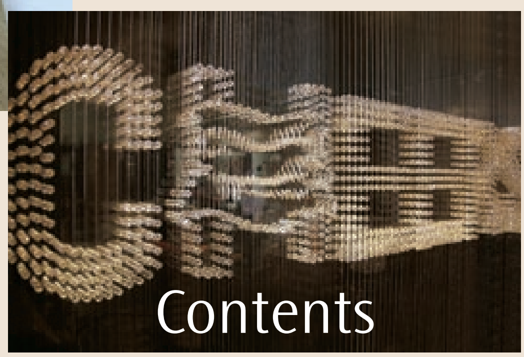
MAN WAH HOLDINGS LIMITED

ANNUAL REPORT 2010

(Incorporated in Bermuda with limited liability)

(Stock Code: 01999)



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Pursuing Perfection

Corporate Information

BOARD OF DIRECTORS

Wong Man Li *(Chairman and Managing Director)*
Hui Wai Hing
Li Jianhong
Stephen Allen Barr
Yu Tung Wan
Francis Lee Fook Wah
Ong Chor Wei *(Non-executive Director)*
Lee Teck Leng, Robson *(Independent non-executive Director)*
Chan Wah Man, Carman *(Independent non-executive Director)*
Chau Shing Yim, David *(Independent non-executive Director)*

AUDIT COMMITTEE

Chau Shing Yim, David *(Chairman)*
Lee Teck Leng, Robson
Chan Wah Man, Carman
Ong Chor Wei

NOMINATION COMMITTEE

Wong Man Li *(Chairman)*
Lee Teck Leng, Robson
Chan Wah Man, Carman
Chau Shing Yim, David

REMUNERATION COMMITTEE

Lee Teck Leng, Robson *(Chairman)*
Wong Man Li
Chan Wah Man, Carman
Chau Shing Yim, David

COMPANY SECRETARY

Yau Sze Yeung

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

BERMUDA SHARE REGISTRAR AND SHARE TRANSFER AGENT

Appleby Management (Bermuda) Limited
Argyle House
41a Cedar Avenue
Hamilton HM12
Bermuda

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

COMPLIANCE ADVISOR

CIMB Securities (HK) Limited
25/F, Central Tower
28 Queen's Road Central
Hong Kong

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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New Territories, Hong Kong

STOCK CODE

1999

WEBSITE

www.manwahholdings.com

INVESTOR RELATIONS CONSULTANTS

Aries Consulting Limited
Unit B, 20/F
Two Chinachem Plaza
68 Connaught Road Central
Hong Kong

Back row from left to right: Mr. Francis Lee Fook Wah, Mr. Li Jianhong, Mr. Stephen Allen Barr, Ms. Chan Wah Man, Carman, Mr. Ong Chor Wei
Front row: Mr. Yu Tung Wan, Ms. Hui Wai Hing, Mr. Wong Man Li, Mr. Chau Shing Yim, David, Mr. Lee Teck Leng, Robson

Executive Directors

Mr. Wong Man Li, aged 45, is our Chairman, Managing Director and our executive Director. He is responsible for the day-to-day overall management of our Company and mapping our growth strategy. Mr. Wong founded our Group in 1992 and has served as our Chairman, Managing Director and executive Director since 17 November 2004. He has over 15 years of experience in the furniture industry. Since 21 February 2005, Mr. Wong has been the Vice President of the General Council of the International Furniture and Decoration Industry (Hong Kong) Association (國際傢俬業裝飾（香港）協會). In December 2007, Mr. Wong was recognised as one of the "Top Ten Outstanding Youth Industrialists of Hong Kong" (香港十大傑出青年工業家) and was elected as a committee member of the "Hong Kong Youth Industrialist Association" (香港青年工業家協會) in November 2008, Vice President of the 5th Council of Frontline Guangdong Huizhou Overseas Friendship Association (第五屆統戰部廣東惠州海外聯誼會) in January 2009 and a member of the 10th Committee of Huizhou Chinese People's Political Consultative Conference (惠州市第十屆政協委員) in February 2009. Mr. Wong is the husband of Ms. Hui Wai Hing, an executive Director. Mr. Wong is the sole director of Man Wah Investments Limited, the controlling shareholder of the Company.

Ms. Hui Wai Hing, aged 47, is our executive Director and Vice President (General Administration and Retail Sales). She is responsible for our general administration and retail sales functions in Hong Kong. She is the wife of Mr. Wong Man Li, our Chairman, Managing Director and executive Director. She joined our Group in 1992 and was appointed our Director on 17 November 2004. She has over 17 years of experience in the furniture industry, over 15 years of which is management experience in our Group.

Directors' Biographies

Mr. Li Jianhong, aged 36, is our executive Director, Vice President of the PRC Sales and Operations and Chief Operating Officer. He is responsible for the overall management of our design, development and production departments and PRC sales. Mr. Li joined us in 2000 and was appointed our Director on 26 April 2005. Mr. Li holds a Bachelor of Economics (Accountancy) from the University of Xiamen (廈門大學) in the PRC, a distance learning degree in Executive Master of Business Administration from the Peking University (北京大學) in the PRC, a degree of Master of Business Administration from the University of Chicago Booth School of Business in USA and is a fellow of the Institute of Certified Public Accountants of China.

Mr. Stephen Allen Barr, aged 52, is our executive Director and President of Man Wah USA, Inc. ("Man Wah USA"). Mr. Barr is responsible for mapping our sales strategies in the U.S. through Man Wah USA. Mr. Barr joined us in 2006 and was appointed as our executive Director on 5 March 2010. He has over 30 years of experience in the furniture industry having worked at Ashley Furniture Industries, Inc., Lackawanna Leather Corp. and Krause's Furniture Inc., in addition to having successfully established Leather Master USA. Prior to joining us, he was President of U.S. operations for HTL International Holdings Ltd, a Singapore-listed leather tanner and manufacturer of leather upholstery.

Mr. Yu Tung Wan, aged 54, is our executive Director. Mr. Yu is the general manager of the Famous Bedding Group comprised of Famous Bedding Company Limited and its subsidiaries. Mr. Yu was appointed as a non-executive Director on 26 April 2005 and was appointed an executive Director on 5 March 2010. He was an executive director of Famous Bedding Company Limited from 2000 until it was integrated into our Group on 7 December 2009. Mr. Yu graduated from Shek Chun Bar High Level College (廣東省梅縣松口石泉壩中學) in Meizhou, Guangdong Province, PRC. He has approximately 10 years experience in the furniture industry. He started his career as an engineer with Men Sum Shipping Engineering Co. Ltd., a shipping engineering company in Hong Kong where he worked from 1977 to 1988. Mr. Yu is the sole director of Weston International Investment Limited, a shareholder of the Company.

Mr. Francis Lee Fook Wah, aged 44, is our executive Director, Finance Director and Chief Financial Officer. Mr. Lee oversees our accounting functions and is responsible for matters relating to our corporate regulatory compliance and reporting. He is also in charge of our Hong Kong and Macau subsidiaries. He joined us in 2005 as our Chief Financial Officer and was appointed as our executive Director and Finance Director on 8 November 2007. Mr. Lee holds a Bachelor Degree in Accountancy from The National University of Singapore and a distance learning degree in Masters in Business Administration (Investment and Finance) from The University of Hull. Mr. Lee is also a member of the Institute of Certified Public Accountants of Singapore. Mr. Lee has over 16 years of experience in the financial industry. In 2001, he joined the Credit & Marketing Department of the Bank of China Singapore Branch as an Assistant Manager. At Bank of China, he oversaw a team of six credit officers. He was also tasked with conducting credit evaluation and risk analysis on the financial performance and position of corporate customers. He joined AP Oil International Ltd in 2004 as an Investment & Project Manager, where he was involved in mergers and acquisitions and was also tasked with overseeing its overall credit policy.

Non-executive Director

Mr. Ong Chor Wei, aged 40, is our non-executive Director and was appointed on 5 March 2010. Mr. Ong is a director of various unlisted companies in Hong Kong and Singapore and has been a director of various listed companies in Hong Kong and Singapore. He is currently an executive director of Net Pacific Financial Holdings Limited (Previously known as K Plas Holdings Limited) and a non-executive director of each of Joyas International Holdings Ltd and Jets Technics International Holdings Ltd, all of which are companies listed on the Singapore Stock Exchange Securities Trading Limited ("SGX-ST"). He is also the independent non-executive director of O-Net Communications (Group) Limited, a company listed on the main board of The Stock Exchange of Hong Kong Limited ("Stock Exchange"). Mr. Ong has over 19 years of experience in finance and accounting. Mr. Ong holds a Bachelor of Laws degree from The London School of Economics and Political Science, University of London. He also holds a distance learning degree in Masters in Business Administration jointly awarded by The University of Wales and The University of Manchester. Mr. Ong is an associate member of The Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Institute of Certified Public Accountants.

Independent non-executive Directors

Mr. Lee Teck Leng, Robson, aged 42, was our independent non-executive Director from 26 April 2005 until the delisting of our Company from the SGX-ST effective from 15 September 2009. He was re-appointed as our independent non-executive Director on 5 March 2010. Mr. Lee holds a Second Class Upper Honours Degree in Law from The National University of Singapore. Mr. Lee is currently a partner in the corporate finance and international finance practice of Shook Lin & Bok LLP and has been with the firm since 1994. Mr. Lee is also a partner in the firm's China practice, focusing on cross-border corporate transactions in the PRC. Mr. Lee is currently the chairman of the audit committee of Qian Hu Corporation Ltd, chairman of the respective remuneration committees of Sim Lian Group Ltd, Best World International Ltd and Matex International Ltd and chairman of the respective nominating committees of Serial System Ltd and Youcan Foods International Ltd, all of which are listed on the SGX-ST. In addition, Mr. Lee is a member of the audit committees of Sim Lian Group Ltd, Serial System Ltd, Youcan Foods International Ltd, Best World International Ltd and Matex International Ltd. Mr. Lee is also a Director of the Singapore Chinese High School, in his capacity as a trustee of the land on which Hwa Chong Institution and Hwa Chong International School are situated. Mr. Lee was a director of Hwa Chong International School from 2004 to 2007 and a director of China Energy Ltd, a listed company on the SGX-ST, from 2006 to 2008.

Ms. Chan Wah Man, **Carman**, aged 41, is our independent non-executive Director and was appointed on 5 March 2010. Ms. Chan holds a Bachelor's Degree in Science from Minnesota State University, Bemidji State, U.S. and a distance learning degree in Masters of Accounting from Curtin University of Technology, Australia. Ms. Chan possesses 16 years of solid experience in private equity, corporate finance and financial advisory. She worked as Associate Director at Rabobank International Hong Kong Branch, handling mergers and acquisitions and corporate advisory deals from February 2008 to April 2009. Prior to joining Rabobank, Ms. Chan worked in various companies in fund raising activities and assisted companies in the preparation of initial public offerings from January 2004 to January 2008. Ms. Chan worked as Associate Director in Baring Capital Partners, ING Group from March 1998 to August 2001 and Suez Asia (Hong Kong) Limited from January 2002 to December 2003, in private equity investments, corporate advisory and fund monitoring. Ms. Chan also worked for the corporate finance team at Seapower Financial Services Group from March 1996 to February 1998. Ms. Chan is a member of the Hong Kong Institute of Certified Public Accountants and a Certified Practising Accountant (Australia), and has a licence to conduct Type 6 regulated activity (advising on corporate finance) and Type 9 regulated activity (asset management) under the Securities and Futures Ordinance.

Mr. Chau Shing Yim, **David**, aged 46, is our independent non-executive Director and was appointed on 5 March 2010. Mr. Chau has over 20 years of experience in corporate finance, working on projects ranging from initial public offerings transactions and restructurings of PRC enterprises to cross-border and domestic takeovers transactions. Mr. Chau was formerly a partner of one of the big four accounting firms in Hong Kong, holding the position as their head of Merger and Acquisition and Corporate Advisory. He is a member of the Hong Kong Securities Institute, The Institute of Chartered Accountants in England and Wales ("ICEAW") and was granted the Corporate Finance Qualification of the ICEAW, and the Hong Kong Society of Accountants (now the Hong Kong Institute of Certified Public Accountants) ("HKICPA"), and was an ex-committee member of the Disciplinary Panel of the HKICPA. He is an executive director of Tidetime Sun (Group) Ltd (stock code: 307) and an independent non-executive director of Shandong Molong Petroleum Machinery Company Ltd (stock code: 568), Lee & Man Paper Manufacturing Ltd (stock code: 2314), Varitronix International Ltd (stock code: 710) and Evergrande Real Estate Group Ltd (stock code: 3333), all of which are listed on the Main Board of the Stock Exchange.

Chairman's Statement

Mr WONG MAN LI
Chairman and Managing Director

Dear Shareholders,

On behalf of the board ("Board") of directors of Man Wah Holdings Limited ("Man Wah"), I am pleased to present the audited annual results for the year ended 31 March 2010 ("FY2010" or "Review Period"). FY2010 has been a successful year for the Company, culminating in the listing of our Shares on the Main Board of the Hong Kong Stock Exchange on 9 April 2010. The gross proceeds of HK$ 1,681.8 million raised from the IPO have significantly strengthened our capacity to grow our business.

FY2010 – A Year of Excellent Growth

FY2010 has been a phenomenal year for Man Wah; it has been a year of substantial growth in all our businesses.

This growth has resulted from the relentless implementation of our strategies, which since 2000, have enabled our revenue, EBITDA and net profit to grow tremendously over the years.

Much of the growth has been achieved because of our philosophy of "Partnership" with our customers and other shareholders We spend much time and efforts in understanding the needs of our customers and in finding ways in which we can anticipate and meet those needs. This is true in each of our divisions and at all levels of our organization.

This "Partnership" philosophy has seen Man Wah achieving an outstanding results performance in FY2010. Our total sales surged to approximately HK$ 2,932.2 million, representing an increase of 49.3% over the previous financial year. (2009: HK$ 1963.8 million). Profit for the year grew by 171.0% over FY2009 to approximately HK$ 605.8 million (2009: HK$ 223.5 million). Basic earnings per share was HK 85.09 cents, representing an increase of 169.0%. To share the success with our shareholders ("Shareholders"), the Board has recommended the payment of a final dividend and a special dividend of HK 16 cents and HK 6 cents per Share, respectively. The total payout dividend for FY2010 will be approximately HK$ 213.7 million and the total dividend payout ratio for the year amounted to approximately 35%.

FY2010 – A Year of Progress

We have seen progress in all our major markets. During the Review Period, the Group devoted more resources in marketing and R&D, and proactively strengthened the market presence of our brands. The total number of CHEERS brand retail stores in China grew from 265 as at 31 March 2009 to 296 as at 31 March 2010, of which 74 are self-owned and 222 are operated by distributors.

We also carried out extensive marketing activities to boost our CHEERS brand image in US and Europe, to our corporate customers. These include our participation in the Las Vagas Fair and Highpoint Furnishing Fair in US as well as the IMM Furniture Fair in Cologne, Germany. In the second half of FY2010, Macy's, a department store in the US, became our latest customer to carry CHEERS brand of recliner sofa in US. To date, the Group has 291 distributors in US.

For our ENLANDA mattress division, the Group continued to build on its distribution channel by expanding its retail stores in China. To date, we have 43 self-owned ENLANDA stores and 170 distributor stores spreading across 20 provinces in China.

FY2010 – A Year to Sharpen Our Competitive Strength

Man Wah's culture is built on the philosophy of "Partnership", where we viewed customers and Shareholders as our long-term partners. As a result, we focus on the long term sustainability of the business rather than short term gains in business volatility. This

Defining Lifestyle

has allowed us to create significant advantages that now support our growth. These include the followings:

1) Brands – The Group views branding as a key element in growing Man Wah's business. We have established CHEERS as the market leader in PRC's reclining sofa sector with a 16.2% market share. The management has engaged a global branding consultancy firm, Ogilvy & Mather (Hong Kong) Private Limited, to help the Group in creating a world-class PRC brand. To better promote our brand in China, we have also retained Mr Sun Hong Lei, a leading movie star in PRC, as our brand spokesman.

   In addition, our mattress division is also committed in growing our premium ENLANDA brand in China while our LAND brand is also gaining popularity for its wood-based furniture.

2) Capacity – With the completion of our furniture manufacturing facility in Huizhou in 2007, our capacity has expanded to 516,000 sofa units per annum which allows our Company to expand our export sales and PRC domestic retail presence. We have plans to expand the Huizhou facility's capacity to 816,000 sofa units per annum by 2011.

   We have also started works on a 300,000 sofa units production capacity facility in Wujiang, Jiangsu Province, which will help to expand our marketing reach and to reduce logistics expenses. We are also exploring opportunities in the northern China market.

3) Distribution Channel – FY2010 also saw the Group accelerating its retail expansion plans in China to cater to a strong growing demand for CHEERS and ENLANDA products in China.

As our CHEERS brand grew stronger in China, the Group targeted to set up another 25 flagship stores in strategic locations across China to provide our customers with a more pleasant shopping environment and to enhance customers' satisfaction.

FY2011 – A Year of Opportunity

It is not possible to move on from FY2010 without reflecting on the terrible economic besetting Europe, raising the prospects of another global recession. While this episode has brought out the doomsayers in full force, the Group tends to think positively and evaluate the opportunities that lie ahead of us.

Luxury Living

The Group's management believes that many of the factors that have allowed the Group to grow successfully in the past will continue to persist in FY2011. We plan to continue to follow on our strategies that have brought us success throughout these years. Our focus is on long-term growth sustainability and our plans are to attend to all tasks meticulously to achieve this growth – growth in Revenue, growth in EBITDA, growth in Net Profit, and most importantly, growth in shareholder value.

Appreciation

On behalf of the Board, I would like to take this opportunity to extend my heartfelt thanks to all the staff for their loyalty and contributions to the Group during the past year. I would also like to express my sincere gratitude to our valued shareholders, bankers and business associates for their support and trust. The Group will continue to build on our core competence to strengthen our leadership position.

Let us toast to the bright prospects of Man Wah Holdings Limited.

Cheers!

Wong Man Li
Chairman
Man Wah Holdings Limited

Management Discussion and Analysis

MARKET REVIEW

FY2010 IS AN EXTRAORDINARY YEAR

In the early part of 2009, the global economy was still reeling from the aftermath of Lehman Brother crisis. The United States of America ("US") and European economies went into the worst recessions since the Great Depression in 1920s. The various governments across the world quickly put together various stimulative packages including economic and monetary policies to stimulate growth in their respective economies.

The People's Republic of China (the "PRC" or "China") government, in particular rolled out a RMB1.4 trillion stimulus package to promote infrastructure spending and domestic consumption. This has helped the Chinese economy to regain its growth momentum in the second half of 2009.

Subsequently, the National Bureau of Statistics of China announced that China's GDP for 2009 grew by approximately 8.7% over the past year to approximately RMB33,535.3 billion. In addition, the growth of total retail sales was accelerating and the total annual social consumables of China for 2009 rose by approximately 15.5% from 2008 to approximately RMB12,534.3 billion, of which, the retail sales of consumer products in urban areas grew by approximately 15.5% to approximately RMB8,513.3 billion.

All market indicators pointed to a strong recovery in China's economy alongside a gradually improving labour market and an accelerating consumer spending. This is especially true for the furniture market in China. PRC increasing urbanisation and higher per capita annual disposable income of all households, in conjunction with the increase in the gross floor area of residential property sold have all contributed to the rapid growth in demand for furniture in the PRC as the consumers' desire and ability to decorate their living space increase.

This borne well for the market that Man Wah Holdings Limited (the "Company" or "Man Wah") is operating in.

IMMENSE POTENTIALS IN THE RECLINER SOFA MARKET IN CHINA, US AND EUROPE FOR "CHEERS"

US & Europe

From 2001 to 2007, higher income levels and disposable income has driven moderate growth in consumer expenditure. However, in the latter part of 2007, consumer spending has decreased significantly due to declining disposable income resulting from the global financial crisis. This decline continued into 2008 and 2009. As a result of declining disposable income, many US and European consumers are moving down-market in their consumption habits. For example, many consumers are trading down to acquire more value-for-money home furniture, whereas in the past, they were more willing to spend US$2,000 on a set of recliner sofa.

Accordingly, many furniture retailers have been forced to reduce prices to entice shoppers. This has created an opportunity for retailers who offer lower-priced foreign-produced furniture to gain market share. This is where Man Wah's "CHEERS" recliner sofa is positioned in the US and European markets.

PRC

The opposite is happening across the globe where increasing disposable incomes in the PRC are encouraging Chinese consumers to spend more on higher-valued products.

The recliner sofa market in the PRC has enjoyed robust growth in recent years. According to Euromonitor International Plc ("Euromonitor"), an independent third party which engages in the provision of international market intelligence including consumer products, service and lifestyles, retail sale of recliner sofas in the PRC grew from US$18.3 million in 2004 to US$303.0 million in 2008, representing a compound annual growth rate ("CAGR") of 101.7%. This strong growth is expected to continue, according to Euromonitor, with total retail sales of recliner sofas increasing by an estimated CAGR of 36% from 2008 to 2011. Total retail sales of recliner sofas is expected to amount to US$761 million in 2011.

The management believes that relative to the overall furniture industry, recliner sofas have experienced much stronger growth over recent years because the demand of recliner sofas by Chinese consumers have increased as recliner sofas are comfortable, affordable and offer more features than a traditional sofa.

BUSINESS REVIEW

Man Wah and its subsidiaries (the "Group") achieved remarkable success in 2009 which was mainly due to the improvement of four core competences namely; brand building, product, sales channel and management.

Brand building

Man Wah's remarkable growth has been achieved because of our philosophy of "Partnership" with our customers and other partners. The Company spends much time and efforts in understanding the needs of our customers and in finding ways in which we can anticipate and meet those needs. This is true in each of our divisions and at all levels of our organisation.

In addition, we are a firm believer in competing on values and not on pricing. To be able to do that successfully, we have to differentiate ourselves from our peers. This is why branding is so important to us.

During the financial year ended 31 March 2010 ("Review Period"), the Group strived to differentiate itself from its industry competitors by launching innovative branding and marketing promotions. These include its participation in the Las Vagas Fair and Highpoint Furnishing Fair in US as well as the IMM Furniture Fair in Cologne, Germany. In US and Europe, we are also putting together a series of promotion activities to brand CHEERS as an alternative to the market leaders. We are seeing great success as we expanded our market share in the US market rapidly over the past 3 years. CHEERS is currently the only Chinese brand in the top 10 brands of the North America recliner sofa market.

In Greater China, the Group also engaged global branding consultancy firm, Ogilvy & Mather (Hong Kong) Private Limited to help in building a world-class PRC brand. To better promote our brand in China, we have also retained Mr Sun Hong Lei, a leading movie star in the PRC, as our brand spokesman. Mr Sun is a well-known celebrity in China and his endorsement of our CHEERS recliner sofas has also enhanced our branding efforts.

Product

Man Wah recognises the importance of having latest fashionable design to go with the quality of the products produced. The Group has an experienced team of 67 product design, research and development experts, including 2 Italian designers. They are dedicated to developing new and innovative products to meet the customers' needs and desires.

The product design and development team is constantly monitoring market trends through frequent discussions with the sales and marketing teams, market surveys and participation in trade shows. In addition, the product design and development team also works closely with the research and development team to find new and innovative ways to improve Man Wah's products.

The Group's design and development efforts have led to Man Wah's bucket seat and home theatre set designs as well as customised features targeted to particular markets such as larger designs for the US. Their efforts have also led to the new generation of self-developed motion mechanisms that allow the sofa to be adjusted to various positions at the touch of a button. During the Review Period, our product design and development came up with 150 new sofa models for the sales and marketing team to promote.

These are classical demonstration of the Company's efforts to improve the product standard to raise the status of its brand equity.

Sales channel

The Company employs a twin-pronged strategy: prominent retail presence in the PRC and Hong Kong and direct exports.

Retail sales

Currently, Man Wah operates 74 “CHEERS” specialty stores and 43 “Enlanda” specialty stores in over 30 provinces in the PRC including Shenzhen, Guangzhou, Shanghai and Beijing, and 7 “CHEERS” and “Morewell” stores in Hong Kong.

We also sell to distributors who operate a total of 392 “CHEERS” and/or “Enlanda” specialty stores in the PRC. These stores are set up in locations approved by Man Wah and the distributors are required to sell Man Wah’s products exclusively in these stores. Our distributors are not allowed to operate in cities or provinces where Man Wah has self-operated stores. Distributors operate “CHEERS” and “Elanda” specialty stores in major cities in over 20 provinces in the PRC including Beijing, Xiamen, Qingdao, Nanjing, Kunming and Tianjin.

Direct exports

Our “CHEERS” products are exported to overseas retailers with US and Europe being our key export markets. Our customers in the US are primarily large furniture retailers such as Rooms To Go Inc. and American Signature Inc. and include 30 of the top 100 largest US furniture retailers. On the other hand, our customers in Europe are large and mid-sized furniture retailers and to a less extent, independent retailers with smaller networks.

Management

To ensure a consistent brand image is presented at all retail stores, the Group has implemented a unified code of operations, detailing specifications on outlet design and layout settings, customer service standards and pricing policies.

In addition, the Group is also implementing a real-time monitoring inventory system. The inventory system links directly to the distributors’ inventory and financial systems, allowing the Group to record and track real-time inventory levels as well as the movement of products at warehouses and retail outlets.

By putting in place an efficient tracking system, the management ensures that the execution risks are kept to a minimum.

Financial review

Revenue and gross profit margin breakdown by export and PRC sales

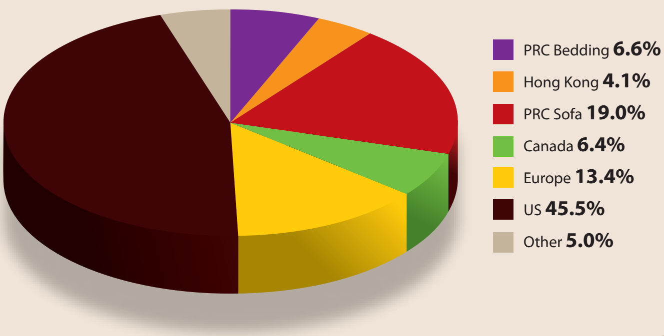
	Revenue (HK$'000)			As a percentage of sales (%)		Gross profit margin (%)	
	2010	2009	Change %	**2010**	2009	**2010**	2009
Sofa export sales	**2,060,441**	1,364,811	51.0%	**70.3%**	69.4%	**39.7%**	28.6%
Sofa PRC sales	**556,950**	368,736	51.0%	**19.0%**	18.8%	**43.2%**	44.7%
Bedding PRC sales	**193,390**	117,107	65.1%	**6.6%**	6.0%	**64.5%**	63.5%
HK retail & wholesale sales	**121,436**	113,183	7.3%	**4.1%**	5.8%	**60.5%**	63.4%
Total	**2,932,217**	1,963,837	49.3%	**100.0%**	100.0%	**42.9%**	35.7%

For the financial year ended 31 March 2010, the total revenue of the Group increased by approximately 49.3% to approximately HK$2,932.2 million (2009: HK$1,963.8 million); whereas the gross profit margin grew by approximately 7.2% to approximately 42.9% (2009: 35.7%). The increase in overall revenue and gross profit margin was due to the substantial growth in the performance of CHEERS brand.

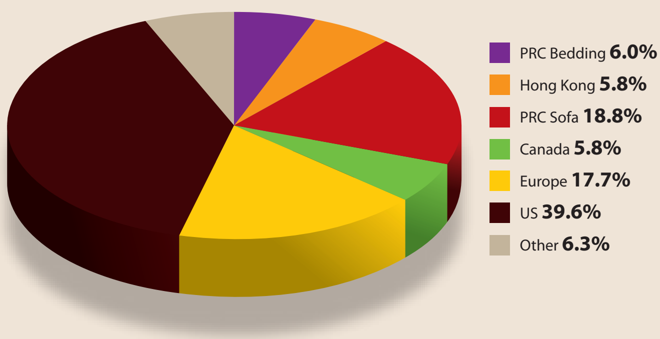
During the Review Period, we have gained more than 170 new export customers when comparing with FY2009, in addition, the pickup in consumer sentiments in late 2009 helped the Group to post better export sales of approximately HK$2,060.4 million (2009: HK$1,364.8 million). The PRC sofa sales also grew impressively by approximately 51.0% to approximately HK$ 557.0 million (2009: HK$368.7 million) as the Group opened more retail stores across China.

Man Wah International Markets

Revenue by Geographical Segment



2010



2009

Note: All revenue by geographical segment represents sofa sales except PRC Bedding

The PRC bedding sales also posted a remarkable performance to jump of approximately 65.1% to approximately HK$193.4 million (2009: HK$117.1 million). Increase in the PRC bedding sales was due to increase in quantity sold from approximately 32,000 sets in FY2009 to 41,000 sets in FY2010, in addition, the increase in average selling price from HK$3,600 in FY2009 to HK$4,800 in FY2010 also contributed to the increase in PRC bedding sales.

Revenue breakdown by region (HK$'000)

	PRC	US	Europe	Canada	HK	OTHERS
FY2010	750,340	1,334,464	392,885	188,040	121,436	145,052
FY2009	485,843	777,410	348,614	113,810	113,183	124,977

Growth in revenue from CHEERS brand is summarised as follows:

	2010	2009	Change (%)
Revenue (HK$'000)	**304,713**	173,486	75.6%
Number of PRC self-owned retail stores as at 31 March	**74**	44	68.2%
Average sales per store (HK$'000)	**4,118**	3,943	4.4%

Note: The average sales per store represented the revenue for the financial year divided by the number of retail outlets as at 31 March of each financial year.

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

	2010	2009	Change (%)
Sales volume (sets)	**406,900**	288,100	41.2%
Average selling price (HK$)	**6,325**	6,100	3.7%
Gross profit margin (%)	**41.3%**	33.9%	7.4%

Revenue from CHEERS brand sofa products rose by approximately 51.4% to approximately HK$2,662.8 million (2009: HK$1,759.0 million), accounting for approximately 90.8% of the total revenue. The growth in revenue was mainly due to the increase in the sales volume by approximately 41.2% to 406,900 sets (2009: 288,100 sets) and the average selling price by approximately 3.7% to HK$6,325 per sofa set (2009: HK$6,100). The growth in average selling price was primarily as a result of increase in average selling price for the PRC market by approximately 14.9% from approximately HK$9,400 to HK$10,800 per sofa set and export market by approximately 3.6% from approximately HK$5,500 to HK$5,700 per sofa set.

During the Review Period, the gross profit margin increased from approximately 33.9% to approximately 41.3%. The increase in gross profit margin was mainly due to increase in average selling price from HK$6,100 to HK$6,325 per sofa set and decrease in unit costs of raw material for leather, metal and soft foam which decreased by approximately 8.7%, 15.0% and 1.8% respectively.

PRC sofa sales (self-owned vs distributors)

Retail stores	**2010 Units**	2009 Units	Change (%)
Self-owned retail stores	**74**	44	68.1%
Distributor-operated retail stores	**222**	221	0.5%

Cost of sales breakdown

	2010 HK$'000	2009 HK$'000	Change (%)
Cost of raw materials consumed	**1,515,465**	1,135,161	33.5%
Depreciation and amortisation	**19,903**	14,990	32.8%
Labour costs	**134,634**	99,126	35.8%
Others	**5,560**	13,513	(58.9%)
Total	**1,675,562**	1,262,790	32.7%

During the Review Period, cost of sales increased by 32.7% when comparing with 31 March 2009, mainly because of the increase in our sales partially offset by savings arising from increased economies of scale in our operations and from lower unit costs of raw material for leather, metal and soft foam which decreased by approximately 8.7%, 15.0% and 1.8% respectively.

OTHER GAINS AND LOSSES

Other gains and losses for the Review Period increased by approximately 6.8% to approximately HK$11,823,000, which is due to gain on changes in fair value of derivative financial instruments of approximately HK$18,463,000, an increase of approximately HK$3,072,000 from approximately HK$15,391,000 in FY2009. However, the increase is partially offset by the increase in net foreign exchange loss in FY2010 of approximately HK$7,512,000, an increase of approximately HK$5,437,000 from approximately HK$2,075,000 in FY2009.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses increased by approximately 35.9% from approximately HK$330,451,000 to approximately HK$449,137,000 which was mainly due to an increase in the PRC and export sales. The increase was mainly attributed to:

(a) transportation, port charges and freight costs increased by approximately HK$66,830,000 to approximately HK$239,192,000;

(b) commissions and salaries related to sales increased by approximately HK$29,564,000 to approximately HK$61,358,000; and

(c) rental, rates and building management fee increased by approximately HK$37,762,000 to approximately HK$83,040,000.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses increased by approximately HK$26,059,000 or approximately 19.8% from approximately HK$131,755,000 to approximately HK$157,814,000. The increase was mainly attributed to:

(a) salaries, allowance and other staff costs increased by approximately HK$11,460,000 or approximately 27.1% from approximately HK$42,315,000 to approximately HK$53,775,000 due to increase in number of staff during the Review Period; and

(b) legal and professional fees increased by approximately HK$19,969,000 or 206.1% from approximately HK$9,687,000 to approximately HK$29,656,000 which is mainly due to the legal and professional fees incurred for the listing of shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

SHARE OF RESULTS OF JOINTLY CONTROLLED ENTITIES

Share of loss of jointly controlled entities of approximately HK$1,889,000 which is mainly due to share of loss of Huizhou Ao Li Electronic Technology Company, Limited of approximately HK$2,039,000.

FINANCE COSTS

Finance costs decreased by approximately HK$3,787,000 or approximately 47.2% from approximately HK$8,031,000 to approximately HK$4,244,000 due to the decrease in interest rate.

INCOME TAX EXPENSE

Income tax expense increased by approximately HK$30,159,000 or approximately 140.9% from approximately HK$21,408,000 to approximately HK$51,567,000 which is mainly due to the increase in operating profit and increase in tax rate for certain PRC subsidiaries.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY AND NET PROFIT MARGIN

Profit attributable to owners of the Company increased by approximately HK$382,290,000 or approximately 171.0% from approximately HK$223,509,000 to approximately HK$605,799,000. The net profit margin for the Review Period increased from approximately 11.6% to approximately 21.1%. Increase in net profit and profit margin was mainly due to increase in quantity sold, average selling price and decrease in raw materials costs.

DIVIDEND

In view of the strong business growth and the solid financial position of the Group, the Board declared a final dividend of 25% of profit attributable to owners of the Company for the financial year ended 31 March 2010 or HK 16 cents per Share. As a result of the better than expected performance by the Group, the Board has decided to pay an additional special dividend of 10% or HK 6 cents per Share to reward shareholders. The total dividend payout ratio for the Review Period will be approximately 35%.

WORKING CAPITAL

We seek to effectively manage our cash flow and capital commitments and to ensure that we have sufficient funds to meet our existing and future cash requirements. In general, we have the ability to generate adequate cash from our operations to fund our ongoing operating cash needs and the continuing expansion of our business. While we do not currently have any plans to raise material external debt financing, we may use short-term bank borrowings to finance operations and repay bank borrowings once our funding position is in surplus. We have not experienced and do not expect to experience any difficulties meeting our obligations as they become due. We have bank balances and cash of approximately HK$375,460,000 as at 31 March 2010.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 March 2010, the Group's bank borrowings amounted to approximately HK$147.2 million, of which approximately HK$125.2 million were repayable within twelve months from 31 March 2010 and approximately HK$22.0 million were repayable after twelve months from 31 March 2010. All loans bore interest at variable rates.

The Group's primary source of operating funds are cash flow from operating activities and cash and bank balances. As at 31 March 2010, the Group's current ratio was 2.04 (31 March 2009: 2.02). The Group maintained a net cash position, reflecting its healthy financial position, paving the way for future development. As at 31 March 2010, the Group's gearing ratio was 12.8% (31 March 2009: 19.4%), which is defined as total borrowings divided by the sum of share capital and reserves of the Group.

IMPAIRMENT LOSS ON INVENTORY

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

IMPAIRMENT LOSS ON TRADE RECEIVABLES

As at 31 March 2010, the Group provided impairment loss on trade receivables of approximately HK$1,107,000 (2009: HK$3,641,000).

PLEDGE OF ASSETS

As at 31 March 2010, the Group had pledged certain bank deposits, investment properties and plant and machinery to banks to secure for bank borrowings. The aggregate carrying value of these assets was approximately HK$31,447,000.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Save as disclosed in note 33 to the consolidated financial statements, the Group did not have any material capital commitment. As at 31 March 2010, the Group did not have any contingent liabilities.

FOREIGN CURRENCY RISKS

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

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

Save as the recognisation of the Group disclosed in note 2 to the consolidated financial statements, the Group did not have any significant investments or acquisitions or sales of subsidiaries. The Group continued to seek opportunities to acquire and work with international furniture retailers to generate more returns for our Shareholders.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

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

Up to report date, we have not yet spent any proceeds on the above projects. In FY2011, we expect to spend (i) approximately HK$132,624,000 on construction of phase 3 of our Huizhou facility, (ii) approximately HK$131,800,000 on construction of new production and distribution facility in Wujiang, Jiangsu and (iii) approximately HK$78,400,000 on expansion of "Cheers" and "Enlanda" specialty stores.

HUMAN RESOURCES

As at 31 March 2010, the Group had 5,655 employees (31 March 2009: 3,276 employees).

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

As at 31 March 2010, the total staff cost for the Group amounted to approximately HK$238.9 million (2009: HK$188.7 million), of which approximately HK$8.5 million (2009: HK$7.0 million) was directors' emoluments.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

Man Wah Holdings Limited (the "Company") has a policy of seeking to comply with established best practice in corporate governance. The board ("Board") of directors ("Directors") of the Company believes that good corporate governance is crucial to improve the efficiency and performance of the Company and its subsidiaries (the "Group") and to safeguard the interests of its shareholders ("Shareholders"). Set out below are the principles of corporate governance as adopted by the Company during the financial year ended 31 March 2010 ("Review Period").

CODE OF CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the Review Period.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as a code of conduct of the Company for Directors' securities transactions. The Company has made specific enquiry of all directors and the relevant employees regarding any non-compliance with the Model Code during the Review Period, and they all confirmed that they had fully complied with the required standard set out in the Model Code. Employees who are deemed to be in possession of unpublished price sensitive information in relation to the Company or its shares are prohibited from dealing in shares of the Company during the black-out period.

BOARD OF DIRECTORS

The Board currently comprises six executive Directors, one non-executive Director and three independent non-executive Directors ("INED"). The list of Directors is set out in the section headed "Directors' Report" of this annual report.

The Board has a balance of skills and experience appropriate for the requirements of the business of the Company. The Directors' biographical information is set out in the section headed "Directors' Biographies" of this annual report.

Save for the Directors' business relationships as a result of their respective directorships in the Company and the spousal relationship between the executive Directors Mr. Wong Man Li and Ms. Hui Wai Hing, as disclosed in each of their respective biographies in the section headed "Directors' Biographies" of this annual report, there are no financial, business, family or other material or relevant relationships among members of the Board and they are independent from each other.

The Board met regularly during the Review Period on an ad hoc basis as required by business needs. The Board's primary purpose is to set and review the overall strategic development of the Group and to oversee the achievement of the plans to enhance shareholders' value. Daily operational decisions are delegated to the executive Directors.

Role and function

The Board is responsible for overall strategic formulation and performance monitoring of the Group. It delegates day-to-day operations of the Company to the Executive Committee and senior management within the control and authority framework set by the Board. In addition, the Board has also delegated various responsibilities to the each of the Company's audit committee, remuneration committee and nomination committee. Further details of these committees are set out in the sections headed "Audit Committee", "Remuneration Committee" and "Nomination Committee" below.

Board meetings

The Board has four scheduled meetings a year. Additional meetings would be arranged if and when required. The Directors can attend meetings in person or through other means of electronic communication in accordance with the bye-laws of the Company ("Bye-laws").

The company secretary of the Company ("Company Secretary") assists the Chairman in drawing the agenda of each meeting and each Director may request inclusion of matters in the agenda. Generally, at least 14 days' notice of a regular Board meeting is given and the Company aims at giving reasonable notice for all other Board meetings. The Company also aims at sending the agenda and the accompanying board papers, which are prepared in such form and quality as will enable the Board to make an informed decision on matters placed before it, to all Directors at a reasonable time before the intended date of a Board meeting.

All Directors have access to the Company Secretary who is responsible for ensuring that Board procedures are complied with and all applicable rules and regulations are followed.

The Company Secretary is responsible for taking minutes of Board and Board committee meetings, drafts and final versions of which would be sent to Directors for comments and records respectively, in both cases within a reasonable time after each meeting. Minutes are recorded in sufficient detail the matters considered by the Board and decisions reached, including any concerns raised by Directors or dissenting views (if any) expressed. Minutes of the Board and Board committees' meetings are kept by the Company Secretary and are open for inspection by any Director or committee member.

If a substantial shareholder of the Company or a Director has a conflict of interest in a matter (including material transaction with connected persons) which the Board has determined to be material, a Board meeting will be held instead of by way of resolution.

Attendance records

During the Review Period, a total of two Board meetings were held and the attendance records are as follows:

Board	**Meetings attended/Eligible to attend**
Executive Directors	
Wong Man Li *(Chairman)*	2/2
Hui Wai Hing	2/2
Li Jianhong	2/2
Stephen Allen Barr	2/2
Yu Tung Wan	2/2
Francis Lee Fook Wah	2/2
Non-executive Director	
Ong Chor Wei	2/2
Independent Non-executive Directors	
Lee Teck Leng, Robson	2/2
Chan Wah Man, Carman	2/2
Chau Shing Yim, David	2/2

Access to information

The Directors may seek independent professional advice in appropriate circumstances, at the Company's expenses. The Company will, upon request, provide separate independent professional advice to Directors to assist the relevant Directors to discharge their duties to the Company.

The Board is supplied with relevant information by the senior management pertaining to matters to be brought before the Board for decision as well as reports relating to operational and financial performance of the Group before each Board meeting. Where any Director requires more information than is volunteered by the management, each Director has the right to separately and independently access to the Company's senior management to make further enquiries if necessary.

Appointments and re-election of Directors

Directors were nominated by members of the Board during the year to fill casual vacancies or as an addition to existing Board. The nomination committee, in consultation with the Board, determines the selection criteria and identifies candidates with the appropriate expertise and experience for the appointments of new Directors. The nomination committee then nominates the most suitable candidate to be appointed to the Board.

According to the Bye-laws, any Director so appointed by the Board shall hold office, in the case of filling a casual vacancy, only until the next following general meeting of the Company or, in the case of an addition to their number, until the next following annual general meeting of the Company who shall then be eligible for re-election at such general meeting. Every Director (including the non-executive Director and INEDs) is appointed for a specific term and is subject to retirement by rotation at least once every three years.

Every newly appointed Director will be given an introduction of regulatory requirements. The Directors are continually updated on the latest development of the Listing Rules and other applicable statutory requirements to ensure compliance and upkeep of good corporate governance practice.

Chairman and Managing Director

Mr. Wong Man Li serves as the Chairman and Managing Director of the Company. He is responsible for the day-to-day overall management of our Company and mapping our growth strategy. With the support of the executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information in a timely manner.

Non-executive Director

During the Review Period, the term of appointment of the Company's non-executive Director, Mr. Ong Chor Wei, was from 9 April 2010 for three years.

Independent Non-executive Directors

Pursuant to Rules 3.10(1) and 3.10(2) of the Listing Rules, the Company has appointed three independent non-executive Directors for a term of three years. One of the INEDs, Mr Chau Shing Yim, David, has appropriate professional qualifications or accounting or related financial management expertise. Every Director is subject to retirement by rotation at least once every three years in accordance with the Bye-laws.

The INEDs are considered by the Board to be independent of the management and free of any relationship that could materially interfere with the exercise of their independent judgments. The Board considered that each of the INEDs brings his or her own relevant expertise to the Board and its deliberations. None of the INEDs has any business or financial interests with the Group nor has any relationship with other Directors.

Independence Information

The Company has received from each of the INEDs an annual confirmation of his or her independence, and the Company considers such directors to be independent and they all meet the specific independence criteria under Rule 3.13 of the Listing Rules.

Directors' and Auditors' Responsibilities for Accounts

The Directors' responsibilities for the accounts and the responsibilities of the external auditor to the Shareholders are set out on page 41 of this annual report.

Board Committees

The Board has established the following committees to oversee particular aspects of the Company's affairs and to assist in the execution of the Board's responsibilities. All committees have their own terms of reference. All resolutions passed by the committees will be reported to the Board at the next Board meeting.

Audit Committee

An Audit Committee of the Board has been established with specific written terms of reference which deal clearly with its authorities and duties. The principal duties of the Audit Committee include, among other things:

- review the audit plans of our external auditors;
- review external auditors' reports;
- review the cooperation given by our officers to the external auditors;
- review our financial statements before their submission to the Board;
- review, approve and monitor internal control procedures and risk management systems;
- review the effectiveness of our internal audit function;
- review and approve the terms and conditions for all interested person transactions;
- nominate external auditors for appointment;
- review and ratify interested person transactions to ensure that they comply with the approved internal control procedures and have been conducted on an arm's length basis; and
- review our financial and accounting policies and practices.

The Audit Committee has explicit authority to investigate any activity within its terms of reference and the authority to obtain outside legal or other independent professional advice if it considers necessary. It is given access to and assistance from the employees and reasonable resources to discharge its duties properly.

The Audit Committee comprised three INEDs and one non-executive Director of the Company. None of the members of the Audit Committee are former partners of the auditor of the Company within the past financial year. The members of the Audit Committee during the Review Period and their attendance were as follows:

Audit Committee	**Meetings attended/Eligible to attend**
Chau Shing Yim, David *(Chairman)*	2/2
Chan Wah Man, Carman	2/2
Lee Teck Leng, Robson	2/2
Ong Chor Wei	2/2

During the Review Period, the Board had no disagreement with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditor. The financial statements for the financial year ended 31 March 2010 have been reviewed by the Audit Committee.

Nomination Committee

A Nomination Committee of the Board has been established with specific written terms of reference which deal clearly with its authorities and duties. The principal duties of the Nomination Committee include, among other things:

- re-nomination of the Directors having regard to the Directors' contribution and performance;
- determining on an annual basis whether or not a Director is independent;
- deciding whether or not a Director is able to and has been adequately carrying out his duties as a Director; and
- reviewing and assessing the adequacy of the corporate governance guidelines of the Company and to recommend any proposed changes to the Board for approval.

Where vacancies exist at the Board, candidates are proposed and put forward to the Nomination Committee for consideration. The recommendations of the Nomination Committee will then be tendered to the Board for approval. In considering the nomination of a new Director, the Nomination Committee will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates. In determining the independence of Directors, the Board follows the requirements set out in the Listing Rules.

The Nomination Committee has explicit authority to seek any necessary information from the employees within its scope of duties and the authority to obtain outside independent professional advice if it considers necessary.

The members of the Nomination Committee during the year and their attendance were as follows:

Nomination Committee	**Meetings attended/Eligible to attend**
Wong Man Li *(Chairman)*	1/1
Lee Teck Leng, Robson	1/1
Chan Wah Man, Carman	1/1
Chau Shing Yim, David	1/1

The INEDs of the Company constitute the majority of the Nomination Committee.

During the Review Period, one meeting of the Nomination Committee was held and the Nomination Committee reviewed the structure of the Board and determined the policy for the nomination of Directors.

Remuneration Committee

A Remuneration Committee of the Board has been established with specific written terms of reference which deal clearly with its authorities and duties. The principal duties of the Remuneration Committee include, among other things:

- review the remuneration of the Executive Directors and to provide a greater degree of objectivity and transparency in the setting of remuneration; and
- assessing performance of the Executive Directors and determines specific remuneration packages for each executive Director and our Managing Director.

The Remuneration Committee may consult the Chairman about their proposals relating to the remuneration of other executive Directors. The remuneration committee takes into consideration industry practices and norms in compensation, in addition to the performance relative to the industry and the performance of the individual Directors. The Company reviews the remuneration package annually taking into consideration of the market practice, competitive market position and individual performance.

The members of the Remuneration Committee during the year and their attendance were as follows:

Remuneration Committee	**Meetings attended/Eligible to attend**
Lee Teck Leng, Robson *(Chairman)*	1/1
Wong Man Li	1/1
Chan Wah Man, Carman	1/1
Chau Shing Yim, David	1/1

The INEDs of the Company constitute the majority of the Remuneration Committee.

The work done by the Remuneration Committee during the Review Period includes the following:

(i) determining the policy for the remuneration of executive Directors; and
(ii) assessing performance of executive Directors.

In order to attract, retain, and motivate executives and key employees serving the Group, the Company has adopted a share option scheme in March 2010. Such incentive scheme enables the eligible persons to obtain an ownership interest in the Company and thus to reward the participants who contribute to the success of the Group's operations.

Details of the remuneration of the Directors of the Company for the Review Period are set out in note 10 to the consolidated financial statements and details of the share option scheme are set out in note 36.

INTERNAL CONTROL

The Board is of the opinion that sound internal control systems will contribute to the effectiveness and efficiency of operations of the Group and to the safeguard of the Group's assets as well as the shareholders' investment.

The Board is responsible for overall ensuring, maintaining and overseeing the internal control systems of the Group. The Executive Committee helps the Board to discharge its responsibilities of ensuring and maintaining sound internal control functions by reviewing and monitoring the internal control systems annually and processes so as to ensure that they can provide reasonable assurance against material errors of the Group. The Board has reviewed the effectiveness of the internal control systems and considers the internal control systems effective and adequate.

AUDITOR'S REMUNERATION

The Audit Committee of the Company is responsible for considering the appointment of the external auditor.

During the Review Period, the remuneration paid or payable to the Company's auditor, Deloitte Touche Tohmatsu, is set out as follows:

Services rendered paid/payable	**Fee** HK$'000
Statutory audit services	2,000
Non-statutory audit services:	
Reporting accountants in relation to the listing	4,388
Tax advisory services	1,719
Special engagements	705
	8,812

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing financial statements of the Group which give a true and fair view of the state of affairs of the Group on a going concern basis and in presenting the financial statements, announcements and other financial disclosures required under the Listing Rules, the Directors aim to present a balanced, clear and understandable assessment of the Group's position and prospects.

Directors' Report

The directors ("Directors") of Man Wah Holdings Limited (the "Company") present their annual report and the audited consolidated financial statements of the Company for the financial year ended 31 March 2010 ("Review Period").

CORPORATE REORGANISATION

The Company was incorporated with limited liability in Bermuda.

Pursuant to a reorganisation scheme to rationalise the structure of the Company and its subsidiaries (the "Group") in preparation for the public listing of the Company's shares on The Stock Exchange of Hong Kong Limited ("Stock Exchange"), the Company became the holding company of the companies now comprising the Group on 7 December 2009.

Details of the reorganisation are set out in note 2 to the consolidated financial statements.

The shares ("Shares") of the Company were listed on the main board of the Stock Exchange with effect from 9 April 2010.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries and jointly controlled entities are set out in notes 38 and 17, respectively to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the Review Period ended 31 March 2010 are set out in the consolidated statement of comprehensive income on page 43 of the annual report.

An interim dividend of approximately HK 40.3 cents per Share amounting to HK$268,400,000 was paid to the shareholders of the Company ("Shareholders") during the Review Period. The directors of the Company ("Directors") recommend the payment of a final dividend of HK 16 cents per Share and a special dividend of HK 6 cents per Share to the Shareholders on the register of members on 29 July 2010, amounting to approximately HK$213,650,000, and the retention of the remaining profit for the year.

PROPERTY, PLANT AND EQUIPMENT

During the Review Period, the Group revalued all of its investment properties as at 31 March 2010. The net increase in fair value of investment properties, which has been credited directly to consolidated statement of comprehensive income, amounted to approximately HK$1,755,000.

Details of movements during the Review Period in the property, plant and equipment of the Group are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the Review Period in the share capital of the Company are set out in note 27 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at the end of the Review Period were as follows:

	2010	2009
	HK$'000	HK$'000
Contributed surplus	**36,796**	–
Accumulated profits	**3,811**	3,120
	40,607	3,120

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

DIRECTORS

The directors of the Company during the Review Period and up to the date of this annual report were:

Executive Directors:
Mr. Wong Man Li
Ms. Hui Wai Hing
Mr. Li Jianhong
Mr. Yu Tung Wan
Mr. Francis Lee Fook Wah
Mr. Stephen Allen Barr (appointed on 5 March 2010)

Non-executive Directors:
Mr. Ong Chor Wai (appointed on 5 March 2010)

Independent Non-executive Directors:
Mr. Lee Teck Leng Robson
Ms. Chan Wah Man Carman (appointed on 5 March 2010)
Mr. Chau Shing Yim David (appointed on 5 March 2010)
Mr. Bernard Tay Ah Kong (resigned on 15 September 2010)

In accordance with the provisions of the Company's bye-laws, Mr. Wong Man Li, Ms. Hui Wai Hing and Mr. Li Jianhong will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting to be held in August 2010.

DIRECTORS' SERVICE CONTRACTS

No directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 March 2010 and the date of this annual report, the interests of the directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in appendix 10 of the Listing Rules were as follows:

Long positions in shares and underlying shares of the Company

	Number of shares held as				Approximate percentage of the issued share capital of the Company	
Name of director	**Beneficial owner**	**Spouse interest**	**Corporate interest**	**Total interests**	**(as at 31 March 2010)**	**(as at the date of this annual report)**
Mr. Wong Man Li	–	–	595,612,000	595,612,000 (Note 1)	82.29%	61.33%
Mr. Li Jianhong	9,000,000	–	–	9,000,000	1.24%	0.93%
Mr. Stephen Allen Barr	1,256,000	–	–	1,256,000	0.17%	0.13%
Mr. Yu Tung Wan	–	–	17,285,000	17,285,000 (Note 2)	2.39%	1.78%
Mr. Francis Lee Fook Wah	2,000,000	–	–	2,000,000	0.28%	0.21%

Note:

1. These shares are beneficially owned by Man Wah Investments Limited which, in turn, is owned by Mr. Wong Man Li and Ms. Hui Wai Hing as to 80% and 20%, respectively.

2. These shares are beneficially owned by Weston International Investment Limited which, in turn, is wholly-owned by Mr. Yu Tung Wan.

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

Name of Director	Name of associated corporation	Capacity	Number of shares	Approximate percentage in the associated corporation (as at 31 March 2010 and the date of this annual report)
Mr. Wong Man Li	Man Wah Investments Limited	Beneficial	800	80%
Ms. Hui Wai Hing	Man Wah Investments Limited	Beneficial	200	20%

Other than as disclosed above, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations, which were recorded in the register maintained by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, as at 31 March 2010 and the date of this annual report.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than share holdings disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2010 and the date of this annual report, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Long position in shares and underlying shares of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company (as at 31 March 2010)	(as at the date of this annual report)
Man Wah Investments Limited	Beneficial	595,612,000	82.29%	61.33%

Other than as disclosed above, the Company has not been notified of any other relevant interest or short position in the issued share capital of the Company as at 31 March 2010 and the date of this annual report.

SHARE OPTION SCHEME

On 5 March 2010, the Scheme which complies with the requirements of Chapter 17 of the Listing Rules was adopted by the shareholders of the Company.

The purpose of the share option scheme ("Scheme") is to enable the Company to grant share options to selected participants as incentives or rewards for their contributions to the Company and/or its subsidiaries and/or its associated companies. The Scheme will remain in force for a period of 10 years commencing on 5 March 2010, being the date of adoption of the Scheme, to 4 March 2020.

Under the Scheme, the directors may, at their discretion, offer directors (including executive and non-executive directors), executives, officers, employees or shareholders of the Company or any of its subsidiaries or any of its associated companies, and any suppliers, customers, consultants, advisers, agents, partners or business associates who, in the sole discretion of the Directors, will contribute or have contributed to the Company or any of its subsidiaries or any of its associated companies, share options to subscribe for shares of the Company. The total number of shares of the Company which may be issued upon exercise of all outstanding share options granted under the Scheme is 96,508,800 which represents approximately 9.94% of the issued share capital of the Company as at the date of authorising these financial statements. The maximum number of shares of the Company available for issue upon exercise of all share options which may be granted under the Scheme is 96,508,800, representing approximately 9.94% of the issued share capital of the Company as at the date of authorising these financial statements. The total number of shares of the Company issued and to be issued upon the exercise of share options granted under the Scheme (including exercised, cancelled and outstanding share options) to each grantee in any 12-month period up to the date of grant shall not exceed 1% of the issued share capital of the Company as at the date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of in aggregate 0.1% of the shares of the Company in issue (based on the date of offer) and an aggregate value of HK$5,000,000 (based on the closing price of the Company's shares at the date of each offer), within any 12-month period, are subject to shareholders' approval in advance in a general meeting. Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors.

The period during which a share option may be exercised will be determined by the directors at their absolute discretion, save that no share option may be exercised more than 10 years after it has been granted under the Scheme. There is no requirement that a share option must be held for any minimum period before it can be exercised but the directors are empowered to impose at their discretion any such minimum period at the time of grant of any share options.

The exercise price in relation to each share option will be determined by the directors at their absolute discretion and shall not be less than the highest of (i) the official closing price of the shares of the Company as stated in the daily quotation sheet of the Stock Exchange on the date of offer of share options; (ii) the average of the official closing prices of the shares of the Company as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date of offer of share options; and (iii) the nominal value of the share of the Company on the date of offer of share options. Each of the grantees is required to pay HK$1 as consideration for the grant of share options in accordance with the Scheme. The offer of share options must be accepted within 28 days from the date of the offer.

Share options do not confer rights on the holders to dividends or to vote at general meetings.

No share option was granted, exercised or cancelled in accordance with the terms of the Scheme during the year.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the Independent Non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the Review Period, the Company and the Group had continuing connected transactions, certain details of which have been disclosed in the prospectus of the Company dated 18 March 2010. Save as the above continuing connected transactions, there were no transactions which need to be disclosed as connected transactions and continuing connected transactions in accordance with the requirements of the Listing Rules.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

No contracts of significance, to which the Company or its subsidiaries, was a party and in which a director of the Company had a material interest, whether directly and indirectly, subsisted at the end of the year or at any time during the year.

NON-COMPETITION UNDERTAKING

Each of Man Wah Investments Limited and Mr. Wong Man Li (each a "Non-Compete Covenantor") has entered into a deed of non-competition dated 5 March 2010 with the Company, to the effect that each of them will not directly or indirectly participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with the business of the Group from time to time.

MAJOR CUSTOMERS AND SUPPLIERS

In the Review Period, sales to the Group's five largest customers and purchases from the five largest suppliers accounted for around 25% and 40% of the total revenue and purchases for the year, respectively. The Group's largest supplier accounted for around 15% of the total purchases for the year, and none of the Group's customer individually accounted for more than 10% of the total revenue of the Group.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest customers or suppliers.

RETIREMENT BENEFITS SCHEMES

Other than operating a Hong Kong Mandatory Provident Fund Scheme and participating in the People's Republic of China state-managed retirement benefits scheme, the Group has not operated any other retirement benefits schemes for the Group's employees. Particulars of the retirement benefits schemes are set out in note 29 to the consolidated financial statements.

DONATIONS

During the Review Period, the Group made charitable and other donations amounting to HK$1,510,000.

EVENT AFTER THE REPORTING PERIOD

Details of a significant event occurring after the Review Period are set out in note 37 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

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.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the Directors of the Company are decided by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as at the date of this annual report.

AUDITOR

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the board

Wong Man Li
Chairman
22 June 2010

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF MAN WAH HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Man Wah Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 43 to 105, which comprise the consolidated statement of financial position as at 31 March 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda (as amended) and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2010 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
22 June 2010

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000 (restated)
Revenue	5	**2,932,217**	1,963,837
Cost of goods sold		**(1,675,562)**	(1,262,790)
Gross profit		**1,256,655**	701,047
Other income		**13,518**	7,568
Other gains and losses	6	**11,823**	11,069
Selling and distribution expenses		**(449,137)**	(330,451)
Administrative expenses		**(157,814)**	(131,755)
Share of (loss) profit of jointly controlled entities		**(1,889)**	5
Finance costs	7	**(4,244)**	(8,031)
Profit before income tax		**668,912**	249,452
Income tax expense	8	**(51,567)**	(21,408)
Profit for the year	9	**617,345**	228,044
Other comprehensive income:			
Exchange differences arising on translation		**(427)**	10,775
Fair value gain on available-for-sale investment		**–**	7
Reclassification adjustment:			
Release of exchange differences on liquidation of a subsidiary		**(138)**	–
Transfer of fair value gain to profit and loss on disposal of available-for-sale investment		**–**	(337)
Other comprehensive (expense) income for the year		**(565)**	10,445
Total comprehensive income for the year		**616,780**	238,489
Profit for the year attributable to:			
Owners of the Company		**605,799**	223,509
Minority interests		**11,546**	4,535
		617,345	228,044
Total comprehensive income for the year attributable to:			
Owners of the Company		**605,234**	233,745
Minority interests		**11,546**	4,744
		616,780	238,489
Earnings per share	11		
Basic (HK cents)		**85.09**	31.63

Consolidated Statement of Financial Position

At 31 March 2010

	Notes	31.3.2010 HK$'000	31.3.2009 HK$'000 (restated)	1.4.2008 HK$'000 (restated)
Non-current assets				
Property, plant and equipment	13	**530,762**	480,866	398,898
Investment properties	14	**22,914**	21,159	19,579
Lease premium for land	15	**98,888**	45,761	45,511
Intangible assets	16	**1,606**	–	–
Interests in jointly controlled entities	17	**155**	2,039	3,616
Loan to a jointly controlled entity	17	**4,995**	–	–
Deferred tax assets	18	**280**	473	220
Deposits paid for lease premium for land		**–**	4,545	–
Deposits paid for acquisition of property, plant and equipment		**6,281**	715	23,777
		665,881	555,558	491,601
Current assets				
Inventories	19	**316,608**	214,740	232,136
Trade receivables	20	**192,916**	148,398	171,567
Other receivables and prepayments	20	**97,730**	50,521	72,715
Lease premium for land	15	**2,134**	1,023	996
Available-for-sale investment	21	**–**	–	3,524
Derivative financial instruments	22	**14,711**	23,651	41,004
Pledged bank deposits	23	**3,531**	3,531	–
Bank balances and cash	23	**375,460**	229,325	37,126
		1,003,090	671,189	559,068
Current liabilities				
Trade payables	24	**167,305**	116,218	130,793
Other payables and accruals	24	**188,229**	112,246	106,385
Amounts due to directors	25	**–**	5,554	3,570
Tax payable		**10,108**	11,498	4,504
Derivative financial instruments	22	**984**	14,033	31,013
Bank borrowings	26	**125,240**	72,868	87,979
		491,866	332,417	364,244
Net current assets		**511,224**	338,772	194,824
Total assets less current liabilities		**1,177,105**	894,330	686,425
Non-current liabilities				
Bank borrowings	26	**21,960**	77,533	67,167
Deferred tax liabilities	18	**4,513**	2,545	525
		26,473	80,078	67,692
		1,150,632	814,252	618,733

Consolidated Statement of Financial Position

At 31 March 2010

	Notes	31.3.2010 HK$'000	31.3.2009 HK$'000 (restated)	1.4.2008 HK$'000 (restated)
Capital and reserves				
Share capital	27	**289,526**	266,480	266,480
Reserves		**861,106**	537,765	346,990
Equity attributable to owners of the Company		**1,150,632**	804,245	613,470
Minority interests		**–**	10,007	5,263
Total equity		**1,150,632**	814,252	618,733

The consolidated financial statements on pages 43 to 105 were approved and authorised for issue by the Board of Directors on 22 June 2010 and are signed on its behalf by:

Mr. Wong Man Li
Director

Mr. Francis Lee Fook Wah
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2010

	Equity attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000 (note i)	Other reserve HK$'000 (note ii)	Statutory reserve HK$'000 (note iii)	Revaluation reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 April 2008 (originally stated)	266,480	–	–	–	15,150	330	17,878	302,619	602,457	–	602,457
Adjustments on merger accounting	–	–	–	–	500	–	1,163	9,350	11,013	5,263	16,276
At 1 April 2008 (restated)	266,480	–	–	–	15,650	330	19,041	311,969	613,470	5,263	618,733
Exchange differences arising on translation	–	–	–	–	–	–	10,566	–	10,566	209	10,775
Profit for the year	–	–	–	–	–	–	–	223,509	223,509	4,535	228,044
Fair value gain on available-for-sale investment	–	–	–	–	–	7	–	–	7	–	7
Transfer of fair value gain to profit and loss on disposal of available-for-sale investment	–	–	–	–	–	(337)	–	–	(337)	–	(337)
Total comprehensive income for the year	–	–	–	–	–	(330)	10,566	223,509	233,745	4,744	238,489
Dividend paid (note 12)	–	–	–	–	–	–	–	(42,970)	(42,970)	–	(42,970)
At 31 March 2009 (restated)	266,480	–	–	–	15,650	–	29,607	492,508	804,245	10,007	814,252
Exchange differences arising on translation	–	–	–	–	–	–	(427)	–	(427)	–	(427)
Release of exchange differences on liquidation of a subsidiary	–	–	–	–	–	–	(138)	–	(138)	–	(138)
Profit for the year	–	–	–	–	–	–	–	605,799	605,799	11,546	617,345
Total comprehensive income for the year	–	–	–	–	–	–	(565)	605,799	605,234	11,546	616,780
Acquisition of 70% of interests in Famous Bedding (as defined below)	16,132	–	(16,132)	–	–	–	–	–	–	–	–
Issue of shares for acquisition of additional 30% equity interest of Famous Bedding	6,914	14,753	–	(3,714)	–	–	–	–	17,953	(17,953)	–
Transfer to PRC statutory reserves	–	–	–	–	11,743	–	–	(11,743)	–	–	–
Dividend paid by Famous Bedding prior to its acquisition by the Group	–	–	–	–	–	–	–	(8,400)	(8,400)	(3,600)	(12,000)
Dividend paid (note 12)	–	–	–	–	–	–	–	(268,400)	(268,400)	–	(268,400)
At 31 March 2010	289,526	14,753	(16,132)	(3,714)	27,393	–	29,042	809,764	1,150,632	–	1,150,632

Notes:

(i) Special reserve arising from the acquisition of 70% equity interest of Famous Bedding Company Limited ("Famous Bedding" and together with its subsidiaries referred to as "Famous Bedding Group") through the Corporate Reorganisation (as defined in note 2) represents the difference between the nominal value of share capital of Famous Bedding on the date of acquisition and the nominal value of the shares issued by the Company as consideration for the acquisition (as detailed in note 2).

(ii) Other reserve arose from the acquisition of the additional 30% equity interest of Famous Bedding from Weston International Investment Limited ("Weston International"), which was wholly owned by Mr. Yu Tung Wan, a director of the Company, as described in note 2. It represents the difference between the carrying amount of net assets of Famous Bedding Group at the date of acquisition attributable to the additional interest and the fair value of consideration paid by the Company for this acquisition.

(iii) The statutory reserve represents the amount transferred from profit after taxation of the subsidiaries established in the mainland People's Republic of China (the "PRC") in accordance with the relevant PRC laws until the PRC statutory reserve reaches 50% of the registered capital of the respective subsidiaries. The statutory reserve cannot be reduced except where approval is obtained form the relevant PRC authority to apply the amount either in setting off the accumulated losses or increasing capital.

Consolidated Statement of Cash Flows

For the year ended 31 March 2010

	2010 HK$'000	2009 HK$'000 (restated)
OPERATING ACTIVITIES		
Profit before income tax	**668,912**	249,452
Adjustments for:		
Amortisation of intangible assets	**52**	–
Depreciation	**37,454**	37,254
Finance costs	**4,244**	8,031
Gain on disposal of available-for-sale investment	**–**	(337)
Gain on liquidation of a subsidiary	**(138)**	–
(Gain) loss on disposal of property, plant and equipment	**(86)**	148
Gain on fair value change of investment properties	**(1,755)**	(1,205)
Impairment loss on trade receivables	**1,107**	3,641
Interest income	**(3,542)**	(436)
Listing expenses	**19,988**	–
Release of lease premium for land	**1,300**	1,020
Share of loss (profit) of jointly controlled entities	**1,889**	(5)
Operating cash flows before movements in working capital	**729,425**	297,563
(Increase) decrease in inventories	**(101,868)**	17,396
(Increase) decrease in trade receivables	**(45,625)**	18,820
(Increase) decrease in other receivables and prepayments	**(47,209)**	21,486
(Increase) decrease in derivative financial instruments	**(4,109)**	373
Increase (decrease) in trade payables	**51,087**	(15,284)
Increase in other payables and accruals	**75,983**	5,152
Cash generated from operations	**657,684**	345,506
Interest paid	**(4,244)**	(8,031)
Interest received	**3,542**	436
Income tax paid	**(50,796)**	(12,667)
NET CASH FROM OPERATING ACTIVITIES	**606,186**	325,244
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(86,757)**	(86,397)
Payment of lease premium for land	**(50,993)**	–
Deposits paid for acquisition of property, plant and equipment	**(6,281)**	(715)
Loan to a jointly controlled entity	**(4,995)**	–
Purchase of intangible assets	**(1,658)**	–
Capital (contribution to) refund from jointly controlled entities	**(5)**	1,582
Proceeds from disposal of property, plant and equipment	**208**	1,709
Deposits paid for lease premium for land	**–**	(4,545)
Proceeds from disposal of available-for-sale investment	**–**	3,531
Increase in pledged bank deposits	**–**	(3,531)
NET CASH USED IN INVESTING ACTIVITIES	**(150,481)**	(88,366)

Consolidated Statement of Cash Flows

For the year ended 31 March 2010

	2010 HK$'000	2009 HK$'000 (restated)
FINANCING ACTIVITIES		
Dividends paid	**(280,400)**	(42,970)
Repayment of bank borrowings	**(60,240)**	(73,560)
Listing expenses paid	**(19,988)**	–
Repayment to directors	**(5,554)**	(1,427)
Decrease in trust receipt loans	**(2,961)**	(32,800)
New bank borrowings raised	**60,000**	105,500
Advances from directors	**–**	3,411
NET CASH USED IN FINANCING ACTIVITIES	**(309,143)**	(41,846)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**146,562**	195,032
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**229,325**	33,241
Effect of foreign exchange rate changes	**(427)**	1,052
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**375,460**	229,325

1. GENERAL

The Company was incorporated and registered as an exempted company with limited liability in Bermuda under the Companies Act 1981 of Bermuda (as amended) and was previously listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"). Pursuant to a privatisation which was completed in September 2009, the Company was delisted from the SGX-ST on 15 September 2009. Through Corporate Reorganisation, as defined and more fully explained in note 2, Man Wah Investments Limited ("Man Wah Investments"), the ultimate holding company of the Company, and Weston International, which was wholly owned by Mr. Yu Tung Wan, a director of the Company, transferred their entire interest in Famous Bedding to the Company by means of an exchange of shares on 7 December 2009. The Famous Bedding Group is engaged primarily in the manufacturing, the trading and distribution of mattress and bedding accessories in the PRC. The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 9 April 2010.

The Company acts as an investment holding company. The principal activities of its subsidiaries and jointly controlled entities are set out in notes 38 and 17, respectively.

The address of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The Company's ultimate holding company is Man Wah Investments, which is controlled by Mr. Wong Man Li, a director of the Company, throughout the years ended 31 March 2009 and 2010. From 1 April 2008 to 17 June 2009, Man Wah Investments was the immediate holding company of the Company. From 18 June 2009 until completion of the Corporate Reorganisation explained in note 2, Alina Limited, which is controlled by Man Wah Investments, was the immediate holding company of the Company. After the Corporate Reorganisation (as define below), Man Wah Investments has become the immediate holding company of the Company.

The functional currency of the Company is United States dollars. The consolidated financial statements of the Group are presented in Hong Kong dollars for the convenience of the shareholders of the Company as the Company has been listed in Hong Kong since 9 April 2010.

2. GROUP REORGANISATION AND BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

In preparation for the listing of the Company's shares on the Stock Exchange, the entire equity interests of Famous Bedding was transferred to the Company by means of an exchange of shares on 7 December 2009 (the "Corporate Reorganisation"). Famous Bedding was incorporated on 26 April 2006 in Hong Kong with limited liabilities and was 70% owned by Man Wah Investments and 30% owned by Weston International which was wholly owned by Mr. Yu Tung Wan, a director of the Company, from 1 April 2008 to the date of the exchange of shares. The Company issued a total of 57,616,000 new shares of HK$0.40 each with 40,331,000 shares issued to Man Wah Investments and 17,285,000 shares issued to Weston International to acquire the respective interests. Famous Bedding became a wholly-owned subsidiary of the Company after the Corporate Reorganisation. Details of the Corporate Reorganisation were set out in the prospectus dated 18 March 2010 issued by the Company.

The consolidated financial statements of the Group throughout the two years ended 31 March 2009 and 2010 have been prepared as if the Company had always been the holding company of Famous Bedding. The financial information of the Famous Bedding Group has been incorporated in the consolidated financial statements using the principles of merger accounting as if the 70% equity interest in Famous Bedding held by Man Wah Investments was owned by the Company throughout the two years ended 31 March 2009 and 2010 and the 30% equity interest in Famous Bedding attributable to Mr. Yu Tung Wan was treated as minority interests up to 7 December 2009. Accordingly, the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows include the results, changes in equity and cash flows of the companies now comprising the Group including the Famous Bedding Group. The consolidated statements of financial position of the Group as at 1 April 2008 and 31 March 2009 have been restated to present the assets and liabilities of the companies now comprising the Group including the Famous Bedding Group.

2. GROUP REORGANISATION AND BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The effects of adoption of merger accounting on the consolidated statement of comprehensive income by line items are as follow:

	2009 HK$'000 (originally stated)	Adjustments on merger accounting (note) HK$'000	2009 HK$'000 (restated)
Revenue	1,856,399	107,438	1,963,837
Cost of goods sold	(1,221,519)	(41,271)	(1,262,790)
Gross profit	634,880	66,167	701,047
Other income	7,231	337	7,568
Other gains and losses	11,069	–	11,069
Selling and distribution expenses	(298,736)	(31,715)	(330,451)
Administrative expenses	(115,399)	(16,356)	(131,755)
Share of (loss) profit of jointly controlled entities	5	–	5
Finance costs	(8,031)	–	(8,031)
Profit before income tax	231,019	18,433	249,452
Income tax expense	(17,827)	(3,581)	(21,408)
Profit for the year	213,192	14,852	228,044
Profit for the year attributable to:			
Owners of the Company	213,192	10,317	223,509
Minority interests	–	4,535	4,535
	213,192	14,852	228,044

Note: The adjustments are to include the operating results of the Famous Bedding Group as if the Famous Bedding Group was already part of the Group as at 1 April 2008.

2. GROUP REORGANISATION AND BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The effects of application of merger accounting on the consolidated statement of financial position as at 1 April 2008 and 31 March 2009 are summarised below:

	1 April 2008 HK$'000 (originally stated)	Adjustments on merger accounting HK$'000 (note)	1 April 2008 HK$'000 (restated)	31 March 2009 HK$'000 (originally stated)	Adjustments on merger accounting HK$'000 (note)	31 March 2009 HK$'000 (restated)
Non-current assets						
Property, plant and equipment	392,736	6,162	398,898	470,367	10,499	480,866
Investment properties	19,579	–	19,579	21,159	–	21,159
Lease premium for land	45,511	–	45,761	45,761	–	45,761
Interests in a jointly controlled entity	3,616	–	3,616	2,039	–	2,039
Deferred tax assets	220	–	220	473	–	473
Deposits paid for lease premium for land	–	–	–	–	4,545	4,545
Deposit paid for acquisition of property, plant and equipment	23,777	–	23,777	715	–	715
	485,439	6,162	491,601	540,514	15,044	555,558
Current assets						
Inventories	220,393	11,743	232,136	197,631	17,109	214,740
Trade receivables	161,344	10,223	171,567	137,877	10,521	148,398
Other receivables and prepayments	77,633	(4,918)	72,715	54,327	(3,806)	50,521
Lease premium for land	996	–	996	1,023	–	1,023
Available-for-sale investment	3,524	–	3,524	–	–	–
Derivative financial instruments	41,004	–	41,004	23,651	–	23,651
Pledged bank deposits	–	–	–	3,531	–	3,531
Bank balances and cash	29,580	7,546	37,126	195,086	34,239	229,325
	534,474	24,594	559,068	613,126	58,063	671,189

2. GROUP REORGANISATION AND BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	1 April 2008 HK$'000 (originally stated)	Adjustments on merger accounting HK$'000 (note)	1 April 2008 HK$'000 (restated)	31 March 2009 HK$'000 (originally stated)	Adjustments on merger accounting HK$'000 (note)	31 March 2009 HK$'000 (restated)
Current liabilities						
Trade payables	99,502	31,291	130,793	84,073	32,145	116,218
Other payables and accruals	127,258	(20,873)	106,385	110,012	2,234	112,246
Amounts due to directors	–	3,570	3,570	–	5,554	5,554
Tax payable	4,012	492	4,504	11,156	342	11,498
Derivative financial instruments	31,013	–	31,013	14,033	–	14,033
Bank borrowings	87,979	–	87,979	72,868	–	72,868
	349,764	14,480	364,244	292,142	40,275	332,417
Net current assets	184,710	10,114	194,824	320,984	17,788	338,772
Total assets less current liabilities	670,149	16,276	686,425	861,498	32,832	894,330
Non-current liabilities						
Bank borrowings	67,167	–	67,167	77,533	–	77,533
Deferred tax liabilities	525	–	525	1,537	1,008	2,545
	67,692	–	67,692	79,070	1,008	80,078
	602,457	16,276	618,733	782,428	31,824	814,252
Capital and reserves						
Share capital	266,480	–	266,480	266,480	–	266,480
Reserves	335,977	11,013	346,990	515,948	21,817	537,765
Equity attributable to owners of the Company	602,457	11,013	613,470	782,428	21,817	804,245
Minority interests	–	5,263	5,263	–	10,007	10,007
Total equity	602,457	16,276	618,733	782,428	31,824	814,252

Note: The adjustments are to include the assets and liabilities of the Famous Bedding Group at 1 April 2008 and 31 March 2009.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (THE "IFRSs")

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised IFRSs").

IAS 1 (Revised 2007)	Presentation of Financial Statements
IAS 23 (Revised 2007)	Borrowing Costs
IAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
IFRS 1 & IAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
IFRS 2 (Amendment)	Vesting Conditions and Cancellations
IFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
IFRS 8	Operating Segments
IFRIC 9 & IAS 39 (Amendments)	Embedded Derivatives
IFRIC 13	Customer Loyalty Programmes
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of a Net Investment in a Foreign Operation
IFRIC 18	Transfers of Assets from Customers
IFRSs (Amendments)	Improvements to IFRSs issued in 2008, except for the amendment to IFRS 5 that is effective for annual periods beginning on or after 1 July 2009
IFRSs (Amendments)	Improvements to IFRSs issued in 2009 in relation to the amendment to paragraph 80 of IAS 39

Except as described below, the adoption of the new and revised IFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

New and revised IFRSs affecting presentation and disclosure only

IAS 1 (Revised 2007) Presentation of Financial Statements

IAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

In addition, the adoption of IAS 1 (Revised 2007) has resulted in the presentation of a third consolidated statement of financial position as at 1 April 2008 as the Group has made retrospective restatement of items in its consolidated financial statements during the current financial year as a result of the application of merger accounting (see note 2).

IFRS 8 Operating Segments

IFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reportable segments (see note 5) and changes in the basis of measurement of segment profit or loss, segment assets and segment liabilities.

Improving Disclosures about Financial Instruments (Amendments to IFRS 7 Financial Instruments: Disclosures)

The amendments to IFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (THE "IFRSs") (Continued)

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

IFRSs (Amendments)	Amendment to IFRS 5 as part of Improvements to IFRSs 2008[1]
IFRSs (Amendments)	Improvements to IFRSs 2009[2]
IFRSs (Amendments)	Improvements to IFRSs 2010[3]
IAS 24 (Revised)	Related Party Disclosures[4]
IAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
IAS 32 (Amendment)	Classification of Rights Issues[5]
IAS 39 (Amendment)	Eligible Hedged Items[1]
IFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[6]
IFRS 1 (Amendment)	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters[8]
IFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[6]
IFRS 3 (Revised)	Business Combinations[1]
IFRS 9	Financial Instruments[7]
IFRIC 14 (Amendment)	Prepayments of a Minimum Funding Requirement[4]
IFRIC 17	Distributions of Non-cash Assets to Owners[1]
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[8]

1 Effective for annual periods beginning on or after 1 July 2009
2 Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate
3 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
4 Effective for annual periods beginning on or after 1 January 2011
5 Effective for annual periods beginning on or after 1 February 2010
6 Effective for annual periods beginning on or after 1 January 2010
7 Effective for annual periods beginning on or after 1 January 2013
8 Effective for annual periods beginning on or after 1 July 2010

The adoption of IFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 April 2010. IAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new or revised standards, amendments and interpretations will have no material effect on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The consolidated financial statements has been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values, as explained in the accounting policies set out below and are drawn up in accordance with the IFRSs issued by the International Accounting Standards Board.

In addition, the consolidated financial statements includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rule") and by the Hong Kong Companies Ordinance. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statement of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal except for subsidiaries under common control which are accounted for using the principles of merger accounting.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All significant intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Acquisition of additional interests in subsidiaries

When the Group increases its interest in a controlled entity, the difference between the consideration paid by the parent to minority shareholder and the carrying value of the ownership interests acquired by the parent is recognised in other reserve.

Interests in jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of net assets of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

When a group entity transacts with a jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period to the net carrying amount on initial recognition. Interest income and expense is recognised on an effective interest basis.

Financial assets

Loans and receivables

Trade and other receivables, loan to a jointly controlled entity, bank balances and cash and pledged bank deposits that have fixed or determinable payments and are not quoted in an active market are classified as “loans and receivables”. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate method, except for short-term receivables when the recognition of interest would be immaterial.

Available-for-sale investment

Available-for-sale investment is non-derivative that is either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. At the end of each reporting period subsequent to initial recognition, available-for-sale investment is stated at fair value. Fair value is determined in the manner described in note 35. Gains and losses arising from changes in fair value of available-for-sale assets are recognised directly in the revaluation reserve with the exception of foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the revaluation reserve is included in profit or loss for the year.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. The change in fair value attributable to translation differences are recognised in other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 – 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial assets' original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale investment, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit and loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-equity investments, any subsequent in fair value after an impairment loss, is recognised directly in equity.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to receive cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial assets, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Trade and other payables, amounts due to directors and bank borrowings are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expenses on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Inventories

Inventories are stated at the lower of costs and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in making the sales.

Lease premium for land

Lease premium for land are up-front payments to acquire leasehold interests in lessee-occupied properties. The premiums are stated at cost and are released over the period of the lease on a straight-line basis to profit or loss.

Property, plant and equipment

Property, plant and equipment other than construction in progress are stated at cost less accumulated depreciation and any accumulated impairment losses.

Property, plant and equipment in the course of construction for production or administrative purposes are carried at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost of assets, other than construction in progress, over their estimated useful lives using the straight-line method.

The estimated useful lives and depreciation method are reviewed at each year end with effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

Investment properties, which are properties held to earn rentals and/or capital appreciation, are measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at their fair values at the end of the reporting period. Gains/losses arising from changes in the fair values of the investment properties are included in profit or loss in the year in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on a straight-line basis over their estimated useful lives.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Rental income from properties under operating lease is recognised on a straight-line basis over the term of the relevant lease.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered service entitling them to the contributions. Payments made to retirement benefit schemes, such as the Mandatory Provident Fund schemes in Hong Kong and PRC state-managed retirement benefits schemes, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the subsidiaries operate by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated statement of financial position and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is charged or credited to profit or loss, except when it relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity, in which case the deferred tax is also recognised outside profit or loss, either in other comprehensive income or directly in equity respectively.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currency transactions and translation

In preparing the financial statements of each individual group entities, transactions in currencies other than the entity's functional currency (i.e. the currency of the primary economic environment in which the entity operates) are recorded at the rates of exchange prevailing on the date of the transactions. At the end of reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the group entities which are stated at functional currency other than Hong Kong dollars are expressed in Hong Kong dollars using exchange rates prevailing the end of the reporting period. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in the translation reserve. Any translation differences in relation to foreign operation are recognised in profit or loss in the period in which the foreign operation is disposed of.

Cash and cash equivalent

Cash and cash equivalent comprises cash at bank, cash on hand and bank deposits less bank overdrafts and are subject to an insignificant risk of changes in value.

5. REVENUE AND SEGMENT INFORMATION

Revenue represents the amounts received and receivable for goods sold, net of sales taxes and return.

The Group has adopted IFRS 8 "Operating Segments" with effect from 1 April 2009. IFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, being the Company's executive directors, for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor standard (IAS 14 "Segment Reporting") required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of IFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with IAS 14.

In prior years, segment information reported externally was analysed on the basis of the types of goods supplied by the Group's operating divisions (i.e. sales of sofas and sales of other furniture). However, information reported to the Company's executive directors in respect of the sofas business is more specifically focused on the location of customer for the sofas sold. Furthermore, the Corporate Reorganisation that was completed during the current year involving the acquisition of the Famous Bedding Group, as detailed in note 2, has resulted in an additional bedding products segment which is reported separately to the Company's executive directors for the purpose of allocating resources to the segment and assessing the performance of the Group. The Group's operating and reportable segments under IFRS 8 are therefore as follows:

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

The Company's executive directors make decision 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 different operating segments. Therefore, only the segment revenue and segment results are presented.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 4. Segment results represent the profits before income tax earned by each segment without allocation of interest income, finance costs, rental income, net exchange gain/loss, central administrative costs and director's salaries, fair value gain on investment properties, gain on liquidation of a subsidiary, gain on disposal of available-for-sale investment, share of profit (loss) of jointly controlled entities and change in fair value of derivative financial instruments.

Amounts reported for the prior year have been restated to conform to the requirements of IFRS 8.

5. REVENUE AND SEGMENT INFORMATION (Continued)

The information of segment revenue and segment results are as follows:

For the year ended 31 March 2010

	Sofa (export sales) HK$'000	Sofa (retail and wholesales in the PRC) HK$'000	Sofa (retail and wholesales in Hong Kong) HK$'000	Bedding products HK$'000	Elimination HK$'000	Total HK$'000
REVENUE						
External sales	2,060,441	556,950	121,436	193,390	–	2,932,217
Inter-segment sales	63,172	28,244	–	9,755	(101,171)	–
	2,123,613	585,194	121,436	203,145	(101,171)	2,932,217
RESULTS						
Segment results	490,345	138,547	14,440	78,422	(20,325)	701,429
Interest income						3,542
Rental income						2,473
Exchange loss – net						(7,512)
Gain on liquidation of a subsidiary						138
Fair value gain on investment properties						1,755
Change in fair value of derivative financial instruments						18,463
Finance costs						(4,244)
Central administrative costs and directors' salaries						(45,243)
Share of loss of jointly controlled entities						(1,889)
Profit before income tax						668,912

Inter-segment sales are charged at prevailing market rates.

5. REVENUE AND SEGMENT INFORMATION (Continued)

For the year ended 31 March 2009 (restated)

	Sofa (export sales) HK$'000	Sofa (retail and wholesales in the PRC) HK$'000	Sofa (retail and wholesales in Hong Kong) HK$'000	Bedding products HK$'000	Elimination HK$'000	Total HK$'000
REVENUE						
External sales	1,364,811	368,736	113,183	117,107	–	1,963,837
Inter-segment sales	53,787	9,669	–	17,820	(81,276)	–
	1,418,598	378,405	113,183	134,927	(81,276)	1,963,837
RESULTS						
Segment results	140,194	73,214	20,112	21,348	(266)	254,602
Interest income						436
Rental income						2,722
Exchange loss – net						(2,075)
Fair value gain on investment properties						1,205
Gain on disposal of available-for-sale investment						337
Change in fair value of derivative financial instruments						15,391
Finance costs						(8,031)
Central administrative costs and directors' salaries						(15,140)
Share of profit of a jointly controlled entity						5
Profit before income tax						249,452

Inter-segment sales are charged at prevailing market rates.

5. REVENUE AND SEGMENT INFORMATION (Continued)

Other information:

For the year ended 31 March 2010

	Sofa (export sales) HK$'000	Sofa (retail and wholesale in the PRC) HK$'000	Sofa (retail and wholesale in Hong Kong) HK$'000	Bedding product HK$'000	Total HK$'000
Amounts included in the measure of segment profit:					
(Loss) gain on disposal of property, plant and equipment	**(15)**	**–**	**(23)**	**124**	**86**
Depreciation and amortisation	**11,548**	**8,190**	**12,873**	**4,895**	**37,506**
Release of lease premium for land	**1,300**	**–**	**–**	**–**	**1,300**
Impairment loss on trade receivables	**1,106**	**–**	**–**	**1**	**1,107**

For the year ended 31 March 2009

	Sofa (export sales) HK$'000	Sofa (retail and wholesale in the PRC) HK$'000	Sofa (retail and wholesale in Hong Kong) HK$'000	Bedding product HK$'000	Total HK$'000
Amounts included in the measure of segment profit:					
(Loss) gain on disposal of property, plant and equipment	(126)	(87)	146	(81)	(148)
Depreciation and amortisation	10,927	11,741	12,977	1,609	37,254
Release of lease premium for land	1,020	–	–	–	1,020
Impairment loss on trade receivables	3,624	9	8	–	3,641

5. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical information:

Revenue from external customers by geographical location of customers are as follows:

	2010	2009
	HK$'000	HK$'000
United States of America	**1,334,464**	777,410
Canada	**188,040**	113,810
PRC (including Hong Kong)	**871,776**	599,026
Europe (note)	**392,885**	348,614
Others (note)	**145,052**	124,977
	2,932,217	1,963,837

Note: The countries included in these two categories included mainly United Kingdom, Ireland, Spain, Australia and Taiwan. No further analysis by countries of these two categories is presented because the revenue from each individual country is insignificant to the total revenue.

All of the Group's non-current assets, excluded loan to a jointly controlled entity and deferred tax assets, are located in the PRC (including Hong Kong) at the end of the reporting period.

Information about major customers and suppliers:

During the year, none of the Group's customers individually contributed more than 10% of the Group's revenue (2009: Nil). The top five customers contributed around 25% (2009: 25%) of revenue of the Group for the year ended 31 March 2010.

During the year, the largest Group's supplier contributed around 15% of the Group's purchase (2009: 10%). The top five suppliers contributed around 40% (2009: 37%) of purchase the Group for the year ended 31 March 2010.

Revenue from major products:

The Group's revenue from its major products, sofa and mattress and bedding products was disclosed in the segment revenue above.

6. OTHER GAINS AND LOSSES

	2010	2009
	HK$'000	HK$'000
Gain on changes in fair value of derivative financial instruments	**18,463**	15,391
Exchange loss – net	**(7,512)**	(2,075)
Gain on liquidation of a subsidiary (note)	**138**	–
Gain on disposal of available-for-sale investment	**–**	337
Fair value gain on investment properties	**1,755**	1,205
Gain (loss) on disposal of property, plant and equipment	**86**	(148)
Impairment loss on trade receivables	**(1,107)**	(3,641)
	11,823	11,069

Note: On 2 February 2010, the liquidation of a subsidiary, Shenzhen New Uifa Furniture (Shenzhen) Co., Ltd. ("New Uifa"), was completed. New Uifa was an inactive company with no assets and liabilities on the liquidation date. The gain on liquidation represents the translation gain realised on liquidation.

7. FINANCE COSTS

	2010	2009
	HK$'000	HK$'000
Interest expense on:		
Trust receipt loans	**9**	1,320
Bank borrowings wholly repayable within five years	**4,235**	6,711
	4,244	8,031

8. INCOME TAX EXPENSE

	2010 HK$'000	2009 HK$'000 (restated)
Current tax:		
Hong Kong	**6,873**	10,656
PRC Enterprise Income Tax	**42,498**	8,404
	49,371	19,060
(Over) under provision in prior years:		
Hong Kong	**(236)**	655
PRC Enterprise Income Tax	**271**	(74)
	35	581
Deferred tax (note 18):		
Current year	**2,161**	1,767
	51,567	21,408

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced the tax rate of Hong Kong Profit Tax from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

PRC Enterprise Income Tax is calculated at the prevailing tax rate on taxable income determined in accordance with the relevant laws and regulations in the PRC.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "EIT Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the EIT Law. The EIT Law and Implementation Regulations unified the tax rate to 25% for all PRC subsidiaries from 1 January 2008. There is a transitional period for PRC subsidiaries that are currently entitled to preferential tax treatments granted by the relevant tax. PRC subsidiaries currently subject to an enterprise income tax rate lower than 25% may continue to enjoy the lower tax rate and be gradually transitioned to the new unified rate of 25% within five years after 1 January 2008.

The EIT Law imposes withholding tax upon the distribution of the profits earned by the Company's PRC subsidiaries on or after 1 January 2008 to their non-resident shareholders, details of which are set out in note 18.

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.

8. INCOME TAX EXPENSE (Continued)

The tax charge for the year can be reconciled to the profit before income tax per the consolidated statement of comprehensive income as follows:

	2010 HK$'000	2009 HK$'000 (restated)
Profit before income tax	**668,912**	249,452
Tax at the Hong Kong Profit Tax rate (note a)	**110,370**	41,160
Tax effect of expenses not deductible in determining taxable profit	**6,386**	4,084
Tax effect of income not taxable in determining taxable profit	**(478)**	(321)
Underprovision in prior years	**35**	581
Effect of different tax rates of subsidiaries operating in other jurisdiction	**2,925**	1,892
Tax effect of tax losses not recognised	**558**	3,157
Tax effect on withholding tax arising on undistributed profits of the PRC subsidiaries	**1,968**	1,008
Tax effect of profit of subsidiaries under concessionary rate (note b)	**(5,450)**	(8,932)
Tax effect of profit of a subsidiary under tax exemption in Macau	**(64,747)**	(21,221)
Tax charge for the year	**51,567**	21,408

Notes:

(a) Hong Kong Profit Tax rate is the applicable tax rate of the Group as the Group has profits subject to Hong Kong Profit Tax rate and central managerial and administrative function of the Group are carried out in Hong Kong. The applicable tax rate is 16.5% for both years.

(b) Pursuant to the relevant laws and regulations in the PRC, Man Wah Huizhou, Man Wah Furniture (SZ) and Bedding SZ (as defined in note 38) are exempted from the PRC enterprise income tax for two years starting from their first profit making year, followed by a 50% reduction on tax rate for the next three years. The first profit-making year of Man Wah Huizhou, Man Wah Furniture (SZ) and Bedding SZ were 2007, 2005 and 2004 respectively.

9. PROFIT FOR THE YEAR

	2010 HK$'000	2009 HK$'000 (restated)
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments (note 10)	**8,540**	7,028
Other staff costs		
Salaries and other allowances	**227,106**	177,098
Retirement benefit scheme contributions, excluding those of directors	**3,209**	4,605
Total staff costs	**238,855**	188,731
Auditor's remuneration	**2,000**	2,300
Release of lease premium for land	**1,300**	1,020
Amortisation of intangible assets (recognised in selling and distribution expenses)	**52**	–
Depreciation	**37,454**	37,254
Cost of inventories recognised as an expense	**1,670,282**	1,257,572
Impairment loss recognised on interest in a jointly controlled entity	**2,039**	–
Research and development expenditure (recognised in cost of goods sold)	**5,280**	5,218
Listing expenses	**19,988**	–
Interest income	**(3,542)**	(436)
Rental income from investment properties	**(2,473)**	(2,722)

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors

Details of the emoluments paid to the directors of the Company for the year are as follows:

For the year ended 31 March 2010

Name of directors	Directors' fee HK$'000	Salaries and other allowances HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Mr. Wong Man Li	–	1,880	12	1,892
Ms. Hui Wai Hing	–	1,508	12	1,520
Mr. Li Jianhong	–	1,892	12	1,904
Mr. Stephen Allen Barr (note i)	–	273	–	273
Mr. Yu Tung Wan	–	637	–	637
Mr. Francis Lee Fook Wah	–	1,912	12	1,924
Mr. Ong Chor Wei (note ii)	15	–	–	15
Mr. Lee Teck Leng Robson (note iii)	180	–	–	180
Ms. Chan Wah Man Carman (note iv)	15	–	–	15
Mr. Chau Shing Yim David (note v)	15	–	–	15
Mr. Bernard Tay Ah Kong (note vi)	165	–	–	165
	390	8,102	48	8,540

Notes:

(i) Mr. Stephen Allen Barr was appointed as a director of the Company on 5 March 2010.

(ii) Mr. Ong Chor Wei was appointed as a non-executive director on 5 March 2010.

(iii) Mr. Lee Teck Leng Robson resigned and was re-appointed as an independent non-executive director on 15 September 2009 and 5 March 2010 respectively.

(iv) Ms. Chan Wah Man Carman was appointed as an independent non-executive director on 5 March 2010.

(v) Mr. Chau Shing Yim David was appointed as an independent non-executive director on 5 March 2010.

(vi) Mr. Bernard Tay Ah Kong resigned as an independent non-executive director on 15 September 2009.

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

For the year ended 31 March 2009

Name of directors	Directors' fee HK$'000	Salaries and other allowances HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Mr. Wong Man Li	–	1,500	12	1,512
Ms. Hui Wai Hing	–	1,200	12	1,212
Mr. Li Jianhong	–	1,644	12	1,656
Mr. Yu Tung Wan	194	–	–	194
Mr. Francis Lee Fook Wah	287	1,507	12	1,806
Mr. Lee Teck Leng Robson	324	–	–	324
Mr. Bernard Tay Ah Kong	324	–	–	324
	1,129	5,851	48	7,028

The five highest paid individuals of the Group for the year ended 31 March 2009 included four directors of the Company. The remuneration of the remaining individual was HK$3,837,000. The individual was appointed as a director of the Company on 5 March 2010. The remuneration of the individual from 1 April 2009 up to the date of appointment as a director of the Company was HK$4,037,000. The remuneration of the individual, together with other top five highest paid individuals (which are directors of the Company) for the year ended 31 March 2010 and 2009 are as follows:

	2010 HK$'000	2009 HK$'000
Salaries and other allowances	**11,502**	9,975
Retirement benefits scheme contributions	**48**	48
	11,550	10,023

Their emoluments were within the following bands:

	2010 HK$'000	2009 HK$'000
HK$1,000,001 to HK$1,500,000	**–**	1
HK$1,500,001 to HK$2,000,000	**4**	3
HK$3,500,001 to HK$4,000,000	**–**	1
HK$4,000,001 to HK$4,500,000	**1**	–

During the year, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office (2009: nil). None of the directors waived any emoluments during the year (2009: nil).

11. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year is based on the following data:

	2010	2009 (restated)
Earnings		
Profit attributable to owners of the Company (HK$'000)	605,799	223,509
Number of shares		
Weighted average number of ordinary shares ('000)	711,977	706,531
Earnings per share		
Earnings per share (HK cents)	85.09	31.63

The weighted average number of shares for calculating basic earnings per share for each of the two years ended 31 March 2010 has been retrospectively adjusted for the issuance of 40,331,000 shares of the Company as a result of the acquisition of 70% equity interest of Famous Bedding as described in note 2.

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

12. DIVIDENDS

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

	2010 HK$'000	2009 HK$'000
Final dividend for 2008 of HK$0.0379 per share	–	25,249
Interim dividend for 2010 of HK$0.4029 (2009: HK$0.0266 for 2009) per share	268,400	17,721
Total paid	268,400	42,970

In addition, an interim dividend of HK$120,000 in respect of the year ended 31 March 2010 has been declared by Famous Bedding during the year prior to the completion of the Corporate Reorganisation.

A final dividend of HK 16 cents per share and a special dividend of HK 6 cents per share in respect of the year ended 31 March 2010, amounting to approximately HK$213,650,000 has been proposed by the Board and is subject to approval by the shareholders in the forthcoming annual general meeting.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fittings and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
COST							
At 1 April 2008 (restated)	281,512	41,723	93,620	11,064	14,139	4,241	446,299
Exchange adjustment	8,388	970	1,227	309	335	332	11,561
Additions	1,450	8,985	36,549	6,382	4,801	52,007	110,174
Transfers	1,638	1,459	2,513	2,535	–	(8,145)	–
Disposals/written off	–	(4,978)	(144)	(222)	(3,495)	–	(8,839)
At 31 March 2009 (restated)	292,988	48,159	133,765	20,068	15,780	48,435	559,195
Additions	2,358	5,812	14,781	5,478	2,773	56,270	87,472
Transfers	55,969	33,368	3,265	4,983	–	(97,585)	–
Disposals/written off	–	(11,635)	–	(69)	(309)	–	(12,013)
At 31 March 2010	351,315	75,704	151,811	30,460	18,244	7,120	(634,654)
ACCUMULATED DEPRECIATION							
At 1 April 2008 (restated)	7,610	12,824	18,272	4,500	4,195	–	47,401
Exchange adjustment	131	188	181	76	80	–	656
Provided for the year	5,322	15,392	12,166	1,991	2,383	–	37,254
Eliminated on disposals/written off	–	(4,948)	(114)	(204)	(1,716)	–	(6,982)
At 31 March 2009 (restated)	13,063	23,456	30,505	6,363	4,942	–	78,329
Provided for the year	5,403	11,602	13,953	3,801	2,695	–	37,454
Eliminated on disposals/written off	–	(11,559)	–	(54)	(278)	–	(11,891)
At 31 March 2010	18,466	23,499	44,458	10,110	7,359	–	103,892
CARRYING VALUES							
At 31 March 2010	332,849	52,205	107,353	20,350	10,885	7,120	530,762
At 31 March 2009 (restated)	279,925	24,703	103,260	13,705	10,838	48,435	480,866
At 31 March 2008 (restated)	273,902	28,899	75,348	6,564	9,944	4,241	398,898

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings	50 years or over the term of the relevant lease for land, whichever is shorter
Leasehold improvements	5 years or over the term of the relevant lease, whichever is shorter
Plant and machinery	10%
Furniture, fittings and office equipment	20%
Motor vehicles	20%

The Group's property interests of the buildings are situated in the PRC.

14. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 April 2008	19,579
Exchange differences	375
Fair value gain	1,205
At 31 March 2009	21,159
Fair value gain	1,755
At 31 March 2010	22,914

The investment properties were stated at fair value as at 31 March 2010 based on the professional valuation carried out by DTZ Debenham Tie Leung Limited, an independent firm of professional valuer and at fair value at 31 March 2009 by Greater China Appraisal Limited, by adopting the direct comparison approach making reference to comparable sales evidence. Both DTZ Debenham Tie Leung Limited and Greater China Appraisal Limited are independent firms of professional valuers.

The carrying value of investment properties shown above comprises:

	31.3.2010 HK$'000	31.3.2009 HK$'000
Properties in Hong Kong under long lease	**10,300**	9,000
Properties in the PRC under medium-term lease	**12,614**	12,159
	22,914	21,159

15. LEASE PREMIUM FOR LAND

The Group's leasehold land is held under medium-term lease of 50 years and is situated in the PRC.

	31.3.2010 HK$'000	31.3.2009 HK$'000	1.4.2008 HK$'000
Analysed for reporting purposes as:			
Current assets	**2,134**	1,023	996
Non-current asset	**98,888**	45,761	45,511
	101,022	46,784	46,507

The Group's leasehold land with carrying amount of HK$8,144,000 as at 31 March 2009 had been pledged as securities to obtain bank loan facilities. The pledge was discharged during the year ended 31 March 2010 upon the repayment of bank loans.

16. INTANGIBLE ASSETS

	Trademarks HK$'000
COST	
Additions and at 31 March 2010	1,658
AMORTISATION	
Charge for the year and at 31 March 2010	52
CARRYING VALUE	
At 31 December 2010	1,606

The Group's trademarks were acquired from third parties.

The above intangible assets have finite useful lives and are amortised on a straight-line basis over 8 years.

17. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	31.3.2010 HK$'000	31.3.2009 HK$'000	1.4.2008 HK$'000
Costs of investment in jointly controlled entities – unquoted	**2,044**	1,731	3,313
Share of post-acquisition (loss) profit	**(1,889)**	308	303
	155	2,039	3,616
Loan to a jointly controlled entity (note)	**4,995**	–	–
	5,150	2,039	3,616

Note: The amount is unsecured, interest-free and with no fixed repayment terms. The Group will not demand for repayment in the next twelve months from 31 March 2010 and the amount is therefore shown in the consolidated statement of financial position as a non-current asset.

17. INTERESTS IN JOINTLY CONTROLLED ENTITIES (Continued)

As at 31 March 2010 and 2009, the Group had interest in the following jointly controlled entities:

Name of jointly controlled entities	Form of business structure	Place of establishment/ incorporation	Class of shares held	Effective equity interest and voting power held by the Group 2010 %	2009 %	Principal activity
Huizhou Ao Li Electronic Technology Co., Ltd. ("Huizhou Ao Li") 惠州市傲力電子科技有限公司	Incorporated	The PRC	Registered capital	**50**	50	Manufacturing and trading of massage chairs and has become inactive since July 2008
Home Expo (Hong Kong) Limited 家居博覽(香港)有限公司 (note (i))	Incorporated	Hong Kong	Ordinary shares	**50**	N/A	Sub-leasing of properties

Note:

(i) Being newly incorporated on 6 August 2009.

The summarised financial information in respect of the Group's jointly controlled entities attributable to the Group's interest therein is set out below:

	31.3.2010 HK$'000	31.3.2009 HK$'000	1.4.2008 HK$'000
Current assets	**4,904**	5,384	4,079
Non-current assets	**96**	1,699	973
Current liabilities	**4,845**	1,502	3,017
Revenue	**6,764**	4,668	7,613
Expenses	**6,614**	4,663	7,283

18. DEFERRED TAXATION

	31.3.2010 HK$'000	31.3.2009 HK$'000 (restated)	1.4.2008 HK$'000 (restated)
Deferred tax assets	**(280)**	(473)	(220)
Deferred tax liabilities	**4,513**	2,545	525
	4,233	2,072	305

The following are the major tax assets and liabilities recognised by the Group and movements thereon during the year:

	Withholding tax HK$'000	**Accelerated (accounting) tax depreciation** HK$'000	**Investment properties** HK$'000	**Total** HK$'000
At 1 April 2008 (restated)	–	(94)	399	305
Charge to profit or loss	1,008	741	18	1,767
At 31 March 2009 (restated)	1,008	647	417	2,072
Charge to profit or loss	1,968	73	120	2,161
At 31 March 2010	2,976	720	537	4,233

The Group had unused tax losses of HK$41,355,000 (31.3.2009: HK$39,486,000) as at 31 March 2010. No deferred tax asset has been recognised due to the unpredictability of future profit stream. The unused tax losses can be carried forward up to five years from the years in which the loss was originated to offset future taxable profits, with expiry dates ranging from 2013 to 2014.

Under the EIT Law as described in note 8, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Except for deferred tax liability of HK$2,976,000 (31.3.2009: HK$1,008,000) which has been provided for as at 31 March 2010, deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$295,748,000 (31.3.2009: HK$51,106,000) as at 31 March 2010 as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

19. INVENTORIES

	31.3.2010 HK$'000	31.3.2009 HK$'000 (restated)	1.4.2008 HK$'000 (restated)
Raw materials	**159,628**	88,837	149,346
Work-in-progress	**22,420**	17,446	20,734
Finished goods	**134,560**	108,457	62,056
	316,608	214,740	232,136

20. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	31.3.2010 HK$'000	31.3.2009 HK$'000 (restated)	1.4.2008 HK$'000 (restated)
Trade receivables			
Trade and bills receivables	**195,707**	151,457	171,567
Less: allowance for doubtful debts	**(2,791)**	(3,059)	–
	192,916	148,398	171,567
Other receivables and prepayments			
Valued added taxes recoverable	**54,284**	21,215	44,306
Deposits	**13,284**	10,808	16,420
Sundry receivables	**16,193**	7,637	8,050
Prepayments	**12,067**	8,971	3,939
Amount due from a jointly controlled entity (Note)	**1,902**	1,890	–
	97,730	50,521	72,715

Note: The amount due from a jointly controlled entity is trade in nature, unsecured, interest-free and aged over 365 days (2009: 0 – 30 days) based on the invoice date at the end of the reporting periods. The Group has not provided impairment loss for the amount as there has not been a significant change in credit quality and the amount is still receivable.

20. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

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

	31.3.2010 **HK$'000**	31.3.2009 HK$'000
Trade and bills receivables:		
0 – 30 days	**111,131**	79,172
31 – 60 days	**58,167**	46,262
61 – 90 days	**19,649**	17,503
Over 90 days	**3,969**	5,461
	192,916	148,398

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines its credit limits based on results from investigation of historical credit records of these customers.

The trade receivable balances of HK$188,102,000 (31.3.2009: HK$129,183,000) are neither past due nor impaired at the end of the reporting period for which the Group has not provided for impairment loss since they are mainly the customers with good credit quality.

Included in the Group's trade and bills receivable balance are receivables with aggregate carrying amount of approximately HK$4,814,000 (31.3.2009: HK$19,215,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still receivable. The Group does not hold any collateral over these balances.

Aging of trade and bills receivables which are past due but not impaired

	31.3.2010 **HK$'000**	31.3.2009 HK$'000
31 – 60 days	**627**	2,235
61 – 90 days	**218**	11,519
Over 90 days	**3,969**	5,461
	4,814	19,215

20. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

Movement in the allowance for doubtful debts

	31.3.2010 HK$'000	31.3.2009 HK$'000
Balance at beginning of the year	**3,059**	–
Impairment losses recognised on trade receivables	**1,107**	3,641
Amounts written-off as uncollectible	**(1,375)**	(582)
Balance at end of the year	**2,791**	3,059

The Group has provided fully for all receivables over 365 days because historical experience is such that receivables that are past due beyond 365 days are generally not recoverable.

The Group's trade and other receivables that are not denominated in the functional currencies of the respective entities are as follows:

	31.3.2010 HK$'000	31.3.2009 HK$'000
Trade receivables		
Hong Kong dollars	**3,925**	3,448
Other receivables		
Hong Kong dollars	**432**	542

21. AVAILABLE-FOR-SALE INVESTMENT

The investment represented a quoted investment fund in Hong Kong. The fair value was based on the quoted closing market price on the last market date of the financial year. It was sold during the year ended 31 March 2009.

22. DERIVATIVE FINANCIAL INSTRUMENTS

	31.3.2010 HK$'000	31.3.2009 HK$'000	1.4.2008 HK$'000
Derivatives not under hedge accounting:			
Fair value of foreign currency forward contracts			
– assets	**14,711**	23,651	41,004
– liabilities	**(984)**	(14,033)	(31,013)

At the end of the reporting period, the fair values of the Group's outstanding foreign currency forward contracts are measured using prevailing forward exchange rates matching the remaining maturities of the contracts.

Major terms of foreign currency forward contracts outstanding at 31 March 2010 and 2009 are as follows:

Notional amount	**Maturity**	**Exchange rates**	**Fair value** HK$'000
31.3.2010			
Buy USD in total of USD145,000,000	Ranging from 1 April 2010 to 25 March 2011	RMB/USD ranging from 6.6360 to 6.7803	**12,319**
Sell USD in total of USD77,000,000	Ranging from 15 April 2010 to 16 March 2011	RMB/USD ranging from 6.7465 to 6.8420	**2,392**
Sell USD in total of USD78,000,000	Ranging from 1 April 2010 to 25 March 2011	RMB/USD ranging from 6.7370 to 6.8224	**(984)**
			13,727
31.3.2009			
Sell USD in total of USD71,000,000	Ranging from 1 April 2009 to 21 January 2010	RMB/USD ranging from 6.3932 to 7.2970	(14,033)
Buy USD in total of USD72,000,000	Ranging from 2 April 2009 to 19 January 2010	RMB/USD ranging from 6.2870 to 7.1000	23,651
			9,618

Changes in the fair values of non-hedging foreign currency forward contacts amounting to gain of HK$18,463,000 (31.3.2009: HK$15,391,000) have been recognised in profit or loss.

23. PLEDGED BANK DEPOSITS/BANK BALANCES

Pledged bank deposits of the Group represent deposits pledged as securities to obtain facilities for bank loans and carries interest rate at 0.01% (2009: 0.01%) per annum.

Bank balances carry interest at prevailing deposit rates as follows:

	31.3.2010 %	31.3.2009 % (restated)	1.4.2008 % (restated)
Range of interest rates	**0.05 – 1.00**	0.05 – 1.00	0.05 – 1.00

The Group's significant cash and bank balances that are not denominated in the functional currencies of the respective entities are as follows:

	31.3.2010 HK$'000	31.3.2009 HK$'000 (restated)
Unites States dollars	**129,456**	33,445
Hong Kong dollars	**7,069**	2,487

24. TRADE AND OTHER PAYABLES AND ACCRUALS

	31.3.2010 HK$'000	31.3.2009 HK$'000 (restated)	1.4.2008 HK$'000 (restated)
Trade and bills payables	**167,305**	116,218	130,793
Other payables and accruals			
Trade deposits received	**75,317**	53,913	34,161
Accruals	**97,713**	49,481	64,057
Amount due to a jointly controlled entity	**–**	–	3,969
Others	**15,199**	8,852	4,198
	188,229	112,246	106,385

The average credit period on purchase of goods is 30 to 60 days.

24. TRADE AND OTHER PAYABLES AND ACCRUALS (Continued)

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

	31.3.2010 HK$'000	31.3.2009 HK$'000
0 – 30 days	**148,665**	98,060
31 – 60 days	**16,865**	17,353
61 – 90 days	**763**	468
Over 90 days	**1,012**	337
	167,305	116,218

The Group's other payables that are not denominated in the functional currencies of the respective entities are as follows:

	31.3.2010 HK$'000	31.3.2009 HK$'000
Other payables		
Hong Kong dollars	**5,495**	4,550

25. AMOUNTS DUE TO DIRECTORS

The amounts due to directors were unsecured, interest-free and mainly represent short-term advances from the directors. The amounts have been fully settled during the year ended 31 March 2010.

26. BANK BORROWINGS

	31.3.2010 HK$'000	31.3.2009 HK$'000	1.4.2008 HK$'000
Trust receipt loans	**–**	2,961	35,761
Bank overdrafts	**–**	–	3,885
Bank loans	**147,200**	147,440	115,500
	147,200	150,401	155,146
Analysed as:			
Secured	**87,200**	51,940	56,000
Unsecured	**60,000**	98,461	99,146
	147,200	150,401	155,146

26. BANK BORROWINGS (Continued)

Carrying amount repayable:

	31.3.2010 HK$'000	31.3.2009 HK$'000
On demand or within one year	**125,240**	72,868
More than one year, but not exceeding two years	**21,960**	64,407
More than two years, but not exceeding five years	**–**	13,126
	147,200	150,401
Less: Amounts due within one year shown under current liabilities	**125,240**	72,868
	21,960	77,533

The Group's bank borrowings carry interest at variable rates which are mainly subject to interest at Hong Kong Interbank Offered Rate plus a spread, ranging from 1.25% to 2.75% or best lending rate quoted by the Hongkong and Shanghai Banking Corporation Limited plus 1% ("Best Lending Rate") for the year. The effective interest rates of the above variable-rate bank borrowings were as follows:

	31.3.2010 %	31.3.2009 %
Trust receipt loans	**–**	6.8
Bank loan	**2.5**	5.1

The Group's bank borrowings that are not denominated in the functional currencies of the respective entities are as follows:

	31.3.2010 HK$'000	31.3.2009 HK$'000
Hong Kong dollars	**147,200**	147,440

27. SHARE CAPITAL

	Number of shares '000	Amounts HK$'000
Authorised:		
Ordinary shares at 1 April 2008, 31 March 2009 and 31 March 2010 – HK$0.40 each	1,250,000	500,000
Issued and fully paid:		
At 1 April 2008 and 31 March 2009	666,200	266,480
Issued during the year	57,616	23,046
At 31 March 2010	723,816	289,526

For the purposes of these consolidated financial statements, the balance of issued and fully paid share capital at 1 April 2008 and 31 March 2009 presented in the consolidated statement of financial position represents the aggregate of the share capital of the Company as above and 70% of the share capital of Famous Bedding prior to the Corporate Reorganisation.

As detailed in note 2, pursuant to the Corporate Reorganisation, the Company issued 57,616,000 new shares of HK$0.40 each, with 40,331,000 shares to Man Wah Investments and 17,285,000 shares to Weston International. These shares were credited as fully paid up as consideration for the acquisition of the entire equity interest in Famous Bedding. The new shares rank pari passu with the existing shares in all respects.

28. FINANCIAL INFORMATION OF THE COMPANY

	31.3.2010 HK$'000	31.3.2009 HK$'000
Total assets	**331,453**	270,351
Total liabilities	**1,320**	751
Total assets and liabilities	**330,133**	269,600
Capital and reserves		
Share capital	**289,526**	266,480
Reserves	**40,607**	3,120
Total equity	**330,133**	269,600

29. RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees.

The employees of the Group in the PRC are members of government-managed retirement benefit schemes operated by the respective local government in the PRC. The Group is required to contribute a specified percentage of payroll cost to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to these schemes is to make the specified contributions.

30. RELATED PARTY DISCLOSURES

(I) Related party transactions

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

	2010	2009
	HK$'000	HK$'000
Rental expense paid to related parties (note (i))	**1,590**	2,393
Rental expense paid to a jointly controlled entity	**1,328**	–
Legal fees paid to a law firm (note (ii))	**–**	1,272

Notes:

(i) Mr. Wong Man Li and Ms. Hui Wai Hing, who are directors of the Company, are also directors and shareholders of these related companies.

(ii) Mr. Lee Teck Leng Robson, who is an independent non-executive director of the Company, is also a partner of this law firm.

In addition, during the year ended 31 March 2010, the Group acquired equity interests of Famous Bedding from its ultimate holding company and from a company controlled by a director of the Company, through the Corporate Reorganisation, details of which are set out in note 2.

(II) Related party balances

Details of outstanding balances with related parties of the Group are set out in notes 17, 20 and 25.

(III) Compensation of key management personnel

The emoluments of directors who are also identified as members of key management of the Group during the year are set out in note 10.

31. PLEDGE OF ASSETS

At the end of the reporting period, the following assets were pledged to banks for banking facilities of the Group:

	31.3.2010 HK$'000	31.3.2009 HK$'000
Bank deposits	**3,531**	3,531
Buildings	**–**	30,771
Investment properties	**10,300**	9,000
Plant and machinery	**17,616**	42,288
Lease premium for land	**–**	8,144
	31,447	93,734

32. OPERATING LEASES

The Group as lessee

	2010 HK$'000	2009 HK$'000
Minimum lease payments paid under operating lease recognised as an expense	**73,346**	52,252

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2010 HK$'000	2009 HK$'000
Within one year	**35,754**	45,166
In the second to fifth year inclusive	**11,564**	10,963
	47,318	56,129

Operating lease payments represent rentals payable by the Group for certain of its office premises and retail shops. Leases are negotiated and rentals are fixed for a period of one to three years.

32. OPERATING LEASES (Continued)

The Group as lessor

Property rental income earned during the year was as follows:

	2010 HK$'000	2009 HK$'000
Rental income	2,473	2,722
Less: outgoings	(22)	(22)
	2,451	2,700

The properties have committed tenants at the end of the reporting period as follows:

	2010 HK$'000	2009 HK$'000
Within one year	2,762	2,258
In the second to fifth year inclusive	4,210	86
	6,972	2,344

The properties generate rental yields of 11% (2009: 12%) on an ongoing basis. All of the properties held have committed tenants for the next two years.

33. CAPITAL COMMITMENTS

	31.3.2010 HK$'000	31.3.2009 HK$'000
Capital expenditure contracted for but not provided for in the consolidated financial statements in respect of acquisition of property, plant and equipment	98,897	20,845
Capital expenditure authorised for but not provided for in the consolidated financial statements in respect of construction of production plant	800,000	–

34. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the group companies will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The overall strategy remains unchanged from prior year.

The capital structure of the Group consists of bank borrowings and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost and the risks associates with each class of the capital. Based on the recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total equity as shown in the consolidated statement of financial position. The Group's overall strategy remains unchanged from 2009. The gearing ratio at 31 March 2009 and 2010 were as follows:

	31.3.2010 HK$'000	31.3.2009 HK$'000 (restated)	1.4.2008 HK$'000 (restated)
Total borrowings	**147,200**	155,955	158,716
Total equity	**1,150,632**	814,252	618,733
Gearing ratio (%)	**12.8%**	19.2%	25.6%

35. FINANCIAL INSTRUMENTS

Categories of financial instruments

	31.3.2010 HK$'000	31.3.2009 HK$'000 (restated)	1.4.2008 HK$'000 (restated)
Financial assets			
Derivative financial instruments	**14,711**	23,651	41,004
Loans and receivables (including cash and cash equivalents)	**594,997**	390,781	216,743
Available-for-sale financial asset	**–**	–	3,524
Financial liabilities			
Derivative financial instruments	**984**	14,033	31,013
Amortised cost	**329,704**	281,025	297,676

35. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives

The directors of the Company monitor and manage the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The Group's major financial instruments include loan to a jointly controlled entity, trade and other receivables, amounts due to directors, trade and other payables, available-for-sale financial asset, derivative financial instruments, bank balances and cash, pledged bank deposits and bank loans. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. There has been no change to the Group's exposure to financial risks or the manner in which it manages and measures the risk.

Currency risk

The Group's exposure to currency risk attributable to the trade and other receivables, bank balances, trade and other payables and bank loans, which are denominated in currencies other than the functional currency of the entity to which they related (mainly between Hong Kong dollars against United States dollars) are disclosed in respective notes. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. Since Hong Kong dollar is pegged to United States dollars, the Group does not expect any significant movements in Hong Kong dollars/United States dollars exchange rate.

Details of foreign currency forward contracts entered into by the Group as at the end of reporting period are set out in note 22. The management considered that the currency risk in relation to the foreign currency forward contracts is insignificant based on a 5% change in the foreign currency against United States dollars.

Interest rate risk

Interest rate risk arises from the potential changes in interest rates that may have an adverse effect on the Group's results for the current reporting period and in future years. The Group is exposed to cash flow interest rate risk arising from the volatility of Hong Kong Interbank Offered Rate or Best Lending Rate as all of bank loans and trust receipts loans and cash and cash equivalents are on floating rate basis or at prevailing deposit rate. The Group generally does not take a speculative view on the movement in interest rates and, therefore, does not actively use interest rate derivative instruments to hedge exposed risks.

Management considered that the exposure to interest rates on its variable-rated borrowing is limited. A 50 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates. A 50 basis points change in interest rate, with all other variables were held constant, would not have a significant effect on the Group's profit. The management considered the Group's exposure to interest-bearing bank balances as they are within short maturity period.

35. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives (Continued)

Credit risk

Credit risk refers to the risk that debtors will default on their obligations to repay the amounts owing to the Group, resulting in a loss to the Group. The Group has adopted procedures in extending credit terms to customers and in monitoring its credit risk.

The Group's current credit practices include assessing the customers' credit reliability and periodic review of their financial status to determine credit limits to be granted.

The credit risk on liquid funds is limited because the counterparties are banks which are reputable in the opinion of management.

The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at end of the financial year in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position of the Group.

Significant concentrations of credit risk

Concentrations of credit risk exist when changes in economic, industry or geographical factors similarly affect the Group's counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure.

The Group has concentration of credit risk as 9% (2009: 5%) and 25% (2009: 25%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively, which engaged in furniture trading. Apart from delegating a team for determining the credit limits, credit approval and other monitoring procedures on customers, the Group had also explored new markets and new customers in order the minimise the concentration of credit risk. Other than the above, no other concentration of credit risk on Group's trade receivables.

Liquidity risk management

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of borrowings on a regular basis.

The following tables detail Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest dates on which the Group can be required to pay. The tables includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash outflows on derivative instruments that settle on a net basis, and the undiscounted gross (inflows) and outflows on those derivatives that require gross settlement. The derivative financial instruments are denominated in United States dollars and RMB. The undiscounted cash flows for these contracts are represented by the notional amount of the contracts multiplied by the contractual forward rate. The amounts are then translated to Hong Kong dollars using the exchange rates prevailing at the end of the reporting period for the presentation in the liability tables. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

35. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives (Continued)

Liquidity risk management (Continued)

Liquidity tables

	Weighted average effective interest rate %	Less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 March 2010							
Non-derivative financial liabilities							
Trade and other payables	–	182,504	–	–	–	182,504	182,504
Bank borrowings – variable rate	2.51	–	71,819	55,540	23,536	150,895	147,200
		182,504	71,819	55,540	23,536	333,399	329,704
Derivatives – gross settlement							
Foreign currency forward contracts (liabilities)							
– inflow		(62,400)	(70,200)	(397,800)	–	(530,400)	
– outflow		61,962	69,676	391,269	–	522,907	
		(438)	(524)	(6,531)	–	(7,493)	984

35. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives (Continued)

Liquidity risk management (Continued)

Liquidity tables

	Weighted average effective interest rate %	Less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 March 2009							
Non-derivative financial liabilities							
Trade and other payables	–	42,025	83,045	–	–	125,070	125,070
Amounts due to directors	–	5,554	–	–	–	5,554	5,554
Bank borrowings – variable rate	5.10	–	13,021	59,847	81,487	154,355	150,401
		47,579	96,066	59,847	81,487	284,979	281,025
Derivatives – net settlement							
Foreign currency forward contracts		–	–	422	–	422	464
Derivatives – gross settlement							
Foreign currency forward contracts (liabilities)							
– inflow		(81,653)	(249,901)	(133,250)	–	(464,804)	
– outflow		85,800	257,400	132,600	–	475,800	
		4,147	7,499	(650)	–	10,996	13,569

35. FINANCIAL INSTRUMENTS (Continued)

Fair value measurement of financial assets and financial liabilities

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 2 based on the degree to which the fair value is observable.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

	31.3.2010 **HK$'000**
Level 2	
Derivative financial assets	**14,711**
Derivative financial liabilities	**(984)**

There were no transfer between Level 1 and 2 in the current year.

The fair values of financial assets and financial liabilities are determined as follows:

- foreign currency forward contracts are measured using quoted forward exchange rates matching the remaining maturities of the contracts.
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions for similar instruments.

The fair value of financial assets and financial liabilities carried at amortised cost in the consolidated financial statements approximate their carrying amounts.

36. SHARE OPTION SCHEME

Share option scheme

Pursuant to a resolution passed on 26 April 2005, the Company adopted a share option scheme of the Company (the "Old Share Option Scheme"). The primary purpose of the Old Share Option Scheme is to provide an opportunity for the employees (excluding executive directors) of the Company to participate in the equity of the Company so as to motivate them to greater dedication, loyalty and higher standards of performance and to recognise the employees of the Company and any of its subsidiaries who have contributed to the success and development of the Company.

(a) Under the Old Share Option Scheme, an option entitles the option holder to subscribe for a specific number of new ordinary shares of HK$0.40 each in the Company comprised in the option at a subscription price per share determined with reference to the market price of the shares of the Company on the SGX-ST at the time of grant of the option. The Remuneration Committee of the Company may at its discretion, fix that subscription price at a discount up to 20% off market price but not lower than the par value of the shares. The consideration for the grant of an option is HK$1.00. Options granted with the subscription price set at a discount to the market price of the Company shall only be exercised after the second anniversary from the date of grant of the option. Options granted with the subscription price fixed at a price equal to the average of the last dealt market prices for a share for the five consecutive market days immediately preceding the grant of the relevant option shall only be exercised after the first anniversary from the date of grant of that option.

    The shares under option may be exercised in whole or in part on the payment of the relevant subscription price. Options granted will lapse when the option holder ceases to be a full-time employee of the Company or its subsidiaries subject to certain exceptions at the discretion of the Company. The Old Share Option Scheme shall continue in operation for a maximum duration of 10 years commencing on the date on which the Old Share Option Scheme was adopted.

(b) The number of shares available under the Old Share Option Scheme shall not exceed 15% of the issued share capital of the Company. There were no unissued shares of the Company under options granted pursuant to Old Share Option Scheme.

(c) During the financial year, no options to take up unissued shares of the Company were granted.

The Old Share Option Scheme was cancelled subsequent to the delisting of the Company from the SGX-ST during the year ended 31 March 2010.

On 5 March 2010, the Scheme which complies with the requirements of Chapter 17 of the Listing Rules was adopted by the shareholders of the Company (the "New Share Option Scheme").

The purpose of the New Share Option Scheme is to enable the Company to grant share options to selected participants as incentives or rewards for their contributions to the Company and/or its subsidiaries and/or its associated companies. The New Share Option Scheme will remain in force for a period of 10 years commencing on 5 March 2010, being the date of adoption of the New Share Option Scheme, to 4 March 2020.

36. SHARE OPTION SCHEME (Continued)

Share option scheme (Continued)

Under the New Share Option Scheme, the directors may, at their discretion, offer directors (including executive and non-executive directors), executives, officers, employees or shareholders of the Company or any of its subsidiaries, and any suppliers, customers, consultants, advisers, agents, partners or business associates who, in the sole discretion of the directors, will contribute or have contributed to the Company or any of its subsidiaries or any of its associated companies, share options to subscribe for shares of the Company. The total number of shares of the Company which may be issued upon exercise of all outstanding share options granted under the New Share Option Scheme is 96,508,800 which represents approximately 9.94% of the issued share capital of the Company as at the date of authorising these financial statements. The maximum number of shares of the Company available for issue upon exercise of all share options which may be granted under the New Share Option Scheme is 96,508,800, representing approximately 9.94% of the issued share capital of the Company as at the date of authorising these financial statements. The total number of shares of the Company issued and to be issued upon the exercise of share options granted under the New Share Option Scheme (including exercised, cancelled and outstanding share options) to each grantee in any 12-month period up to the date of grant shall not exceed 1% of the issued share capital of the Company as at the date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of in aggregate 0.1% of the shares of the Company in issue (based on the date of offer) and an aggregate value of HK$5,000,000 (based on the closing price of the Company's shares at the date of each offer), within any 12-month period, are subject to shareholders' approval in advance in a general meeting. Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors.

The period during which a share option may be exercised will be determined by the directors at their absolute discretion, save that no share option may be exercised more than 10 years after it has been granted under the New Share Option Scheme. There is no requirement that a share option must be held for any minimum period before it can be exercised but the directors are empowered to impose at their discretion any such minimum period at the time of grant of any share options.

The exercise price in relation to each share option will be determined by the directors at their absolute discretion and shall not be less than the highest of (i) the official closing price of the shares of the Company as stated in the daily quotation sheet of the Hong Kong Stock Exchange on the date of offer of share options; (ii) the average of the official closing prices of the shares of the Company as stated in the daily quotation sheets of the Hong Kong Stock Exchange for the five business days immediately preceding the date of offer of share options; and (iii) the nominal value of the share of the Company on the date of offer of share options. Each of the grantees is required to pay HK$1 as consideration for the grant of share options in accordance with the New Share Option Scheme. The offer of share options must be accepted within 28 days from the date of the offer.

Share options do not confer rights on the holders to dividends or to vote at general meetings.

No share option was granted, exercised or cancelled in accordance with the terms of the New Share Option Scheme during the year.

36. SHARE OPTION SCHEME (Continued)

Share Award Scheme

The shareholders of the Company approved the Man Wah Share Award Scheme (the "Share Award Scheme") at a special general meeting held on 25 March 2009.

Under the Share Award Scheme, employees who are granted share awards upon the satisfaction of certain performance targets set for each individual will receive fully paid shares in the Company two years after the grant date. The share awards will be deemed void in certain situations, including situations where the award holder ceases to be a full-time employee of the Company or the Group, becomes bankrupt or misconducts.

Upon vesting of the share awards, the Company may deliver shares to the employees by way of: (i) an allotment and issue of new shares fully paid or credited as upon their issuance and allotment and/or (ii) the transfer of existing shares acquired and held as treasury shares. The number of shares to be issued or transferred to the employees will be calculated based on the issue price of the new shares or the price at which the shares were bought back respectively.

The Share Award Scheme shall continue in operation for a maximum duration of 10 years commencing on the date on which the Share Award Scheme is adopted by the Company. The aggregate number of shares available under the New Share Option Scheme and Share Award Scheme shall not exceed 15% of the issued share capital of the Company. There were no unissued shares of the Company under awards granted pursuant to the Share Award Scheme.

The Share Award Scheme was cancelled subsequent to the delisting of the Company from the SGX-ST during the year ended 31 March 2010.

37. EVENT AFTER THE REPORTING PERIOD

On 9 April 2010, the Company completed a global offering and issued 241,272,000 new shares at a price of HK$6.8 per share. The Company's share have been listed on the Stock Exchange since then.

On 22 April 2010, an over-allotment option was partially exercised and a further 6,047,600 shares of HK$0.4 each of the Company were issued at HK$6.8 per share. The additional proceeds received from the over-allotment option was approximately HK$41,100,000.

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries as at 31 March 2010 and 2009 are as follows:

Name of subsidiary	Country of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Group 31 March 2010	2009	Principal activities
Directly owned					
Man Wah Group Limited	British Virgin Islands ("BVI")	US$50,000	**100%**	100%	Investment holding
Man Wah USA, Inc.	United States of America	US$310,000	**100%**	100%	Advertising and marketing of home finishing products
Indirectly owned					
Man Wah Industrial Company Limited 敏華實業有限公司	Hong Kong	HK$3,000,000	**100%**	100%	Investment holding, manufacturing and trading of sofa and other furniture
Man Wah (Macao Commercial Offshore) Limited 敏華(澳門離岸商業服務)有限公司	Macau	MOP100,000	**100%**	100%	Offshore sales, management business consultancy, back office support
Man Wah Industrial (Wujiang) Co., Ltd.*1 敏華實業(吳江)有限公司	The PRC	US$60,000,000	**100%**	100%	Manufacturing and trading of sofa, bedding products, other furniture and foam
Man Wah (International) Industrial Limited 敏華(國際)實業有限公司	Hong Kong	HK$100	**100%**	100%	Trading of sofa and other furniture and property investment
Man Wah Rong Furniture (Shenzhen) Co., Ltd.*1 敏華榮家具(深圳)有限公司	The PRC	US$200,000	**100%**	100%	Designing and manufacturing of sofa and trading of other furniture

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Country of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Group 31 March 2010	2009	Principal activities
Indirectly owned (Continued)					
New Uifa 新歐化家具製造（深圳）有限公司*2, 3	The PRC	RMB4,000,000	**N/A**	100%	Manufacturing of foam and inactive since December 2007
Man Wah Furniture Manufacturing (Huizhou) Co., Ltd.*1 敏華家具製造（惠州）有限公司 ("Man Wah Huizhou")	The PRC	US$54,800,000	**100%**	100%	Manufacturing and trading of sofa
Man Wah Furniture Manufacturing (Shenzhen) Co., Ltd.*1 敏華家具製造（深圳）有限公司 ("Man Wah Furniture (SZ)")	The PRC	HK$1,000,000	**100%**	100%	Manufacturing of sofa
Shenzhen Carnival Home Furnishing Co., Ltd.*2 深圳嘉年名華家具有限公司	The PRC	RMB500,000	**100%**	100%	Trading of sofa and other furniture
Shanghai Carnival Home Furnishing Co., Ltd.*2 上海嘉年名華家具製造有限公司	The PRC	RMB1,000,000	**100%**	100%	Trading of sofa and other furniture
Huizhou Carnival Home Furnishing Co., Ltd*2 惠州市嘉年名華家具有限公司	The PRC	RMB500,000	**100%**	100%	Trading of sofa and other furniture
Guangzhou Man Wah Home Furnishing Co., Ltd.*2 廣州敏華家具有限公司	The PRC	RMB500,000	**100%**	100%	Trading of sofa and other furniture

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Country of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Group 31 March 2010	2009	Principal activities
Indirectly owned (Continued)					
Wuhan Man Wah Home Furnishing Co., Ltd.*2 武漢敏華家具有限公司	The PRC	RMB500,000	**100%**	100%	Trading of sofa and other furniture
Shanghai Man Wah Furniture Co., Ltd.*2 上海敏華家具有限公司	The PRC	RMB1,000,000	**100%**	100%	Trading of sofa and other furniture
Nanchang Man Wah Furniture Co., Ltd.*2 南昌敏華家具有限公司	The PRC	RMB500,000	**100%**	100%	Trading of sofa and other furniture
Hangzhou Man Wah Furniture Co., Ltd.*2 杭州名華軒家具有限公司	The PRC	RMB500,000	**100%**	N/A	Trading of sofa and other furniture
Xi An Man Wah Furniture Co., Ltd.*2 西安名華軒家具有限公司	The PRC	RMB500,000	**100%**	N/A	Trading of sofa and other furniture
Zhuhai Man Wah Furniture Co., Ltd.*2 珠海敏華家具有限公司	The PRC	RMB500,000	**100%**	N/A	Trading of sofa and other furniture
Dongguan Man Wah Furniture Co., Ltd.*2 東莞敏華家具有限公司	The PRC	RMB500,000	**100%**	N/A	Trading of sofa and other furniture
Dalian Man Wah Furniture Co., Ltd.*2 大連敏華家具有限公司	The PRC	RMB500,000	**100%**	N/A	Trading of sofa and other furniture
Famous Bedding 雅典床具有限公司	Hong Kong	HK$100	**100%**	70%	Investment Holding

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Country of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Group 31 March 2010	2009	Principal activities
Indirectly owned (Continued)					
King Famous Bedding Manufacturing (Shenzhen) Co., Ltd.*1 金雅典床具制造(深圳)有限公司 ("Bedding SZ")	The PRC	HK$1,000,000	**100%**	70%	Manufacturing and trading of mattress and bedding accessories
Chengdu Minhua Furniture Co., Ltd.*2 成都敏華家具有限公司	The PRC	RMB100,000	**100%**	70%	Trading of mattress and sofa
Beijing Min Hua Ai Meng Furniture Co., Ltd.*2 北京敏華愛蒙家具有限公司	The PRC	RMB500,000	**100%**	70%	Trading of mattress
Shenzhen An Lan Da Furniture Co., Ltd.*2 深圳安蘭大家具有限公司	The PRC	RMB500,000	**100%**	70%	Trading of mattress
Guangzhou An Lan Da Furniture Co., Ltd.*2 廣州安蘭大家具有限公司	The PRC	RMB500,000	**100%**	70%	Trading of mattress

* English translated name is for identification only.

1 These companies were established in the PRC in the form of wholly foreign-owned enterprise with limited liability.

2 These companies were established in the PRC in the form of domestic enterprise with limited liability.

3 New Uifa was liquidated on 2 February 2010.

None of the subsidiaries had any loan capital subsisting at the end of the year or at any time during the year.

Particulars of Major Properties

Location		Existing use	Lease term	Attributable interest of the Group
Investment properties				
1.	All the portion of Ground Floor and whole of 1st Floor (and the flat roof appertaining thereto), Circle Court, Nos. 3 & 5 Java Road, North Point, Hong Kong	Commercial	Long	100%
2.	Factory No. 1 and portion of Dormitory No. 1 located at Man Wah Technological and Industrial Zone, Western Section of Daya Bay Economic and Technological Development Zone, Huizhou City, Guangdong Province, the PRC	Industrial	Long	100%
Buildings				
3.	Unit 1904, Tower 1, Huiyang World Trade Plaza, Baiyun Er Road, Danshui Town, Huiyang District, Huizhou City, Guangdong Province, the PRC	Commercial	Long	100%
4.	Portion held for owner occupation in Industrial Complex located at Man Wah Technological and Industrial Zone Western Section of Daya Bay Economic and Technological Development Zone, Huizhou City, Guangdong Province, the PRC	Industrial	Long	100%

Location		Existing use	Lease term	Attributable interest of the Group
Buildings				
5.	Industrial Complex located at Man Wah Industrial Zone No. 189 Industrial District, Henggang Town, Longgang, Shenzhen City, Guangdong Province, the PRC	Industrial	Medium	100%
6.	Wujiang Economic Development Zone, Wujiang City, Jiangsu Province, the PRC	Industrial	Long	100%

Financial Summary

	Year ended 31st March				
	2006 HK$'000	2007 HK$'000 (restated)	2008 HK$'000 (restated)	2009 HK$'000 (restated)	**2010** **HK$'000**
RESULTS					
Revenue	536,016	884,870	1,543,089	1,963,837	**2,932,217**
Profit before income tax	87,462	101,973	202,700	249,452	**668,912**
Income tax expenses	(4,074)	(5,044)	(5,553)	(21,408)	**(51,567)**
Profit for the year	83,388	96,929	197,147	228,044	**617,345**
Attributable to					
– Equity holders of the Company	83,388	94,945	194,089	223,509	**605,799**
– Minority interests	–	1,984	3,058	4,535	**11,546**
	83,388	96,929	197,147	228,044	**617,345**
Earnings per share					
– Basic (HK cents)	HK$30.32	HK$13.52	HK$27.47	HK$31.63	**HK$85.09**

	As at 31st March				
	2006 HK$'000	2007 HK$'000 (restated)	2008 HK$'000 (restated)	2009 HK$'000 (restated)	**2010** **HK$'000**
ASSETS AND LIABILITIES					
Total assets	343,293	652,199	1,050,669	1,226,747	**1,668,971**
Total liabilities	(95,264)	(210,895)	(431,936)	(412,495)	**(518,339)**
	248,029	433,304	618,733	814,252	**1,150,632**
Equity attributable to equity holders of the Company	248,029	438,440	613,470	804,245	**1,150,632**
Minority interests	–	2,864	5,263	10,007	**–**
	248,029	441,304	618,733	814,252	**1,150,632**

Note: The Company has accounted for the Corporate Reorganisation, as defined in note 2 to the consolidated financial statements, in accordance with the principles of merger accounting to prepare the consolidated financial statements, assuming that the current group structure had been in existence throughout the years presented.

In view of immaterial amount involved for year 2006, no prior year figures have been restated.