions, the Group generally allows an average credit period of 30 to 90 days. The aged analysis of the Group's trade and bills receivables (net of allowance for doubtful debts) presented based on the invoice date at the end of the reporting period is as follows:

	30 September 2010	31 March 2010
	HK$'000	*HK$'000*
0 – 30 days	**139,252**	111,131
31 – 60 days	**110,025**	58,167
61 – 90 days	**70,037**	19,649
Over 90 days	**20,743**	3,969
	340,057	192,916

10. TRADE PAYABLES

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

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

11. CAPITAL COMMITMENTS

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

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial review

Revenue and gross profit margin breakdown by export and PRC sales

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

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

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

Revenue breakdown by region (HK$'000)

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

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

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

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

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

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

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

PRC sofa sales (self-owned vs distributors)

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

Cost of sales breakdown

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

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

OTHER GAINS AND LOSSES

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

SELLING AND DISTRIBUTION EXPENSES

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

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

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

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

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

GENERAL AND ADMINISTRATIVE EXPENSES

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

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

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

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

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

SHARE OF RESULTS OF JOINTLY CONTROLLED ENTITIES

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

FINANCE COSTS

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

INCOME TAX EXPENSE

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

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY AND NET PROFIT MARGIN

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

WORKING CAPITAL

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

LIQUIDITY AND CAPITAL RESOURCES

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

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

IMPAIRMENT LOSS ON INVENTORY

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

IMPAIRMENT LOSS ON TRADE RECEIVABLES

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

PLEDGE OF ASSETS

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

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Save as disclosed in note 11 to the consolidated financial statements, the Group did not have any material capital commitment. As at 30 September 2010, the Group did not have any contingent liabilities.

FOREIGN CURRENCY RISKS

The Group's exposure to currency risk attributable to the trade and other receivables, bank balances, trade and other payables and bank borrowings, which are denominated in currencies other than the functional currency of the entity to which they related. The Group currently does not have a foreign currency hedging policy. However, the Group's management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

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

USE OF PROCEEDS FROM THE GLOBAL OFFERING

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

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

HUMAN RESOURCES

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

The Group provides introductory orientation programs and continuous training to its employees that cover industry knowledge, technology and product knowledge, industry quality standards and work safety standards to enhance the service quality and standard of its staff. The Group will strive to strengthen human resources management to provide strong support for the development of the Group's business through staff recruitment initiatives and the optimisation of the development of its organisation structure and corporate culture to ensure that the Group will be able to maintain sustainable development in the future.

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

INTERIM DIVIDEND

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

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

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (whether on the Stock Exchange or otherwise) during the Review Period.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 13 December 2010 to Wednesday, 15 December 2010, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited of Shops No. 1712-1716, 17th Floor Hopewelll Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 10 December 2010.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the six months ended 30 September 2010 except for the deviation as mentioned below.

Code Provision A.2.1 of the Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Wong Man Li currently holds both positions. The Board believes that with the support of the executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information in a timely manner.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as a code of conduct of the Company for Directors' securities transactions. Having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules and the Company's code of conduct regarding Directors' securities transactions throughout the six months ended 30 September 2010.

By Order of the Board
Wong Man Li
Chairman

Hong Kong, 22 November 2010

As at the date of this announcement, the executive Directors are Mr. Wong Man Li, Ms. Hui Wai Hing, Mr. Li Jianhong, Mr. Stephen Allen Barr, Mr. Yu Tung Wan and Mr. Francis Lee Fook Wah. The non-executive Director is Mr. Ong Chor Wei. The independent non-executive Directors are Mr. Chau Shing Yim, David, Mr. Lee Teck Leng, Robson and Ms. Chan Wah Man, Carman.