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 2014
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 2014 ("**1HFY2015**" 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 2014

	NOTES	Six months ended 30 September 2014 HK$'000 (Unaudited)	2013 HK$'000 (Unaudited)
Revenue	3	**3,200,082**	2,884,611
Cost of goods sold		**(2,050,577)**	(1,874,453)
Gross profit		**1,149,505**	1,010,158
Other income		**168,883**	126,524
Other gains and losses		**5,688**	104,787
Selling and distribution expenses		**(503,258)**	(503,397)
Administrative expenses		**(160,383)**	(149,094)
Share of profit of a joint venture		**1,396**	5,084
Share of loss of an associate		**(1,020)**	(4)
Finance costs		**(12,543)**	(24,402)
Profit before income tax		**648,268**	569,656
Income tax expense	4	**(85,931)**	(65,199)
Profit for the period	5	**562,337**	504,457
Other comprehensive income:			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		**51,756**	52,412
Total comprehensive income for the period		**614,093**	556,869
Profit for the period attributable to:			
Owners of the Company		**556,125**	502,373
Non-controlling interest		**6,212**	2,084
		562,337	504,457
Total comprehensive income for the period attributable to:			
Owners of the Company		**607,429**	554,387
Non-controlling interest		**6,664**	2,482
		614,093	556,869
Earnings per share	7		
Basic (HK cents)		**58.46**	56.71
Diluted (HK cents)		**56.65**	53.88

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2014

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

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

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

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

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

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

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

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

The application of the above new Interpretation and amendments to IFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

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

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

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

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

Information of segments revenue and segment results are as follows:

Six months ended 30 September 2014

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

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*
REVENUE				
External sales	1,614,183	458,761	811,667	2,884,611
RESULTS				
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

4. INCOME TAX EXPENSE

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

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

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

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

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

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

5. PROFIT FOR THE PERIOD

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

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

6. DIVIDENDS

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

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

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

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	
	2014	2013
	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	**556,125**	502,373
Effect of dilutive potential ordinary shares – interest on convertible bonds, net of tax	**6,379**	14,850
	562,504	517,223
	Number of shares	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	**951,227**	885,938
Effect of dilutive potential ordinary shares:		
– Unvested awarded shares	**–**	278
– Share options	**11,210**	4,629
– Convertible bonds	**30,545**	69,177
Weighted average number of ordinary shares in issue during the period for the purpose of diluted earnings per share	**992,982**	960,022

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

8. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

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

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

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

9. TRADE AND OTHER PAYABLES AND ACCRUALS

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

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

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

10. CAPITAL COMMITMENTS

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

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

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

China market

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

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

North America market

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

Europe and other overseas markets

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

BUSINESS REVIEW

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

China market

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

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

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

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

North America market

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

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

Europe and other overseas markets

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

Product Research and Development

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

FINANCIAL REVIEW

Revenue and gross profit margin

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

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

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

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

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

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

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

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

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

China market

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

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

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

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

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

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

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

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

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

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

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

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

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

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

North America market

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

Europe and other overseas markets

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

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

Cost of goods sold

Cost of goods sold breakdown

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

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

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

OTHER INCOME

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

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

Notes:

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

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

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

OTHER GAINS AND LOSSES

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

SELLING AND DISTRIBUTION EXPENSES

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

(a) overseas transportation and port fees increased by approximately 0.3% from approximately HK$235,282,000 to approximately HK$235,937,000. As the Group's export container shipping rate was lower than that of the Last Corresponding Period, overseas transportation and port fees as a percentage of revenue decreased from approximately 8.2% to approximately 7.4%;

(b) rent, property management fees and utility decreased by approximately 11.6% from approximately HK$79,034,000 to approximately HK$69,900,000. Rent, property management fees and utility as a percentage of revenue decreased from approximately 2.7% to approximately 2.2%;

(c) advertising, promotion and brand building expenses increased by approximately 3.7% from approximately HK$40,031,000 to approximately HK$41,503,000. Advertising, promotion and brand building expenses as a percentage of revenue decreased from approximately 1.4% to approximately 1.3%;

(d) salaries, welfare and commissions of sales staff increased by approximately 1.3% from approximately HK$69,587,000 to approximately HK$70,515,000. Salaries, welfare and commissions of sales staff as a percentage of revenue decreased from approximately 2.4% to approximately 2.2%; and

(e) domestic transportation expenses decreased by approximately 1.9% from approximately HK$18,434,000 to approximately HK$18,090,000. Domestic transportation expenses as a percentage of revenue decreased from approximately 0.64% to approximately 0.57%.

ADMINISTRATIVE EXPENSES

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

(a) salaries and welfare of employees increased by approximately 3.8% from approximately HK$70,685,000 to approximately HK$73,341,000. Salaries and welfare of employees as a percentage of revenue decreased from approximately 2.5% to approximately 2.3%; and

(b) depreciation and amortisation expenses increased by approximately 3.9% from approximately HK$30,711,000 to approximately HK$31,898,000. Depreciation and amortisation expenses as a percentage of revenue decreased from approximately 1.1% to approximately 1.0%.

SHARE OF PROFIT OF A JOINT VENTURE

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

SHARE OF LOSS OF AN ASSOCIATE

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

FINANCE COSTS

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

INCOME TAX EXPENSE

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

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY AND NET PROFIT MARGIN

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

WORKING CAPITAL

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

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

LIQUIDITY AND CAPITAL RESOURCES

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

The Group's primary source of working capital is cash flow from operating activities and bank deposits. As at 30 September 2014, the Group's current ratio was approximately 2.9 (31 March 2014: approximately 3.1). The Group maintained a net cash position, reflecting its healthy financial position, paving the way for future development. As at 30 September 2014, the Group's gearing ratio was approximately 19.7% (31 March 2014: approximately 17.8%), which is defined as total borrowings (including the liability portion of convertible bond) divided by total equity attributable to owners of the Group.

ALLOWANCE FOR INVENTORIES

For the 1HFY2015, the Group reversed allowance for inventories of approximately HK$4,457,000 (1HFY2014: allowance made approximately HK$2,588,000).

IMPAIRMENT LOSS ON TRADE RECEIVABLES

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

PLEDGE OF ASSETS

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

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

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

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

FOREIGN CURRENCY RISKS

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

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

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

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

HUMAN RESOURCES

As at 30 September 2014, the Group had 8,851 employees (31 March 2014: 9,035 employees).

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

During the 1HFY2015, the total staff cost for the Group amounted to approximately HK$370,543,000 (1HFY2014: approximately HK$340,393,000), of which approximately HK$21,910,000 (1HFY2014: approximately HK$18,644,000) was Directors' emoluments. The Group endeavours to keep the remuneration packages of its employees competitive and reward employees on a performance and merit basis with reference to the profitability of the Group and prevailing market conditions. As part of the Group remuneration system and policy, we have adopted a share option scheme and a share award scheme, both of which enable the Group to reward employees and incentivise them to perform better.

INTERIM DIVIDEND AND SPECIAL DIVIDEND

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

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

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

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

EVENT AFTER THE END OF THE REPORTING PERIOD

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

CLOSURE OF REGISTER OF MEMBERS

Shareholders whose names appear on the Company's register of members on Monday, 8 December 2014, will be eligible for the interim dividend and special dividend. The transfer books and the register of members of the Company will be closed from Thursday, 4 December 2014 to Monday, 8 December 2014, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend and special dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 3 December 2014. The interim dividend and special dividend are expected to be payable on or after Monday, 22 December 2014 to the Shareholders whose names appear on the register of members of the Company on Monday, 8 December 2014.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 September 2014, the Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 14 of the Listing Rules, except for the deviation on Code Provisions A.2.1 and A.6.7 of the CG Code.

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

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

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

Hong Kong, 12 November 2014

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.