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 2013
AND
CLOSURE OF REGISTER OF MEMBERS

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 (collectively referred to as the "**Group**") for the six months ended 30 September 2013 ("**1HFY2014**" or the "**Review Period**"). These interim results have been reviewed by the Company's audit committee ("**Audit Committee**").

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

	NOTES	Six months ended 30 September **2013** *HK$'000* **(Unaudited)**	2012 *HK$'000* (Unaudited)
Revenue	*3*	**2,884,611**	2,401,498
Cost of goods sold		**(1,874,453)**	(1,544,912)
Gross profit		**1,010,158**	856,586
Other income		**126,524**	39,414
Other gains and losses		**104,787**	(3,639)
Selling and distribution expenses		**(503,397)**	(505,998)
Administrative expenses		**(149,094)**	(143,388)
Share of profit of a joint venture		**5,084**	4,460
Share of loss of an associate		**(4)**	–
Finance costs		**(24,402)**	(8,888)
Profit before income tax		**569,656**	238,547
Income tax expense	*4*	**(65,199)**	(21,811)
Profit for the period	*5*	**504,457**	216,736
Other comprehensive income:			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**52,412**	(18,652)
Total comprehensive income for the period		**556,869**	198,084
Profit for the period attributable to:			
Owners of the Company		**502,373**	219,281
Non-controlling interest		**2,084**	(2,545)
		504,457	216,736
Total comprehensive income for the period attributable to:			
Owners of the Company		**554,387**	200,989
Non-controlling interest		**2,482**	(2,905)
		556,869	198,084
EARNINGS PER SHARE	*7*		
Basic (HK cents)		**56.71**	23.90
Diluted (HK cents)		**53.88**	23.89

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2013

	NOTES	30 September 2013 HK$'000 (Unaudited)	31 March 2013 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment		**1,607,138**	1,531,884
Investment properties		**16,400**	31,894
Lease premium for land		**513,995**	445,464
Intangible assets		**986**	1,082
Interest in a joint venture		**12,805**	7,721
Interest in an associate		**–**	4
Loan to an associate		**54,040**	19,040
Available-for-sale investment		**3,818**	3,749
Deferred tax assets		**4,472**	2,293
Refundable earnest money paid for lease premium for land		**4,304**	4,226
Deposit paid for acquisition of a land lease		**30,541**	16,244
Derivative financial instruments		**16,432**	558
Deposits paid for acquisition of property, plant and equipment		**45,486**	38,595
		2,310,417	2,102,754
Current assets			
Inventories		**649,583**	635,668
Trade receivables	*8*	**494,789**	369,119
Other receivables and prepayments	*8*	**218,975**	197,640
Lease premium for land		**11,097**	9,567
Derivative financial instruments		**77,752**	24,586
Tax recoverable		**1,286**	317
Restricted bank balances		**1,654**	5,967
Bank balances and cash		**2,522,102**	1,655,439
		3,977,238	2,898,303
Current liabilities			
Trade payables	*9*	**284,247**	259,135
Other payables and accruals	*9*	**326,759**	311,793
Bank borrowings		**750,451**	745,660
Convertible bonds – current portion		**14,407**	–
Tax payable		**64,863**	9,345
		1,440,727	1,325,933
Net current assets		**2,536,511**	1,572,370
Total assets less current liabilities		**4,846,928**	3,675,124

	NOTE	30 September 2013 HK$'000 (Unaudited)	31 March 2013 HK$'000 (Audited)
Non-current liabilities			
Convertible bonds – non-current portion		**724,335**	–
Deferred tax liabilities		**5,927**	5,908
Derivative financial instruments		**–**	249
Government grant receipt in advance	*9*	**182,248**	200,394
		912,510	206,551
		3,934,418	3,468,573
Capital and reserves			
Share capital		**358,926**	356,412
Reserves		**3,534,449**	3,073,600
Equity attributable to owners of the Company		**3,893,375**	3,430,012
Non-controlling interest		**41,043**	38,561
		3,934,418	3,468,573

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2013, except for the accounting policies for convertible bonds, property, plant and equipment and the new or revised International Financial Reporting Standards ("IFRSs") newly adopted by the Group in the current interim period which have been disclosed below.

Adoption of new accounting policies

Convertible bonds

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

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

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

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

Property, plant and equipment

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

Adoption of new and revised IFRSs effective in the current period

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

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

3. SEGMENT INFORMATION

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

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

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

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

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

Information regarding the above segments is reported below.

For the six months ended 30 September 2013

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

For the six months ended 30 September 2012

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

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

4. INCOME TAX EXPENSE

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

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

Under the Laws of the PRC on Enterprise Income Tax (the "EIT Laws") and Implementation Regulation of the EIT Laws, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

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

The U.S. income tax charge comprises federal income tax calculated at 34% and state income tax calculated from 0% to 9.8% on the estimated assessable profits of the subsidiary of the Company which was incorporated in the U.S..

5. PROFIT FOR THE PERIOD

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

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

6. DIVIDENDS

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

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

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

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	
	2013	2012
	HK$'000	*HK$'000*
Earnings		
Profit for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share	**502,373**	219,281
Effect of dilutive potential ordinary shares		
– interest on convertible bonds, net of tax	**14,850**	–
	517,223	219,281

	Number of shares	Number of shares
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares in issue during the period for the purpose of basic earnings per share	**885,938**	917,547
Effect of dilutive potential ordinary shares		
– Unvested awarded shares	**278**	307
– Share options	**4,629**	–
– Convertible bonds	**69,177**	–
Weighted average number of ordinary shares in issue during the period for the purpose of diluted earnings per share	**960,022**	917,854

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

The computation of diluted earnings per share for the six months ended 30 September 2012 did not assume the exercise of the Company's outstanding share options because the exercise price of these options was higher than the average market price for shares for the period.

8. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

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

Other than cash and credit card sales for retail business, the Group generally allows a credit period of 30 to 90 days for export customers and 180 days for high speed train manufacturers which are state-owned enterprises. The aged analysis of the Group's trade and bills receivables (net of allowance for doubtful debts) presented based on the invoice date at the end of the reporting period is as follows:

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

9. TRADE AND OTHER PAYABLES AND ACCRUALS AND GOVERNMENT GRANT RECEIPT IN ADVANCE

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

Notes:

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

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

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

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

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

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

10. CAPITAL COMMITMENTS

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

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

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

China market

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

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

North America market

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

European and other overseas markets

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

BUSINESS REVIEW

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

North America Market

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

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

European and other overseas markets

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

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

China market

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

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

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

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

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

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

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

Product research and development

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

INTERNAL OPERATIONS

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

PROSPECTS

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

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

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

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

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

FINANCIAL REVIEW

Revenue and gross profit margin

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

During the 1HFY2014, total revenue rose by approximately 20.1% to approximately HK$2,884,611,000. (First half of the financial year ended 30 September 2013 ("1HFY2013", "Last Corresponding Period", "Comparison Period"): approximately HK$2,401,498,000), whereas the overall gross profit margin decreased to 35.0% from 35.7% in the Last Corresponding Period. The reasons for the decline in gross profit margin during the Review Period include the following: 1) In the China market, as a result of the increase in the retail stores operated by distributors, the proportion of revenue from wholesale went up and the proportion of revenue from self-operated stores' retail sales decreased, which led to relatively low gross profit margin; 2) Due to the appreciation in the average exchange rate of the RMB against the USD by about 2.9% compared with the Last Corresponding Period, the costs incurred in RMB went up accordingly. The Group has hedged the RMB appreciation impact on gross profit margin by entering into foreign exchange forward contracts with long RMB and short USD. Other income from foreign exchange forward contracts during the Review Period was approximately HK$106,046,000.

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

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

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

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

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

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

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

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

North America Market

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

European and other overseas market

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

China market

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Cost of goods sold

Cost of goods sold breakdown

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

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

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

OTHER INCOME

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

OTHER GAINS AND LOSSES

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

SELLING AND DISTRIBUTION EXPENSES

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

(a) overseas transportation and port fees increased by approximately 8.8% from approximately HK$216,217,000 to approximately HK$235,282,000. As the Group's export container shipping rate were lower than the corresponding period from last year, oversea transportation and port fees as a percentage of revenue decreased from approximately 9.0% to approximately 8.2%;

(b) rent, property management fees and utility decreased by approximately 11.7% from approximately HK$89,519,000 to approximately HK$79,034,000;

(c) advertising, promotion and brand building expenses decreased by approximately 17.2% from approximately HK$48,338,000 to approximately HK$40,031,000;

(d) salaries, welfare and commissions of sales staff increased by approximately 10.9% from approximately HK$62,775,000 to approximately HK$69,587,000; and

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

ADMINISTRATIVE EXPENSES

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

(a) salaries and welfare of employees increased by approximately 10.0% from approximately HK$64,237,000 to approximately HK$70,685,000;

(b) depreciation and amortization expenses increased by approximately 51.6% from approximately HK$20,260,000 to approximately HK$30,711,000.

SHARE OF RESULTS OF JOINTLY CONTROLLED ENTITIES

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

FINANCE COST

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

INCOME TAX EXPENSE

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

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY AND NET PROFIT MARGIN

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

WORKING CAPITAL

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

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

LIQUIDITY AND CAPITAL RESOURCES

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

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

ALLOWANCE FOR INVENTORIES

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

IMPAIRMENT LOSS ON TRADE RECEIVABLES

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

PLEDGE OF ASSETS

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

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Save as disclosed in note 10 to the condensed consolidated financial information, the Group did not have any material capital commitment.

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

FOREIGN CURRENCY RISKS

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

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

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

EVENT AFTER THE END OF THE REPORTING PERIOD

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

USE OF PROCEEDS FROM THE GLOBAL OFFERING

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

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

HUMAN RESOURCES

As at 30 September 2013, the Group had 8,214 employees (31 March 2013: 8,575 employees).

The Group provides introductory orientation programs and continuous training to its employees that cover industry knowledge, technology and product knowledge, industry quality standards and work safety standards to enhance the service quality and standard of its staff. The Group will strive to strengthen human resources management to provide strong support for the development of the Group's business through staff recruitment initiatives and the optimisation of the development of its organisation structure and corporate culture to ensure that the Group will be able to maintain sustainable development in the future. During the 1HFY2014, as before, the Group arranged more than 100 management staff to attend a Mini Master of Business Administration course held at Tsinghua University.

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

INTERIM DIVIDEND

Considering the profitability of the Review Period and the solid financial position of the Group, the Board declared an interim dividend of 45.3% of profit attributable to owners of the Company for the six months ended 30 September 2013.

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

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

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

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

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

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

CLOSURE OF REGISTER OF MEMBERS

Shareholders whose names appear on the Company's register of members on Friday, 29 November 2013, will be eligible for the interim dividend. The transfer books and the register of members of the Company will be closed from Wednesday, 27 November 2013 to Friday, 29 November 2013, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 26 November 2013. The interim dividend is expected to be payable on or after Friday, 6 December 2013 to the Shareholders whose names appear on the register of members of the Company on Friday, 29 November 2013.

REVIEW OF CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME & CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 September 2013 and condensed consolidated statement of financial position as at 30 September 2013 are unaudited, but have been reviewed 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, by Deloitte Touche Tohmatsu, whose report on review of condensed consolidated financial statements is included in the interim report to be sent to shareholders.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

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

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

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

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 2013.

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

Hong Kong, 13 November 2013

As at the date of this announcement, the executive Directors are Mr. Wong Man Li, Ms. Hui Wai Hing, Mr. Stephen Allen Barr, Mr. Wang Guisheng, Mr. Alan Marnie and Mr. Dai Quanfa; the non-executive Director is Mr. Xie Fang, and the independent non-executive Directors are Mr. Chau Shing Yim, David, Mr. Lee Teck Leng, Robson, Mr. Ong Chor Wei and Mr. Kan Chung Nin, Tony.