MAN WAH HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 01999)

First class experience everyday

ANNUAL REPORT 2011

Contents

Corporate Information

BOARD OF DIRECTORS

Wong Man Li *(Chairman and Managing Director)*
Hui Wai Hing
Li Jianhong
Stephen Allen Barr
Yu Tung Wan
Wang Guisheng
Ong Chor Wei *(Non-executive Director)*
Francis Lee Fook Wah *(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

1st Floor, Wah Lai Industrial Center
10-14 Kwei Tei Street, Fotan
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

Directors' Biographies

Executive Directors

Mr. Wong Man Li, aged 46, 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 is also a director of a number of subsidiaries of the Company. He has over 18 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. In January 2011, Mr. Wong was elected as a member and the Director of Sha Tin District Community Fund（沙田社區基金會). In January 2011, Mr. Wong received the 2010 Fellowship Award from Asian College of Knowledge Management and an Honorary Doctorate in Management from Lincoln University (2010年度亞洲知識管理學院院士暨林肯大學榮譽管理博士學位). 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 48, is our executive Director and Vice President (General Administration and Retail Sales). She is also a director of a number of subsidiaries of the Company, and 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 18 years of experience in the furniture industry, over 16 years of which is management experience in our Group.

Mr. Li Jianhong, aged 37, is our executive Director and Chief Operating Officer. Mr. Li joined us in 2000 and was appointed our Director on 26 April 2005. Mr. Li is also a director of a number of subsidiaries of the Company. 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 53, 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 55, 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. He is also a director of a number of subsidiaries of the Company. 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 11 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. Wang Guisheng, aged 41, is our executive Director and Chief Financial Officer. He joined the Company in November 2010 and was appointed as executive Director on 25 May 2011. He received a bachelor's degree from China Institute of Finance 中國金融學院 (now known as University of International Business and Economics 對外經濟貿易大學) in 1993. Mr. Wang is qualified as a Certified Public Accountant with The Chinese Institute of Certified Public Accountants and has been a fellow member of The Association of Chartered Certified Accountants of England since April 2003. Prior to joining the Company, Mr. Wang was the executive director and chief financial officer of Maoye International Holdings Limited (stock code 848), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange"), from 31 August 2007 to 20 October 2010. In addition, Mr. Wang was the executive director of Chengshang Group Co., Ltd. (stock code 600828), a company listed on the Shanghai Stock Exchange, from 19 July 2005 to 20 October 2010 and Qinhuangdao Bohai Logistics Holdings Corporations Ltd. (stock code 000889), a company listed on the Shenzhen Stock Exchange, from 30 June 2010 to 20 October 2010.

Non-executive Director

Mr. Ong Chor Wei, aged 41, is our non-executive Director and was appointed on 5 March 2010. Mr. Ong 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 Limited and Jets Technics International Holdings Limited, 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 20 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.

Mr. Francis Lee Fook Wah, aged 45, is our non-executive Director. He joined us in 2005 as our Chief Financial Officer and was appointed as our executive Director and Finance Director on 8 November 2007. He resigned as Chief Financial Officer, executive Director and Finance Director on 28 January 2011, and was appointed as our non-executive Director. 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 17 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.

Independent non-executive Directors

Mr. Lee Teck Leng, Robson, aged 43, 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 42, 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 17 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. Ms. Chan is currently an independent non-executive director of Global Dairy Holdings Limited (stock code: 1007), a company listed on the Main Board of the Stock Exchange.

Mr. Chau Shing Yim, David, aged 47, 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 Up Energy Development Group Ltd (formerly known as 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.

Chase Excellence


CHEERS

Chairman's Statement

Mr WONG MAN LI
Chairman and Managing Director

Dear Shareholders,

On behalf of the board of directors of Man Wah Holdings Limited ("Man Wah" or the "Company"), I am pleased to present the audited annual results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2011 ("FY2011" or "Review Period").

Business Review

During the Review Period, the Group continued to explore both international and domestic markets, and has obtained satisfactory growth in sales. Meanwhile, we have been enhancing the efficiency of our internal operation to mitigate the adverse effect caused by factors including the surge in raw material prices and operational expenses during the Review Period. We recorded a net profit of approximately HK$621,302,000 for the year.

Review of the United States Market

Through production of quality products with competitive prices, the Group has established an excellent brand image among US retailers. During the Review Period, the Group has gained 16 retail customers in the US. With the strengthening of customers' confidence in the Group, our customers continued to increase their order types. In research and development ("R&D"), we have launched more than 40 new products in the US market, further strengthening the competitive advantages of the Group. According to the market research report of Euromonitor, the market share of the Group in the reclining sofa sector of the US ranked the 8th in the year of 2008, as compared to the 5th in 2010.

Other Overseas Market

In the second half of FY2011, the Group has further strengthened its exploration in European market. Through the localization of the Company's sales team, the Group has been able to stay closer to the market and meet different needs and desires of customers. During 23 to 26 January this year, the Company achieved its maiden participation in the largest furniture exhibition "Interiors 2011" organized in Birmingham, the United Kingdom. During the exhibition, our products were well received by a great deal of new customers, and received new orders of more than USD1.8 million.

The PRC Market

The Group has continued to strengthen its exploration in the PRC market during the Review Period. In the construction of retail network, by the end of FY2011, the total number of retail outlets increased from 509 in early FY2011 to 660. The Group further enhanced its strength of marketing promotion following the increase of retail outlets. To let consumers to have better understanding over function sofa, a rather new product for most Chinese consumers, the Group has tried a lot of innovative marketing strategies, including the slogan of "Bring The First-Class-Cabin Back To Your Home". Through the display of our product in booths similar to a first class aircraft cabin, consumers can closely and directly experience the characteristics of our products.


CHEERS
CHEERS

Internal Operation

As the business of the Group developed rapidly, we set a higher standard for the management team and the operational system. During FY2011, the Group successfully upgraded the Enterprise Resource Planning ("ERP") system to SAP system. The new system covers all important business sectors, including purchase, production, sales, finance and human resources management. The operating efficiency of the Company will be further enhanced with the application of the system. In personnel training, we have selected and sent over 100 managing staff to further study at Beijing University, to raise the managing standard of the team. The Group has developed an effective performance appraisal system, and promoted the incentive-based culture. We have also carried out a share award scheme and a share option scheme during this year to reward our staff who contributed to the development of the Company.

Expansion of capacity

The Group had completed the construction of Phase 3 of our Huizhou facility, increasing the annual capacity of sofas from 516,000 sets to 816,000 sets, laying a foundation for our business growth in the upcoming year.

Prospects

Prospects in the US Market

Apart from maintaining the competitiveness in the quality and price of our products, the Group also started devoting in sales of recliner chairs so as to further increase our market share in the US market. According to the market research report released in April 2011 by Furniture Today, a leading furniture publication in the US, 4.6% of American families plans to purchase one recliner chair in the year of 2011 whereas the ratio was only 3.2% in 2010. Recliner chairs only accounted for a minor share in our business in the past. During the "High Point" furniture fair in the US in April 2011, the Group had launched more than 40 recliner chairs and they were highly welcomed by our clients. Accordingly, recliner chairs will be our new sales driver in the coming year.

Other Overseas Market

The Group will further speed up the development of European and other overseas markets, including the recruitment of more local experienced sales persons, and set up more showrooms so as to stay closer to the local market.

The PRC Market

With the launch of various policies to the effect of boosting domestic demand, the awareness of consumers towards furniture brands gradually increased. More and more consumers would like to choose comfortable furniture products with higher branding efforts and better health standards. This idea matches with our advocated concept of providing healthy, suitable, valuable and trendy products to consumers. We believe that there is still plenty room for development in the PRC's recliner sofa market. As the leader in the PRC's function sofa market, the Group will take up more consumer-oriented responsibilities, and strengthen its market promotion. The Group plans to increase the number of retail outlets in the PRC from 660 at present to 1,000 in two financial years. During this process, we will retain one-third of our outlets as self-operated stores, so that we can keep abreast of the market development.

Enhancing Capacity

As our sales grow steadily, the Group needs to plan ahead the construction of production and distribution facilities to cope with the need of our future development. On the base of the completion of the Phase 3 of our Huizhou facility, the Group is working closely on the construction of a new production base in Wujiang, Jiangsu. The construction of such base will be completed by the second half of 2012. By then, our annual capacity of sofa will be increased from 816,000 sets to 1,116,000 sets. To cope with the capacity demand in the future five to eight years, and to lower the logistics costs and shorten the delivery time, the Group plans to construct a new production base in Tianjin. The project is currently under the preliminary stage of site selection.

Improving Internal Operation

Upon the launch of the new ERP system, the Group has hired internationally renowned consultancy firm in the new financial year to give us suggestions over the improvement of aspects including strategic management, human resources management and production management. The Company will strive to retain its position as the leading manufacturer of recliner sofas and to further enhance the production and operation efficiency through constant self-perfection.

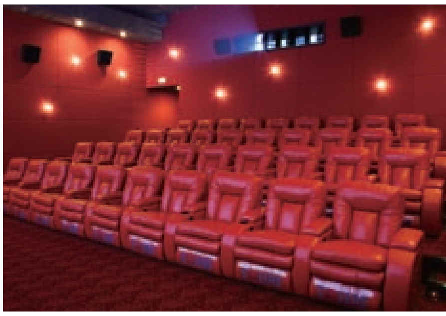
Appreciation

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 Review Period. I would also like to express my sincere gratitude to our valued shareholders and business associates for their support and trust. The Group will continue to strive for strengthening our core competence and securing a leading position among recliner sofa producers around the world.

Wong Man Li
Chairman
Man Wah Holdings Limited

Extraordinary Interpretation

Management Discussion and Analysis



CHINA'S ECONOMIC GROWTH POWER AHEAD

The development trend of the People's Republic of China (the "PRC" or "China") economy in 2009 persisted into 2010. Urbanization continued progressing and the average income per capita for urban residents increased by 11.3% as compared to 2009. The Twelfth Five Year Plan laid out by the Central Government boosted domestic consumption and triggered a significant increase in domestic retail consumption.

According to the data from the National Bureau of Statistics, China's GDP amounted to RMB39.8 trillion in 2010, representing a growth of 10.3% over 2009 which indicated an acceleration in the pace of growth. Given the booming economy and the increase in income per capita, the national consumption continues to rise and drive overall retail spending. Although the government introduced a number of policies in the second half of the year to control inflation, the consumption growth persisted and the annual total retail sales of consumer goods reached RMB15.5 trillion, representing a year on year growth of 18.4%. In particular, retail spending for furniture has increased significantly over the past decade and this paves the way for Man Wah Holdings Limited (the "Company" or "Man Wah") to expand its market share in China in the coming years.

During the year ended 31 March 2011 ("FY2011" or "Review Period"), significant increase in raw material prices and the rise of labour costs added pressure on the manufacturing industry. However, as the purchasing power of China consumers increases, the demand for high-end brand name products also intensified. This would benefit the continuous growth of the mid-high end furniture industry.

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

US & Europe

Towards the end of 2008, the United States of America ("US") government announced stimulus measures, which are aimed at helping to stabilize the housing market together with falling interest rates. These measures as well as other factors have begun to shift the outlook. According to the National Association of Realtors in the US, existing home sales increased 3.7 percent to a seasonally adjusted annual rate of 5.10 million in March 2011 from an upwardly revised 4.92 million in February 2011 but are 6.3 percent below the 5.44 million pace in March 2010.

The National Association of Realtors expects the improving sales pattern to continue. Existing-home sales have risen in six of the past eight months and it shows that the US property market is on a recovery path. With rising jobs and excellent affordability conditions, The National Association of Realtors is projecting moderate improvements into 2012.

According to Euromonitor International Plc ("Euromonitor")'s market survey report published in June 2011 ("Euromonitor report"), the total recliner sofa market volume in the year 2011 will be more than 7,763 million US dollars, represent a year-on-year growth of 8%. Man Wah's market share in US recliner sofa market was 7.3% in 2010, ranked number 5 out of top 10 US recliner sofa brands. In 2008, the market share for Cheers was 2.6%, ranked number 8. This shows Cheers is the fastest growing brand in US recliner sofa market.

In a research report from a leading US furniture magazine "Furniture Today" published on 16 May 2011, the Company has been ranked as the 10th largest furniture source (calculated by total furniture shipments to the US) and number one in the fastest growing furniture company in terms of year on year growth rate in the US furniture market.

PRC

The recliner sofa market in the PRC has enjoyed robust growth in recent years. According to Euromonitor's market survey report retail sale of recliner sofas in the PRC grew from US$110 million in 2006 to US$833 million in 2011, representing a compound annual growth rate ("CAGR") of 66%.

Based on Euromonitor's market survey report, Man Wah continues its leading position in PRC recliner sofa market, and market shares rose from 16.2% to 19.8% during three years from 2008 to 2010.

BUSINESS REVIEW

Man Wah and its subsidiaries (the "Group") achieved remarkable revenue growth in FY2011. During the Review Period, we experienced significant material cost inflation. We successfully maintained our gross profit margin within normal level.

Brand building

In PRC market, we continue to introduce recliner sofa to our customers, which is still relatively new to most of Chinese consumers. At the same time, we keep differentiating ourself as a healthy, comfortable, valuable and fashionable recliner sofa provider.

In oversea markets, we successfully set up our brand image within furniture retailers as high quality recliner sofa provider, with attractive price and reliable delivery time. After years of cooperation with key furniture retailors, we believe we are well recognised by the furniture retailors because of our good quality products with a reasonable price.

During the Review Period, we continued promoting our brand and products through attending a number of major international furniture fairs. This year, we also achieved our maiden participation in United Kingdom largest exhibition "Interiors 2011" in Birmingham from 23 to 26 January 2011. At this exhibition, the Company received more than USD1.8 million orders predominately from new customers.

Product

During the Review Period, our number of employees in product research, design and development team ("R&D team") has increased from last year's 67 to 88. The R&D team include experts from Europe, US and China, with background from sofa design, manufacturing, metal framework design, foam development, motor development, high speed train product development etc. Apart from keep providing more choices of sofa to satisfy different customer needs, the R&D team is also responsible for vertical integration, to further reduce cost, and improve efficiency. During the Review Period, the average material cost rose by 27.6%, but our gross profit margin maintained stable. Part of this achievement came from the effort of our R&D team.

During the Review Period, the R&D team successfully introduced more than 100 new sofa models and received customer orders in the same year.

During the Review Period, we successfully started our cooperation with large commercial clients. By the end of the Review Period, we have already delivered approximately HK$35 million high speed train sofa and other furniture products to customers. We have set up a professional and efficient R&D team to keep developing new furniture products for commercial customers. This will become one of new driver.

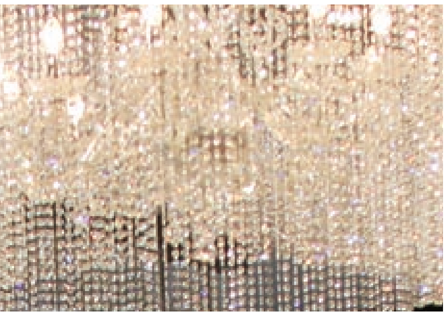
Sales channel

During the Review Period, the Company continues its twin-pronged strategy: prominent retail presence in China and direct exports to oversea customers.

Retail sales

As at 31 March 2011, Man Wah operated 121 "CHEERS" specialty stores and 70 "Enlanda" specialty stores in 18 cities in the PRC, including Shenzhen, Guangzhou, Shanghai and Beijing ("Enlanda" only) and 9 "CHEERS", "Enlanda" and "Morewell" stores in Hong Kong.

As at 31 March 2011, distributors operated 284 Cheers stores, and 185 Enlanda stores in the mainland China market. 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 "Enlanda" specialty stores in major cities in over 20 provinces in the PRC including Beijing ("CHEERS" only), Xiamen, Qingdao, Nanjing, Kunming and Tianjin.



Direct exports

Our "CHEERS" products are exported to overseas retailers, US and Europe are still our key oversea markets. In the US market, we continue to increase our customer base. During the Review Period, we continued to cooperate with major furniture retailers, including Flexsteel Industries Inc, Rooms To Go Furniture Corporation. During the Review Period, we further expanded our customer base. We also successfully began our cooperation with Macy's Inc, a company incorporated in the US. Now our sofa products have been sold in more than 200 Macy's retail department stores in the US. Macy's ordered more models from us significantly. We believe Macy's will become one of our most important customers in the coming year. During the High Point Fair held in April 2011 in the US, we increased 16 retailers as our new customers.

In Europe, we are strengthening more local sales force to have better understanding of customer needs. In the coming financial year, we believe European sales team will bring better growth.

Internal operation

During the Review Period, the Company successfully upgraded its Enterprise Resource Planning ("ERP") system to SAP system. The SAP system can help the Company to integrate all major functions, including procurement, manufacturing, export, local retail management, finance, human resource etc. The SAP system will further improve the Company's operation efficiency, further improve its competitive advantage.

During the Review Period, the Company increased its investment in human resource management. For example, in cooperation with Peking University, the Company launched a tailor made management training course. During the Review Period, more than 100 management level employees attended the course, focusing on marketing and retail management.

In the next year, with the help of some outside consultants, the Company is continuing improve its manufacturing efficiency.

FINANCIAL REVIEW

Revenue and gross profit margin breakdown by export and PRC sales

	Revenue (HK$'000)			**As a percentage of sales (%)**		**Gross profit margin (%)**	
	2011	2010	Change %	**2011**	2010	**2011**	2010
Sofa export sales	**2,733,424**	2,060,441	32.7%	**71.8%**	70.3%	**40.7%**	39.7%
Sofa PRC sales	**760,462**	556,950	36.5%	**20.0%**	19.0%	**44.7%**	43.2%
Bedding PRC sales	**193,034**	193,390	-0.2%	**5.0%**	6.6%	**56.5%**	64.5%
HK retail & wholesale sales	**121,290**	121,436	-0.1%	**3.2%**	4.1%	**46.6%**	60.5%
Total	**3,808,210**	2,932,217	29.9%	**100.0%**	100.0%	**42.5%**	42.9%

For the FY2011, the total revenue of the Group increased by approximately 29.9% to approximately HK$3,808.2 million (financial year ended 31 March 2010 ("FY2010"): HK$2,932.2 million); whereas the gross profit margin was 42.5%. This was slightly lower than last year's 42.9%.

During the Review Period, cost of goods sold increased by 30.8%. The increase was in line with the growth of revenue. During the Review Period, the leather price increased by 39.7% during the whole year, which was the highest increase in the past 20 years. The weighted average material cost increased by 27.6% during the Review Period.

In order to absorb the higher material cost, we reviewed the margin movement closely, and successfully increased our selling price on time.

The average selling price in PRC market increased by 13.0%. During the Review Period we have increased our selling price for three times, ie: 5% in May 2010, 2.5% in October 2010, and then 3% in January 2011. On 1 May 2011, we also increased our selling price again by 5%.

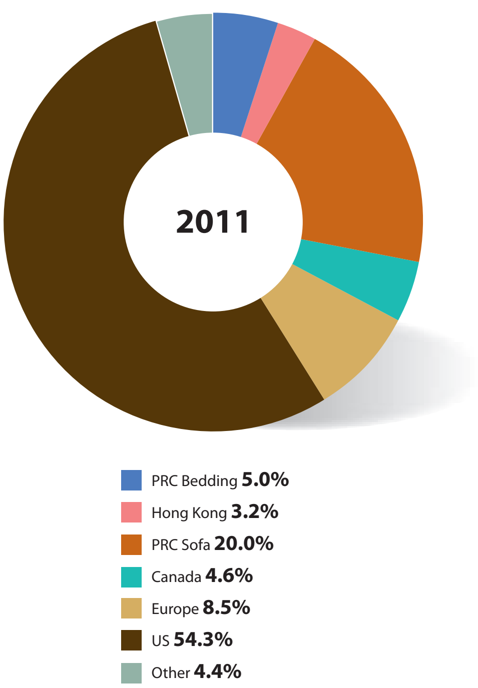
In the overseas market, the average selling price was increased by 5%-10% during the Review Period.

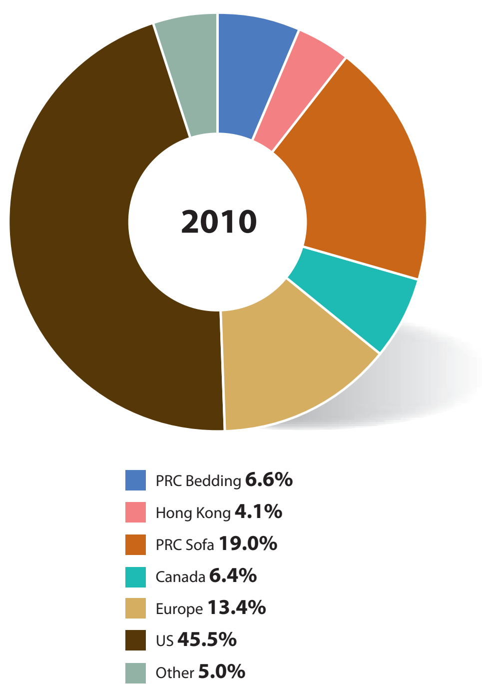
Since April 2011, we have been negotiating with most of export customers to further increase our selling price. The average price increase during April and May 2011 was about 6% to 10% for leather sofa, about 2% for fabric sofa. We will keep monitoring the material cost movement and further adjust our price list when needed.

During the Review Period, we have gained about 40 new export customers when comparing with FY2010, in addition, the recovery in the global economy in 2010 helped the Group to post better export sales of approximately HK$2,733.4 million (FY2010: HK$2,060.4 million). The PRC sofa sales also grew impressively by approximately 36.5% to approximately HK$760.5 million (FY2010: HK$557.0 million).

Man Wah International Markets

Revenue by Geographical Segment





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

Man Wah International Markets

Revenue by Geographical Segment

Revenue Breakdown by region (HK$'000)

	PRC	US	Europe	Canada	HK	Others
FY2011	953,496	2,068,581	323,118	173,894	121,290	167,831
FY2010	750,340	1,334,464	392,885	188,040	121,436	145,052

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

	FY2011	FY2010	Change (%)
Sales volume (sets)	**503,600**	406,900	23.8%
Average Selling Price (HK$)	**6,769**	6,325	7.0%
Gross Profit Margin	**41.7%**	41.3%	0.1%

Sales from the PRC bedding sales was HK$193.0 million (FY2010: HK$193.4 million). Which was a decrease of 0.2%. In FY2011, the reason of the sales decline was mainly due to closure of some underperforming stores.

PRC sofa sales (self-operated vs distributors)

	FY2011	FY2010
CHEERS stores		
Self-operated stores	**121**	74
Distributor-operated stores	**284**	222

PRC bedding sales (self-operated vs distributors)

	FY2011	FY2010
ENLANDA stores		
Self-operated stores	**70**	43
Distributor-operated stores	**185**	170

Revenue from CHEERS brand sofa products rose by approximately 26.8% to approximately HK$3,377.5 million (FY2010: HK$2,662.8 million), accounting for approximately 88.7% of the total revenue. The growth in revenue was mainly due to the increase in the sales volume by approximately 23.8% to 503,600 sets (FY2010: 406,900 sets) and the average selling price by approximately 7.0% to HK$6,769 per sofa set (FY2010: HK$6,325). The growth in average selling price was primarily as a result of increase in average selling price for the PRC market by approximately 13.0% from approximately HK$10,800 to HK$12,200 per sofa set and export market by approximately 7.0% from approximately HK$5,700 to HK$6,100 per sofa set.

Cost of goods sold

Cost of goods sold breakdown

	FY2011 HK$'000	FY2010 HK$'000	Change (%)
Cost of raw materials consumed	**1,982,919**	1,515,465	30.8%
Labour Costs	**172,313**	134,634	28.0%
Manufacturing overhead	**35,575**	25,463	39.7%
Totals	**2,190,807**	1,675,562	30.8%

Raw Material (Average unit cost)	Unit	FY2011 HK$	FY2010 HK$	Change %	% of total cost of sales
Leather	sq ft	**13.18**	9.43	39.8%	43.6%
Metal	pc	**145.57**	123.28	18.1%	15.0%
PVC	yard	**12.85**	10.03	28.1%	2.5%
Wood	pc	**86.67**	84.20	2.9%	4.8%
Fabric	yard	**34.08**	26.15	30.3%	5.4%
Chemicals	tonne	**1,201.45**	1,232.01	-2.5%	6.7%

Despite of the significant growth in material cost, we are still able to maintain our gross profit margin as 42.5%, which is quite close to FY2010 of 42.9%. The reason for stable gross profit margin is as follows:

(a) increased economy of scale helped in sharing less manufacturing overhead per sofa unit;

(b) improved efficiency, as a result of continuous improvement in research and development, manufacturing, ERP system upgrade;

(c) attractive remuneration to workers ensured lower than industry turnover rate, enable us to retain more experienced workers; and

(d) expertise accumulated as we keep focusing on recliner sofa sector.

During the Review Period, cost of goods sold increased by 30.8% when comparing with FY2010, mainly because of the increase in our sales partially offset by savings arising from increased economies of scale in our operations, improved efficiencies.

Other gains and losses

Other gains and losses for the Review Period increased by approximately 223.4% to HK$38,231,000, which was due to gain on changes in fair value of derivative financial instruments of approximately HK$4,420,000 and net foreign exchange gain in FY2011 of approximately HK$30,221,000 (loss in FY2010: HK$7,512,000).

Selling and distribution expenses

Selling and distribution expenses increased by approximately 70.6% from approximately HK$449,137,000 to approximately HK$766,063,000 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$188,969,000 to approximately HK$428,161,000. The major reason for the increase was the increase of export sales as well as the increase of unit ocean shipping cost. During the Review Period, the average unit ocean shipping cost increased by more than 30%. Since the fourth quarter of 2010, the unit ocean shipping cost has been declining. The average ocean shipping cost of April and May 2011 was 10% lower than FY2011's average;

(b) commissions and salaries related to sales increased by approximately HK$16,285,000 to approximately HK$77,643,000, the increase was in line with the revenue growth;

(c) rental, rates and building management fee increased by approximately HK$36,812,000 to approximately HK$119,852,000. The major reason of the increase was the expansion of PRC's retail network; and

(d) promotion and advertising expenses increased by approximately HK$49,390,000 to approximately HK$64,955,000.

During the Review Period, we increased our investment in brand building and promotion in the PRC market. The promotion and advertising expense was 6.4% of total PRC sales from last year's 2.0%. Based on Euromonitor's recent research report, the recliner sofa sales contributed only 6.8% of total sofa sales in mainland China of 2010, compared with 36.7% in USA. We are confident with the future market potential in China. We believe we need to put more effort in customer education for the introduction of recliner sofa.

General and administrative expenses

General and administrative expenses increased by approximately HK$96,538,000 or approximately 61.2% from approximately HK$157,814,000 to approximately HK$254,352,000. The increase was mainly attributed to:

(a) salaries, allowance and other staff costs increased by approximately HK$31,791,000 or approximately 59.1% from approximately HK$53,775,000 to approximately HK$85,566,000 due to increase in number of staff and staff salaries during the Review Period; and

(b) depreciation expense increased by approximately HK$24,055,000 or approximately 180.2% from approximately HK$13,347,000 to approximately HK$37,402,000 due to the addition of property, plant and equipment during the Review Period.

Share of results of jointly controlled entities

Share of profit of jointly controlled entities of approximately HK$1,640,000 which is mainly due to reversal of impairment loss of interest in Huizhou Ao Li Electronic Technology Company, Limited of approximately HK$1,600,000.

Finance costs

Finance costs decreased by approximately HK$2,765,000 or approximately 65.2% from approximately HK$4,244,000 to approximately HK$1,479,000 due to the repayment in bank borrowings.

Income tax expense

Income tax expense increased by approximately HK$7,845,000 or approximately 15.2% from approximately HK$51,567,000 to approximately HK$59,412,000 which is mainly due to the increase in operating profit. During the Review Period, the effective tax rate was 8.7%, close to FY2010 of 7.7%.

Profit attributable to owners of the Company and net profit margin

Profit attributable to owners of the Company increased by approximately HK$16,497,000 or approximately 2.7% from approximately HK$605,799,000 to approximately HK$622,296,000. The net profit margin for the Review Period decreased from approximately 21.1% to approximately 16.3%. Decrease in net profit margin was mainly due to increase in selling and distribution expense, especially growth in shipping cost.

Dividend

The Board declared a final dividend of HK13 cents per share, together with an interim dividend of HK$13.4 cents per share, dividend declared was 41% of profit attributable to owners of the Company for the FY2011.

Working capital

As at 31 March 2011, our bank balances and cash were approximately HK$1,611,164,000.

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

Liquidity and capital resources

As at 31 March 2011, the Group's bank borrowings amounted to approximately HK$17.5 million, which were repayable within twelve months from 31 March 2011. 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 2011, the Group's current ratio was 5.81 (31 March 2010: 2.04). The Group maintained a net cash position, reflecting its healthy financial position, paving the way for future development. As at 31 March 2011, the Group's gearing ratio was 0.6% (31 March 2010: 12.8%), which is defined as total borrowings divided by the sum of share capital and reserves of the Group.

Impairment loss on inventory

For the Review Period, the Group provided impairment loss on inventory of approximately HK$1,104,000 (FY2010: Nil).

Impairment loss on trade receivables

As at 31 March 2011, the Group provided impairment loss on trade receivables of approximately HK$477,000 (FY2010: HK$1,107,000).

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. The pledge of assets has been released upon cancellation of the relevant banking facilities during the year ended 31 March 2011.

Capital commitments and contingent liabilities

Save as disclosed in note 34 to the consolidated financial statements, the Group did not have any material capital commitment.

As at 31 March 2011, 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

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

As at the reporting date, we have spent part of the proceeds on the above projects: (i) approximately HK$242,668,000 on construction of phase 3 of our Huizhou facility, (ii) approximately HK$170,963,000 on construction of new production and distribution facility in Wujiang, Jiangsu, (iii) approximately HK$60,714,000 on expansion of "CHEERS" and "ENLANDA" specialty stores, and (iv) approximately HK$78,600,000 on the promotion and brand building.

Human resources

As at 31 March 2011, the Group had 6,271 employees (FY2010: 5,655 employees).

The Group provides introductory orientation programs and continuous training to its employees that cover industry knowledge, technology and product knowledge, industry quality standards and work safety standards to enhance the service quality and standard of its staff. The Group will strive to strengthen human resources management to provide strong support for the development of the Group's business through staff recruitment initiatives and the optimisation of the development of its organisation structure and corporate culture to ensure that the Group will be able to maintain sustainable development in the future. During the Review Period, the Group arranged for more than 100 management staff attend a Mini Master of Business Administration course held at Peking University. With the implementation of the human resources module of the new ERP system, the human resource management is now highly integrated to the overall operation of the company.

As at 31 March 2011, the total staff cost for the Group amounted to approximately HK$333.9 million (FY2010: HK$238.9 million), of which approximately HK$17.8 million (2010: HK$8.5 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 2011 ("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, two non-executive Directors 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 ("Audit Committee"), remuneration committee ("Remuneration Committee") and nomination committee ("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 four Board meetings were held and the attendance records are as follows:

Board	**Meetings attended/Eligible to attend**
Executive Directors	
Wong Man Li *(Chairman)*	4/4
Hui Wai Hing	1/4
Li Jianhong	3/4
Stephen Allen Barr	3/4
Yu Tung Wan	2/4
Non-executive Directors	
Ong Chor Wei	3/4
Francis Lee Fook Wah	4/4
Independent Non-executive Directors	
Lee Teck Leng, Robson	4/4
Chan Wah Man, Carman	3/4
Chau Shing Yim, David	3/4

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.

Executive Director

On 25 May 2011, Mr. Wang Guisheng was appointed as the Company's executive Director, the term of appointment was from 25 May 2011 for three years.

Non-executive Director

The terms of appointment of the Company's non-executive Directors, Mr. Ong Chor Wei and Mr. Francis Lee Fook Wah, were from 9 April 2010 and 28 January 2011, respectively 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 44 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 currently consists of 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 2011 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 and a share award scheme in April 2010 and January 2011, respectively. Both incentive schemes enable 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 11 to the consolidated financial statements and details of the share option scheme and share award scheme are set out in note 37.

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, Messrs. Deloitte Touche Tohmatsu, is set out as follows:

Services rendered paid/payable	**Fee** HK$'000
Statutory audit services	3,568
Non-statutory audit services:	
Tax advisory services	741
Others	500
	4,809

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 2011 ("Review Period").

CORPORATE REORGANISATION

The Company was incorporated with limited liability in Bermuda.

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 18, respectively to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Company and together with its subsidiaries referred to as (the "Group") for the Review Period ended 31 March 2011 are set out in the consolidated statement of comprehensive income on page 46 of the annual report.

An interim dividend of approximately HK13.4 cents per Share amounting to HK$130,132,000 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 HK13.0 cents per Share to the Shareholders on the register of members on 25 July 2011, amounting to approximately HK$126,248,000, 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 2011. The net increase in fair value of investment properties, which has been credited directly to consolidated statement of comprehensive income, amounted to approximately HK$5,019,000.

Details of movements during the Review Period in the property, plant and equipment of the Group are set out in note 14 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 28 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:

	2011 **HK$'000**	2010 HK$'000
Contributed surplus	**1,548,105**	36,796
Accumulated (loss) profits	**(269,850)**	3,811
	1,278,255	40,607

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. Stephen Allen Barr
Mr. Wang Guisheng (appointed on 25 May 2011)
Mr. Francis Lee Fook Wah (resigned on 28 January 2011)

Non-executive Directors:
Mr. Ong Chor Wei
Mr. Francis Lee Fook Wah (appointed on 28 January 2011)

Independent Non-executive Directors:
Mr. Lee Teck Leng Robson
Ms. Chan Wah Man Carman
Mr. Chau Shing Yim David

In accordance with bye-law 102 of the Company's bye-laws, Mr. Wang Guisheng will retire at the forthcoming annual general meeting. In accordance with bye-law 99 of the Company's bye-laws, Mr. Stephen Allen Barr, Mr. Ong Chor Wei, Mr Francis Lee Fook Wah and Mr. Lee Teck Leng Robson will retire by rotation. Mr. Wang Guisheng, Mr. Stephen Allen Barr, Mr. Ong Chor Wei, Mr Francis Lee Fook Wah and Mr. Lee Teck Leng Robson, all being eligible, will offer themselves for re-election at the forthcoming annual general meeting to be held in July 2011.

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 2011, 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 2011)**
Mr. Wong Man Li	–	–	595,612,000	595,612,000[1]	61.33%
Mr. Li Jianhong	8,000,000	–	–	8,000,000	0.82%
Mr. Stephen Allen Barr	5,356,000	–	–	5,356,000[2]	0.55%
Mr. Yu Tung Wan	–	–	17,285,000	17,285,000[3]	1.78%

Notes:

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. Mr. Wong is also the sole director of Man Wah Investments Limited.

2. These 5,356,000 shares include 4,100,000 share options owned by Mr. Stephen Allen Barr.

3. 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 issued shares held	Approximate percentage in the associated corporation (as at 31 March 2011 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 2011 and the date of this annual report.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than shareholdings 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 2011, 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 2011)
Man Wah Investments Limited	Beneficial	595,612,000	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 2011 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 ("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 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 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 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 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 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 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 the Company's 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 of the Company.

The period during which a share option may be exercised will be determined by the Company's directors at their absolute discretion, save that no share option may be exercised more than 10 years after it has been granted under the 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 Company's 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 Company's 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 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.

On 18 October 2010, 4,100,000 share options with exercise price of HK$10.18 per share were granted to Mr. Stephen Allen Barr, an executive director of the Company, under the Share Option Scheme.

The share options granted are exercisable in two batches, being:

- 18 April 2012 to 17 October 2020 (2,100,000 share options granted are exercisable); and
- 18 October 2015 to 17 October 2020 (all share options granted are exercisable).

Please refer to the Company's announcement dated 18 October 2010 for further information on the share options granted.

The following table discloses details of movements of the Company's share options during the year:

					Number of share options				
Grantee	Date of grant	Vesting period	Exercisable period	Exercise price per share HK$	Outstanding at 1.4.2010	Granted during the year	Cancelled/ Lapsed during the year	Exercised during the year	Outstanding at 31.3.2011
Mr. Stephen Allen Barr	18.10.2010	18.10.2010 – 17.4.2012	18.4.2012 – 17.10.2020	10.18	–	2,100,000	–	–	2,100,000
		18.10.2010 – 17.10.2015	18.10.2015 – 17.10.2020	10.18	–	2,000,000	–	–	2,000,000
					–	4,100,000	–	–	4,100,000
Exercisable at end of the reporting date									–

The closing price of the Company's shares immediately before the date of grant of the options was HK$10.18.

SHARE AWARD SCHEME

The Company adopted a share award scheme (the "Share Award Scheme") on 27 January 2011 (the "Adoption Date") with a duration of 10 years commencing from the Adoption Date. The objective of the Share Award Scheme is to recognise the contributions by certain directors, employees of the Group (the "Selected Participants") and to give incentive to them in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group. The Company has set up the Employees' Share Award Scheme Trust (the "Trust") to administer and hold the Company's shares before they are vested and transferred to the Selected Participants. Upon granting of shares to Selected Participants, the Trust purchases the Company's shares being awarded from the open market with funds provided by the Company by way of contributions. 100% of awarded shares of the Company and the related income derived therefore are vested on the third anniversary date of the grant date. Vesting of the awarded shares of the Company and related income will be conditional on the Selected Participants remaining an employee of the Group until and on each of the relevant vesting dates and his/her execution of the relevant documents to effect the transfer from the Trustee within the period stipulated. An award shall automatically lapse forthwith when a Selected Participants ceases to be an employee of the Group, or the Subsidiary employing the Selected Participants ceases to be a subsidiary, or an order for the winding-up of the Company is made or a resolution is passed for the voluntary winding-up of the Company.

Where the awarded shares of the Company do not vest in accordance with the Share Award Scheme, the Trust shall hold such shares of the Company and the related income for the benefit of one or more employees of the Group as it determines in its discretion, after having taken into account the recommendations of the board of directors of the Company. Please refer to Company's announcement dated 31 January 2011 for further information on the Share Award Scheme. Details of the movements in the number of shares granted by the Company to employees of the Company (other than directors) during the year are as follows:

Category	**Date of grant**	**Fair value per share** (Note) HK$	**As at 1.4.2010**	**Granted during the year**	**As at 31.3.2011**
Employees	11 February 2011	12.34	–	350,800	**350,800**

Note: The fair value of the awarded shares was calculated based on the closing price per share on the date of grant.

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 and note 31 to the consolidated financial statements. 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 23% of the total revenue and purchases for the year, respectively. The Group's largest supplier accounted for around 6.0% 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 Review Period 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 30 to the consolidated financial statements.

DONATIONS

During the Review Period, the Group made charitable and other donations amounting to approximately HK$1,875,000.

EVENT AFTER THE REPORTING PERIOD

No significant event occurred after the Review Period.

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.

The emoluments of the Directors and employees of the Group include a share option scheme and share award scheme, details of which are disclosed in pages 40 to 42 of this annual report.

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
15 June 2011

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 46 to 111, which comprise the consolidated statement of financial position as at 31 March 2011, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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, 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 about 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 of the consolidated financial statements that give a true and fair view 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 2011, 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
15 June 2011

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
Revenue	6	**3,808,210**	2,932,217
Cost of goods sold		**(2,190,807)**	(1,675,562)
Gross profit		**1,617,403**	1,256,655
Other income		**45,334**	13,518
Other gains and losses	7	**38,231**	11,823
Selling and distribution expenses		**(766,063)**	(449,137)
Administrative expenses		**(254,352)**	(157,814)
Share of profit (loss) of jointly controlled entities		**1,640**	(1,889)
Finance costs	8	**(1,479)**	(4,244)
Profit before income tax		**680,714**	668,912
Income tax expense	9	**(59,412)**	(51,567)
Profit for the year	10	**621,302**	617,345
Other comprehensive income (expense):			
Exchange differences arising on translation		**57,713**	(427)
Reclassification adjustment:			
Release of exchange differences on liquidation of a subsidiary		**–**	(138)
Other comprehensive income (expense) for the year		**57,713**	(565)
Total comprehensive income for the year		**679,015**	616,780
Profit for the year attributable to:			
Owners of the Company		**622,296**	605,799
Non-controlling interests		**(994)**	11,546
		621,302	617,345
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**680,009**	605,234
Non-controlling interests		**(994)**	11,546
		679,015	616,780
Earnings per share	12		
Basic (HK cents)		**64.46**	85.09
Diluted (HK cents)		**64.45**	N/A

Consolidated Statement of Financial Position

At 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment	14	**877,001**	530,762
Investment properties	15	**28,547**	22,914
Lease premium for land	16	**98,802**	98,888
Intangible assets	17	**1,465**	1,606
Interests in jointly controlled entities	18	**195**	155
Loan to a jointly controlled entity	18	**4,995**	4,995
Deferred tax assets	19	**453**	280
Refundable earnest money paid for lease premium for land	20	**23,669**	–
Deposits paid for acquisition of property, plant and equipment		**15,737**	6,281
		1,050,864	665,881
Current assets			
Inventories	21	**395,017**	316,608
Trade receivables	22	**331,844**	192,916
Other receivables and prepayments	22	**130,843**	97,730
Amount due from a non-controlling interest shareholder of a subsidiary	23	**1,109**	–
Lease premium for land	16	**2,206**	2,134
Derivative financial instruments	24	**1,997**	14,711
Pledged bank deposits	25	**–**	3,531
Bank balances and cash	25	**1,611,164**	375,460
		2,474,180	1,003,090
Current liabilities			
Trade payables	26	**221,475**	167,305
Other payables and accruals	26	**176,742**	188,229
Tax payable		**9,231**	10,108
Derivative financial instruments	24	**692**	984
Bank borrowings	27	**17,500**	125,240
		425,640	491,866
Net current assets		**2,048,540**	511,224
Total assets less current liabilities		**3,099,404**	1,177,105
Non-current liabilities			
Bank borrowings	27	**–**	21,960
Deferred tax liabilities	19	**4,669**	4,513
		4,669	26,473
		3,094,735	1,150,632

Consolidated Statement of Financial Position

At 31 March 2011

	Note	2011 HK$'000	2010 HK$'000
Capital and reserves			
Share capital	28	**388,454**	289,526
Reserves		**2,706,153**	861,106
Equity attributable to owners of the Company		**3,094,607**	1,150,632
Non-controlling interests		**128**	–
		3,094,735	1,150,632

The consolidated financial statements on pages 46 to 111 were approved and authorised for issue by the Board of Directors on 15 June 2011 and are signed on its behalf by:

WONG MAN LI
Director

WANG GUISHENG
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2011

	Attributable to owners of the Company											Non-controlling interests HK$'000	Total HK$'000
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000 (note i)	Other reserve HK$'000 (note ii)	PRC statutory reserve HK$'000 (note iii)	Translation reserve HK$'000	Shares held under share award scheme HK$'000	Share award scheme reserve HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000		
At 1 April 2009	266,480	–	–	–	15,650	29,607	–	–	–	492,508	804,245	10,007	814,252
Profit for the year	–	–	–	–	–	–	–	–	–	605,799	605,799	11,546	617,345
Other comprehensive expense for the year	–	–	–	–	–	(565)	–	–	–	–	(565)	–	(565)
Total comprehensive income (expense) 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 Company	–	–	–	–	–	–	–	–	–	(8,400)	(8,400)	(3,600)	(12,000)
Dividend paid (note 13)	–	–	–	–	–	–	–	–	–	(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
Profit for the year	–	–	–	–	–	–	–	–	–	622,296	622,296	(994)	621,302
Other comprehensive income for the year	–	–	–	–	–	57,713	–	–	–	–	57,713	–	57,713
Total comprehensive income (expense) for the year	–	–	–	–	–	57,713	–	–	–	622,296	680,009	(994)	679,015
Shares issued	98,928	1,582,845	–	–	–	–	–	–	–	–	1,681,773	–	1,681,773
Transaction costs attributable to issue of shares	–	(71,535)	–	–	–	–	–	–	–	–	(71,535)	–	(71,535)
Capital contribution by non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	1,122	1,122
Purchase of shares under share award scheme	–	–	–	–	–	–	(6,476)	–	–	–	(6,476)	–	(6,476)
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	244	3,742	–	3,986	–	3,986
Transfer to PRC statutory reserves	–	–	–	–	25,409	–	–	–	–	(25,409)	–	–	–
Dividend paid (note 13)	–	–	–	–	–	–	–	–	–	(343,782)	(343,782)	–	(343,782)
At 31 March 2011	388,454	1,526,063	(16,132)	(3,714)	52,802	86,755	(6,476)	244	3,742	1,062,869	3,094,607	128	3,094,735

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.

(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 from 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 2011

	2011 HK$'000	2010 HK$'000
OPERATING ACTIVITIES		
Profit before income tax	**680,714**	668,912
Adjustments for:		
Amortisation of intangible assets	**213**	52
Depreciation	**55,525**	37,454
Equity-settled share-based payments expense	**3,742**	–
Expense recognised in respect of share award scheme	**244**	–
Fair value gain on investment properties	**(5,019)**	(1,755)
Finance costs	**1,479**	4,244
Gain on liquidation of a subsidiary	**–**	(138)
Impairment loss on inventories	**1,104**	–
Impairment loss on trade receivables	**477**	1,107
Interest income	**(31,129)**	(3,542)
Listing expenses	**6,475**	19,988
Loss (gain) on disposal of property, plant and equipment	**952**	(86)
Release of lease premium for land	**2,171**	1,300
Share of (profit) loss of jointly controlled entities	**(1,640)**	1,889
Operating cash flows before movements in working capital	**715,308**	729,425
Increase in inventories	**(75,949)**	(101,868)
Increase in trade receivables	**(133,090)**	(45,625)
Increase in other receivables and prepayments	**(29,059)**	(47,209)
Decrease (increase) in derivative financial instruments	**12,422**	(4,109)
Increase in trade payables	**56,608**	51,087
(Decrease) increase in other payables and accruals	**(6,824)**	75,983
Cash generated from operations	**539,416**	657,684
Interest paid	**(1,479)**	(4,244)
Interest received	**31,129**	3,542
Income tax paid	**(60,815)**	(50,796)
NET CASH FROM OPERATING ACTIVITIES	**508,251**	606,186
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(386,384)**	(86,757)
Refundable earnest money paid for lease premium for land	**(23,669)**	–
Deposits paid for acquisition of property, plant and equipment	**(15,737)**	(6,281)
Loan to a non-controlling interest shareholder of a subsidiary	**(1,109)**	–
Government grant received	**14,246**	–
Proceeds from disposal of property, plant and equipment	**4,581**	208
Decrease in pledged bank deposits	**3,531**	–
Return on investment in a jointly controlled entity	**1,600**	–
Payment of lease premium for land	**–**	(50,993)
Loan to a jointly controlled entity	**–**	(4,995)
Purchase of intangible assets	**–**	(1,658)
Capital contribution to a jointly controlled entity	**–**	(5)
NET CASH USED IN INVESTING ACTIVITIES	**(402,941)**	(150,481)

Consolidated Statement of Cash Flows

For the year ended 31 March 2011

	2011 HK$'000	2010 HK$'000
FINANCING ACTIVITIES		
Gross proceeds from issue of shares	**1,681,773**	–
Capital contribution by a non-controlling interest shareholder of a subsidiary	**1,122**	–
Dividends paid	**(343,782)**	(280,400)
Repayment of bank borrowings	**(129,700)**	(60,240)
Transaction costs attributable to issue of shares	**(71,535)**	–
Purchase of shares under share award scheme	**(6,476)**	–
Listing expenses paid	**(6,475)**	(19,988)
Repayment to directors	**–**	(5,554)
Decrease in trust receipt loans	**–**	(2,961)
New bank borrowings raised	**–**	60,000
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**1,124,927**	(309,143)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**1,230,237**	146,562
CASH AND CASH EQUIVALENTS AT 1 APRIL	**375,460**	229,325
Effect of foreign exchange rate changes	**5,467**	(427)
CASH AND CASH EQUIVALENTS AT 31 MARCH	**1,611,164**	375,460

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). Its shares are listed on the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") with effect from 9 April 2010. The Company's immediate and ultimate holding company is Man Wah Investments Limited, which is controlled by Mr. Wong Man Li, a director of the Company.

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 18 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 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 as the Company is listed in Hong Kong.

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

In preparation for the listing of the Company's shares on the Hong Kong 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 liability 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 "Prospectus").

The consolidated financial statements of the Group throughout the year ended 31 March 2010 has 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 year ended 31 March 2010 and the 30% equity interest in Famous Bedding attributable to Mr. Yu Tung Wan was treated as non-controlling interests up to 7 December 2009. Accordingly, the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the year ended 31 March 2010 include the results, changes in equity and cash flows of the companies comprising the Group as at the date of the Corporate Reorganisation including Famous Bedding Group.

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

In the current year, the Group has applied a number of new and revised IFRSs issued by the International Accounting Standards Board ("IASB") that have become mandatorily effective.

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

As there was no transaction during the year to which IFRS 3 (Revised) and IAS 27 (Revised) are applicable, the application of IFRS 3 (Revised), IAS 27 (Revised) and the consequential amendments to other IFRSs has had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods. Results of the Group in future periods may be affected by future transactions to which IFRS 3 (Revised), IAS 27 (Revised) and the consequential amendments to the other IFRSs are applicable.

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

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

The application of the other new and revised IFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRSs (Amendments)	Improvements to IFRSs issued in 2010[1]
IFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[3]
IFRS 9	Financial Instruments[4]
IFRS 10	Consolidated Financial Statements[4]
IFRS 11	Joint Arrangements[4]
IFRS 12	Disclosure of Interests in Other Entities[4]
IFRS 13	Fair Value Measurement[4]
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[7]
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
IAS 19 (Revised 2011)	Employee Benefits[4]
IAS 24 (as revised in 2009)	Related Party Disclosures[6]
IAS 27 (Revised 2011)	Separate Financial Statements[4]
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[4]
IFRIC 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[2]

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

[1] Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
[2] Effective for annual periods beginning on or after 1 July 2010.
[3] Effective for annual periods beginning on or after 1 July 2011.
[4] Effective for annual periods beginning on or after 1 January 2013.
[5] Effective for annual periods beginning on or after 1 January 2012.
[6] Effective for annual periods beginning on or after 1 January 2011.
[7] Effective for annual periods beginning on or after 1 July 2012.

IFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 *Financial Instruments* (as revised in October 2010) adds requirements for financial liabilities and for derecognition.

- Under IFRS 9, all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that IFRS 9 that will be adopted in the Group's consolidated financial statements for financial year ending 31 March 2014 and the application of the new standard will not have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities.

The amendments to IAS 12 titled "Deferred Tax: Recovery of Underlying Assets" mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with IAS 40 "Investment Property". Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The directors anticipate that the application of the amendments to IAS 12 is not expected to have a material impact on deferred tax recognised for investment properties that are measured using the fair value model.

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

IFRS 12 establishes disclosure objectives and specifies minimum disclosures to meet those objectives. IFRS 12 increases the disclosures on information that helps users of the consolidated financial statements evaluate the nature and risks associated with interests in other entities. The directors anticipate that the application of IFRS 12 may affect the disclosure of the Group's interests in jointly controlled entities including information about contractual relationship with the other parties to the jointly controlled entities and the nature of, and change in, the risks associated with its interests in jointly controlled entities.

IFRS 13 establishes a single framework for measuring fair value where that is required by other standards. IFRS 13 applies to both financial and non-financial items measured at fair value. IFRS 13 extends the disclosure requirement on fair value measurements of fair value hierarchy to all assets and liabilities within its scope in addition to the fair value requirements under IFRS 7. The directors anticipate that the application of IFRS 13 may affect the disclosures in relation to the fair value hierarchy for the Group's investment properties.

The directors of the Company anticipate that the application of the other new and revised IFRSs will have no material impact on the consolidated financial statements of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have 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. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities (including special purpose 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 in line with those used by other members of the Group.

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

Non-controlling interests in subsidiaries are presented separated from the Group's entity therein.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 April 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

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.

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 initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. 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. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interests in jointly controlled entities (Continued)

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a jointly controlled entity. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with a jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group' consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

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 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.

Financial assets

The Group's financial assets are classified as loans and receivables and derivative financial instruments.

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 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 is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amount due from a non-controlling interest shareholder of a subsidiary, loan to a jointly controlled entity, bank balances and cash and pledged bank deposits) carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of loans and receivables below).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Effective interest method (Continued)

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of the reporting period. Loans and receivables 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 affected.

Objective evidence of impairment could include:

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

For certain categories of loans and receivables, 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 to 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the 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. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities other than derivative financial instruments

The Group's financial liabilities including trade and other payables and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments (treasury shares) is recognised and deducted directly from equity attributable to the owners of the Company until the shares are cancelled or reissued. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

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 immediately.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, 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 in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to the share option reserve.

At the time when the share options are exercised, the amount previously recognised in the share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in the share option reserve will be transferred to retained profits.

Shares granted to employees

For shares of the Company granted under the Share Award Scheme (as defined in note 36), the fair value of the employee services received is determined by reference to the fair value of shares granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share award scheme reserve). At the end of the reporting period, the Group revises its estimates of the number of shares that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss with a corresponding adjustment to the share award scheme reserve.

Leasing

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 expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "lease premium for land" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model.

Inventories

Inventories are stated at the lower of costs and net realisable value. Cost is calculated using the weighted average method.

Property, plant and equipment

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

Depreciation is recognised so as to write off the cost of items of property, plant and equipment (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any 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 amount of the asset and is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period 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 disposal. 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 cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives 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 activities (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 the 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, the 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 losses on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible 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. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised as income.

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.

Revenue from sale of sofas and other furniture is recognised when goods are delivered and title has passed.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset 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 the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

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 never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition 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 joint ventures, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the 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 end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. 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 period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Estimated impairment of trade receivable

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i. e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2011, the carrying amount of trade receivable is HK$331,844,000 (net of allowance for doubtful debts of HK$1,106,000) (31 March 2010: carrying amount of HK$192,916,000, net of allowance for doubtful debts of HK$2,791,000).

Allowance for inventories

The management of the Group reviews its inventories at the end of the reporting period and makes allowance for obsolete and slow-moving inventory items identified that no longer suitable for use in production. Management estimates the net realisable value for such items based on the market conditions at the end of reporting period by reference to the latest invoice prices. The Group carries out an inventory review on a product-by-product basis at the end of the reporting period and makes allowance for obsolete items. As at 31 March 2011, the carrying amount of inventories is HK$395,017,000 net of allowance for inventories of HK$1,104,000 (2010: carrying amount of HK$316,608,000 and nil amount of allowance for inventories)

6. REVENUE AND SEGMENT INFORMATION

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

Information reported to the Company's executive directors, being the chief operating decision makers of the Group, in respect of the sofas business is focused on the location of customer. Furthermore, information for bedding products 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, based on the information reported to the Company's executive directors, for the purpose of resource allocation and performance assessment, 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)	– 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 gain on changes in fair value of derivative financial instruments. This is the measure reported to the executive directors for the purposes of resource allocation and performance assessment.

6. REVENUE AND SEGMENT INFORMATION (Continued)

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

For the year ended 31 March 2011

	Sofa (export sales) HK$'000	Sofa (retail and wholesale in the PRC) HK$'000	Sofa (retail and wholesale in Hong Kong) HK$'000	Bedding products HK$'000	Total segments HK$'000	Elimination HK$'000	Total HK$'000
REVENUE							
External sales	2,733,424	760,462	121,290	193,034	3,808,210	–	3,808,210
Inter-segment sales	114,647	52,860	–	12,185	179,692	(179,692)	–
	2,848,071	813,322	121,290	205,219	3,987,902	(179,692)	3,808,210
RESULTS							
Segment results	537,426	121,619	6,202	45,089	710,336	(27,190)	683,146
Interest income							31,129
Rental income							2,777
Exchange gain – net							30,221
Fair value gain on investment properties							5,019
Gain on changes in fair value of derivative financial instruments							4,420
Finance costs							(1,479)
Central administrative costs and directors' salaries							(76,159)
Share of profit of jointly controlled entities							1,640
Profit before income tax							680,714

6. REVENUE AND SEGMENT INFORMATION (Continued)

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$'000	Bedding products HK$'000	Total segments HK$'000	Elimination HK$'000	Total HK$'000
REVENUE							
External sales	2,060,441	556,950	121,436	193,390	2,932,217	–	2,932,217
Inter-segment sales	63,172	28,244	–	9,755	101,171	(101,171)	–
	2,123,613	585,194	121,436	203,145	3,033,388	(101,171)	2,932,217
RESULTS							
Segment results	490,345	138,547	14,440	78,422	721,754	(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
Gain on changes 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 price.

6. REVENUE AND SEGMENT INFORMATION (Continued)

Other information:

	Sofa (export sales) HK$'000	**Sofa (retail and wholesale in the PRC) HK$'000**	**Sofa (retail and wholesale in Hong Kong) HK$'000**	**Bedding products HK$'000**	**Total HK$'000**
Amounts included in the measure of segment profit:					
For the year ended 31 March 2011					
(Loss) gain on disposal of property, plant and equipment	**–**	**(3)**	**(989)**	**40**	**(952)**
Depreciation and amortisation	**25,424**	**14,379**	**11,788**	**4,147**	**55,738**
Release of lease premium for land	**2,171**	**–**	**–**	**–**	**2,171**
Impairment loss on trade receivables	**76**	**–**	**401**	**–**	**477**
Impairment loss on inventories	**–**	**–**	**–**	**1,104**	**1,014**

	Sofa (export sales) HK$'000	Sofa (retail and wholesale in the PRC) HK$'000	Sofa (retail and wholesale in Hong Kong) HK$'000	Bedding products HK$'000	Total HK$'000
For the year ended 31 March 2010					
(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

6. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical information:

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

	2011 HK$'000	2010 HK$'000
United States of America ("U.S.")	**2,068,581**	1,334,464
Canada	**173,894**	188,040
PRC (including Hong Kong)	**1,074,786**	871,776
Europe (note)	**323,118**	392,885
Others (note)	**167,831**	145,052
	3,808,210	2,932,217

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, excluding the loan to a jointly controlled entity and the deferred tax assets, are located in the PRC (including Hong Kong) at the end of the reporting period.

Information about major customers:

During the year, none of the Group's customers individually contributed more than 10% of the Group's revenue (2010: None). The top five customers contributed around 25% (2010: 25%) of revenue of the Group for the year ended 31 March 2011.

Revenue from major products:

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

7. OTHER GAINS AND LOSSES

	2011 HK$'000	2010 HK$'000
Gain on changes in fair value of derivative financial instruments	**4,420**	18,463
Exchange gain (loss) – net	**30,221**	(7,512)
Gain on liquidation of a subsidiary (note)	**–**	138
Fair value gain on investment properties	**5,019**	1,755
(Loss) gain on disposal of property, plant and equipment	**(952)**	86
Impairment loss on trade receivables	**(477)**	(1,107)
	38,231	11,823

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.

8. FINANCE COSTS

	2011 HK$'000	2010 HK$'000
Interest on:		
Trust receipt loans	**2**	9
Bank borrowings wholly repayable within five years	**1,477**	4,235
	1,479	4,244

9. INCOME TAX EXPENSE

	2011 HK$'000	2010 HK$'000
Current tax:		
Hong Kong	**1,326**	6,873
PRC Enterprise Income Tax	**55,166**	42,498
U.S.	**3,030**	–
	59,522	49,371
(Over) under provision in prior years:		
Hong Kong	**(544)**	(236)
PRC Enterprise Income Tax	**21**	271
U.S.	**430**	–
	(93)	35
Deferred tax (note 19):		
Current year	**(17)**	2,161
	59,412	51,567

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

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

The U.S. income tax charge comprises federal income tax calculated at 34% and state income tax calculated at 6.9% on the estimated assessable profits of the subsidiary of the Company which was incorporated in the U.S..

Certain subsidiaries of the Group operating in the PRC are eligible for certain tax holidays and concessions pursuant to the relevant laws and regulations of local government.

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 19.

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.

9. 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:

	2011 HK$'000	2010 HK$'000
Profit before income tax	**680,714**	668,912
Tax at the Hong Kong Profit Tax rate (note a)	**112,318**	110,370
Tax effect of expenses not deductible in determining taxable profit	**7,154**	6,386
Tax effect of income not taxable in determining taxable profit	**(2,148)**	(478)
(Over) under provision in prior years	**(93)**	35
Effect of different tax rates of subsidiaries operating in other jurisdiction	**8,120**	2,925
Tax effect of tax losses not recognised	**10,519**	558
Tax effect on withholding tax arising on undistributed profits of the PRC subsidiaries	**–**	1,968
Tax effect of profit of subsidiaries under concessionary rate (note b)	**(7,893)**	(5,450)
Tax effect of profit of a subsidiary under tax exemption in Macau	**(68,565)**	(64,747)
Tax charge for the year	**59,412**	51,567

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 and Man Wah Furniture (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 and Man Wah Furniture (SZ) were 2007 and 2005 respectively. Man Wah Furniture (SZ) has ended the concessionary rate on 31 December 2009.

10. PROFIT FOR THE YEAR

	2011 HK$'000	2010 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments (note 11)	**17,826**	8,540
Other staff costs		
Salaries and other allowances	**307,032**	227,106
Retirement benefit scheme contributions, excluding those of directors	**8,771**	3,209
Share award scheme expense	**244**	–
Total staff costs	**333,873**	238,855
Auditor's remuneration	**3,568**	2,000
Release of lease premium for land	**2,171**	1,300
Amortisation of intangible assets (recognised in selling and distribution expenses)	**213**	52
Depreciation	**55,525**	37,454
Cost of inventories recognised as an expense	**2,187,357**	1,670,282
Impairment loss on inventories (recognised in cost of goods sold)	**1,104**	–
(Reversal of) impairment loss on interest in a jointly controlled entity (note)	**(1,600)**	2,039
Research and development expenditure (recognised in cost of goods sold)	**6,450**	5,280
Listing expenses	**6,475**	19,988
Interest income	**(31,129)**	(3,542)
Rental income from investment properties	**(2,777)**	(2,473)

Note: During the year ended 31 March 2011, a jointly controlled entity of the Group, Huizhou Ao Li Electronic Technology Co., Ltd. ("Huizhou Ao Li"), is undergoing the deregistration procedure. The interest in the jointly controlled entity had been fully impaired in prior year. During the current year, RMB1,368,000 (approximately HK$1,600,000) was refunded from the jointly controlled entity and therefore a reversal of the impairment loss has been recognised.

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors

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

Name of directors	Directors' fee HK$'000	Salaries and other allowances HK$'000	Share-based payment HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
For the year ended 31 March 2011					
Mr. Wong Man Li	–	1,188	–	12	1,200
Ms. Hui Wai Hing	–	1,079	–	12	1,091
Mr. Li Jianhong	–	1,608	–	12	1,620
Mr. Stephen Allen Barr (note ii)	–	5,840	3,742	–	9,582
Mr. Yu Tung Wan	–	1,345	–	–	1,345
Mr. Francis Lee Fook Wah (note i)	33	2,145	–	10	2,188
Mr. Ong Chor Wei (note iii)	200	–	–	–	200
Mr. Lee Teck Leng Robson (note iv)	200	–	–	–	200
Ms. Chan Wah Man Carman (note v)	200	–	–	–	200
Mr. Chau Shing Yim David (note vi)	200	–	–	–	200
	833	13,205	3,742	46	17,826

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

Name of directors	Directors' fee HK$'000	Salaries and other allowances HK$'000	Share-based payment HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
For the year ended 31 March 2010					
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 ii)	–	273	–	–	273
Mr. Yu Tung Wan	–	637	–	–	637
Mr. Francis Lee Fook Wah (note i)	–	1,912	–	12	1,924
Mr. Ong Chor Wei (note iii)	15	–	–	–	15
Mr. Lee Teck Leng Robson (note iv)	180	–	–	–	180
Ms. Chan Wah Man Carman (note v)	15	–	–	–	15
Mr. Chau Shing Yim David (note vi)	15	–	–	–	15
Mr. Bernard Tay Ah Kong (note vii)	165	–	–	–	165
	390	8,102	–	48	8,540

Notes:

(i) Mr. Francis Lee Fook Wah resigned as an executive director and was appointed as a non-executive director of the Company on 28 January 2011.

(ii) Mr. Stephen Allen Barr was appointed as an executive director of the Company on 5 March 2010.

(iii) Mr. Ong Chor Wei was appointed as a non-executive director of the Company on 5 March 2010.

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

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

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

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

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

Of the five individuals with the highest emoluments in the Group, five (2010: four) were directors of the Company. During the year ended 31 March 2010, the remaining 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 top five highest paid individuals for the year ended 31 March 2010 is as follows:

	2010 HK$'000
Salaries and other allowances	11,502
Retirement benefits scheme contributions	48
	11,550

Their emoluments were within the following bands:

	2010 HK$'000
HK$1,500,001 to HK$2,000,000	4
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 (2010: nil). None of the directors waived any emoluments during the year (2010: none).

12. EARNINGS PER SHARE

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

	2011 HK$'000	2010 HK$'000
Earnings		
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	**622,296**	605,799

	Number of shares '000	Number of shares '000
Number of shares		
Weighted average number of ordinary shares in issue during the year for the purposes of basic earnings per share	**965,429**	711,977
Effect of dilutive potential ordinary shares – Unvested awarded shares	**58**	–
Weighted average number of ordinary shares in issue during the year for the purposes of diluted earnings per share	**965,487**	711,977

The weighted average number of shares for calculating basic earnings per share for the year 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. The weighted average number of shares for the year ended 31 March 2011 has been arrived at after eliminating the shares of the Company held under the share award scheme.

The computation of diluted earnings per share for the current year does not assume the exercise of the Company's outstanding share options because the adjusted exercise price of these options was higher than the average market price for shares for the year.

No diluted earnings per share is presented for the year ended 31 March 2010 as the Company did not have any potential ordinary shares in issue during that year or at the end of that reporting period.

13. DIVIDENDS

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

	2011 HK$'000	2010 HK$'000
Final dividend for 2010 of HK$0.16 per share	**155,382**	–
Special dividend for 2010 of HK$0.06 per share	**58,268**	–
Interim dividend for 2011 of HK$0.134 (2010: HK$0.4029 for 2010) per share	**130,132**	268,400
Total paid	**343,782**	268,400

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$0.13 per share in respect of the year ended 31 March 2011, amounting to approximately HK$126,248,000 has been proposed by the Board and is subject to approval by the Company's shareholders in the forthcoming annual general meeting.

14. 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 2009	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
Exchange adjustments	14,935	3,374	3,869	1,941	658	4,976	29,753
Additions	–	30,585	40,074	35,056	7,705	279,245	392,665
Government grant received (note)	–	–	–	–	–	(12,047)	(12,047)
Transfers	–	372	5,171	–	–	(5,543)	–
Disposals/written off	–	(7,900)	(5,319)	(3,236)	(2,569)	(2,002)	(21,026)
At 31 March 2011	366,250	102,135	195,606	64,221	24,038	271,749	1,023,999
ACCUMULATED DEPRECIATION							
At 1 April 2009	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
Exchange adjustments	708	815	815	486	250	–	3,074
Provided for the year	6,611	21,615	15,125	8,521	3,653	–	55,525
Eliminated on disposals/written off	–	(7,656)	(3,423)	(2,791)	(1,623)	–	(15,493)
At 31 March 2011	25,785	38,273	56,975	16,326	9,639	–	146,998
CARRYING VALUES							
At 31 March 2011	340,465	63,862	138,631	47,895	14,399	271,749	877,001
At 31 March 2010	332,849	52,205	107,353	20,350	10,885	7,120	530,762

Note: The amount represents government grant received by the Group in relation to its capital investment in current year.

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.

15. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 April 2009	21,159
Fair value gain	1,755
At 31 March 2010	22,914
Exchange adjustments	614
Fair value gain	5,019
At 31 March 2011	28,547

The investment properties were stated at fair value as at 31 March 2011 based on the professional valuation carried out by Greater China Appraisal Limited and at fair value at 31 March 2010 based on the professional valuation by DTZ Debenham Tie Leung Limited. The fair values were determined by adopting the investment method by capitalisation of residue rent receivable and making reference to market evidence of transaction prices for similar properties in the same locations and conditions, where appropriate. Both Greater China Appraisal Limited and DTZ Debenham Tie Leung Limited are independent firms of professional valuers.

The valuation has been made on the assumption that the Group sells the properties in their existing states and the right of free and uninterrupted transfer of PRC properties.

The carrying value of investment properties shown above comprises:

	2011 HK$'000	2010 HK$'000
Properties in Hong Kong under:		
– medium-term lease	**14,500**	–
– long lease	**–**	10,300
Properties in the PRC under medium-term lease	**14,047**	12,614
	28,547	22,914

16. LEASE PREMIUM FOR LAND

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

	2011 **HK$'000**	2010 HK$'000
Analysed for reporting purposes as:		
Current asset	**2,206**	2,134
Non-current asset	**98,802**	98,888
	101,008	101,022

17. INTANGIBLE ASSETS

	Trademarks HK$'000
COST	
Additions and at 31 March 2010	1,658
Exchange adjustments	78
At 31 March 2011	1,736
AMORTISATION	
Charge for the year and at 31 March 2010	52
Exchange adjustments	6
Charge for the year	213
At 31 March 2011	271
CARRYING VALUE	
At 31 March 2011	1,465
At 31 March 2010	1,606

The Group's trademarks were acquired from third parties during the year ended 31 March 2010.

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

18. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2011 HK$'000	2010 HK$'000
Costs of investment in jointly controlled entities – unquoted	**444**	2,044
Share of post-acquisition loss	**(249)**	(1,889)
	195	155
Loan to a jointly controlled entity (note)	**4,995**	4,995
	5,190	5,150

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 2011 and the amount is therefore shown in the consolidated statement of financial position as a non-current asset.

As at 31 March 2011 and 2010, 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 2011 %	2010 %	Principal activity
Home Expo (Hong Kong) Limited 家居博覽（香港）有限公司	Incorporated	Hong Kong	Ordinary shares	**50**	50	Sub-leasing of properties
Huizhou Ao Li (note) 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

Note: The deregistration procedure for Huizhou Ao Li was completed on 12 May 2011.

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

	2011 HK$'000	2010 HK$'000
Current assets	**5,546**	4,904
Non-current assets	**81**	96
Current liabilities	**1,937**	4,845
Non-current liabilities	**3,495**	–
Revenue	**12,247**	6,764
Expenses	**12,207**	6,614

19. DEFERRED TAXATION

	2011 HK$'000	2010 HK$'000
Deferred tax assets	**(453)**	(280)
Deferred tax liabilities	**4,669**	4,513
	4,216	4,233

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

	Withholding tax HK$'000	**Accelerated tax depreciation** HK$'000	**Investment properties** HK$'000	**Total** HK$'000
At 1 April 2009	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
Charge (credit) to profit or loss	–	156	(173)	(17)
At 31 March 2011	2,976	876	364	4,216

The Group had unused tax losses of HK$105,105,000 (2010: HK$41,355,000) as at 31 March 2011. 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 2014 to 2015.

Under the EIT Law as described in note 9, 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 (2010: HK$2,976,000) 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$633,268,000 (2010: HK$295,748,000) as at 31 March 2011 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.

20. REFUNDABLE EARNEST MONEY PAID FOR LEASE PREMIUM FOR LAND

During the year ended 31 March 2011, an amount of refundable earnest money of approximately RMB19,882,000 (equivalent to HK$23,669,000) was paid by the Group for the negotiation of possible acquisition of ownership interest in a piece of land located in the PRC.

21. INVENTORIES

	2011 **HK$'000**	2010 HK$'000
Raw materials	**152,640**	159,628
Work-in-progress	**41,925**	22,420
Finished goods	**200,452**	134,560
	395,017	316,608

22. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2011 **HK$'000**	2010 HK$'000
Trade receivables		
Trade and bills receivables	**332,950**	195,707
Less: allowance for doubtful debts	**(1,106)**	(2,791)
	331,844	192,916
Other receivables and prepayments		
Valued added taxes recoverable	**47,747**	54,284
Deposits	**18,077**	13,284
Sundry receivables	**24,222**	16,193
Prepayments	**40,797**	12,067
Amount due from a jointly controlled entity (Note)	**–**	1,902
	130,843	97,730

Note: The amount due from a jointly controlled entity was trade in nature, unsecured, interest-free and aged over 365 days based on the invoice date at 31 March 2010. The amount was fully settled during the year ended 31 March 2011.

22. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

Other than cash and credit card sales for retail transactions, the Group generally allows a 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:

	2011	2010
	HK$'000	HK$'000
Trade and bills receivables:		
0 – 30 days	**201,858**	111,131
31 – 60 days	**70,976**	58,167
61 – 90 days	**45,459**	19,649
Over 90 days	**13,551**	3,969
	331,844	192,916

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.

Included in the Group's trade and bills receivable balance are receivables with aggregate carrying amount of approximately HK$14,761,000 (2010: HK$4,814,000) which are past due at the end of the reporting period for which the Group has not recognised impairment loss as there has not been a significant change in credit quality and the amounts are still considered to be recoverable. The Group does not hold any collateral over these balances.

The remaining trade and bills receivable balances of HK$317,083,000 (2010: HK$188,102,000) are neither past due nor impaired at the end of the reporting period for which the Group has not recognised an impairment loss since they are mainly the customers with good credit quality based on their repayment history.

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

	2011	2010
	HK$'000	HK$'000
31 – 60 days	**710**	627
61 – 90 days	**500**	218
Over 90 days	**13,551**	3,969
	14,761	4,814

22. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

Movement in the allowance for doubtful debts

	2011 HK$'000	2010 HK$'000
Balance at beginning of the year	2,791	3,059
Impairment losses on trade receivables	477	1,107
Amounts written-off as uncollectible	(2,162)	(1,375)
Balance at end of the year	1,106	2,791

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:

	2011 HK$'000	2010 HK$'000
Trade receivables		
Hong Kong dollars	1,359	3,925
Other receivables		
Hong Kong dollars	3,379	432

23. AMOUNT DUE FROM A NON-CONTROLLING INTEREST SHAREHOLDER OF A SUBSIDIARY

The amount is unsecured, interest-free and repayable on demand.

24. DERIVATIVE FINANCIAL INSTRUMENTS

	2011 **HK$'000**	2010 HK$'000
Derivatives not under hedge accounting:		
Fair value of foreign currency forward contracts		
– assets	**1,997**	14,711
– liabilities	**(692)**	(984)

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 2011 and 2010 are as follows:

Principal amount	**Maturity**	**Exchange rates**	**Fair value** HK$'000
31.3.2011			
Sell USD in total of USD9,000,000	Ranging from 29 August 2011 to 21 September 2011	RMB/USD ranging from 6.5986 to 6.6061	**246**
Sell USD in total of USD8,000,000	Ranging from 1 April 2011 to 13 April 2011	RMB/USD 6.6360	**(692)**
Buy USD in total of USD17,000,000	Ranging from 1 April 2011 to 21 September 2011	RMB/USD ranging from 6.4780 to 6.7265	**1,751**
			1,305
31.3.2010			
Sell 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
Buy 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
Buy 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

Changes in the fair values of non-hedging foreign currency forward contacts amounting to gain of HK$4,420,000 (2010: HK$18,463,000) have been recognised in profit or loss.

25. PLEDGED BANK DEPOSITS/BANK BALANCES

As at 31 March 2010, pledged bank deposits of the Group represented deposits pledged as securities to obtain facilities for bank loans and carries interest rate at 0.01% per annum. The amount has been released upon the cancellation of the relevant facilities.

Bank balances carry interest at prevailing deposit rates ranging from 0.05% to 2.85% (2010: 0.05% to 1.00%) per annum.

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

	2011 **HK$'000**	2010 HK$'000
Unites States dollars	**141,695**	129,456
Hong Kong dollars	**30,306**	7,069

26. TRADE AND OTHER PAYABLES AND ACCRUALS

	2011 **HK$'000**	2010 HK$'000
Trade and bills payables	**221,475**	167,305
Other payables and accruals		
Trade deposits received	**67,845**	75,317
Accruals	**77,194**	97,713
Others	**31,703**	15,199
	176,742	188,229

The credit period on purchases of goods generally ranges from 30 to 60 days.

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:

	2011 **HK$'000**	2010 HK$'000
0 – 30 days	**207,411**	148,665
31 – 60 days	**11,861**	16,865
61 – 90 days	**706**	763
Over 90 days	**1,497**	1,012
	221,475	167,305

26. TRADE AND OTHER PAYABLES AND ACCRUALS (Continued)

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

	2011 HK$'000	2010 HK$'000
Other payables		
Hong Kong dollars	**5,516**	5,495

27. BANK BORROWINGS

	2011 HK$'000	2010 HK$'000
Bank loans analysed as:		
Secured	**–**	87,200
Unsecured	**17,500**	60,000
	17,500	147,200

The scheduled principal repayment dates of the Company with reference to the bank loan agreements are as follows:

	2011 HK$'000	2010 HK$'000
Carrying amount repayable within one year shown under current liabilities*	**15,000**	125,240
Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	**2,500**	–
Carrying amount repayable more than one year, but not exceeding two years shown under non-current liabilities	**–**	21,960
	17,500	147,200

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

27. BANK BORROWINGS (Continued)

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 rate of the above variable-rate bank borrowings was 2.3% (2010: 2.5%) per annum.

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

	2011 **HK$'000**	2010 HK$'000
Hong Kong dollars	**17,500**	147,200

28. SHARE CAPITAL

	Number of shares '000	**Amounts** HK$'000
Authorised:		
Ordinary shares at 1 April 2009, 31 March 2010 and 31 March 2011 – HK$0.40 each	1,250,000	500,000
Issued and fully paid:		
At 1 April 2009	666,200	266,480
Issued during the year (note a)	57,616	23,046
At 31 March 2010	723,816	289,526
Issued during the year (note b)	247,320	98,928
At 31 March 2011	971,136	388,454

For the purposes of these consolidated financial statements, the balance of issued and fully paid share capital at 1 April 2009 presented above 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.

Notes:

(a) As detailed in note 2, on 7 December 2009 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.

(b) On 9 April 2010, 241,272,000 shares of HK$0.40 each of the Company were issued at HK$6.8 per share by way of a global offering. The Company's shares have been listed on the Main Board of the Hong Kong Stock Exchange since then.

On 22 April 2010, an over-allotment option was partially exercised and a further 6,047,600 shares of HK$0.40 each of the Company were issued at HK$6.8 per share.

All new shares issued during the period rank pari passu with the existing shares in all respects.

The planned use of proceeds was detailed in the Prospectus. The proceeds were mainly used to expand the production facilities and distribution network and increase the marketing and advertising efforts by the Group.

29. FINANCIAL INFORMATION OF THE COMPANY

	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**252,478**	252,478
CURRENT ASSETS		
Prepayments and other receivables	**1,114**	–
Amounts due from subsidiaries	**1,405,184**	78,470
Bank balances	**11,135**	505
	1,417,433	78,975
CURRENT LIABILITIES		
Accruals	**3,202**	1,320
NET CURRENT ASSETS	**1,414,231**	77,655
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,666,709**	330,133
CAPITAL AND RESERVES		
Share capital	**388,454**	289,526
Share premium and reserves	**1,278,255**	40,607
	1,666,709	330,133
Profit for the year	**72,609**	269,091

30. RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme capped at HK$1,000 per month. This contribution is matched by the employees.

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.

31. RELATED PARTY DISCLOSURES

(I) Related party transactions

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

	2011	2010
	HK$'000	HK$'000
Rental expense paid to related parties (note)	**1,541**	1,590
Rental expense paid to a jointly controlled entity	**2,591**	1,328

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

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 18, 22 and 23.

(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 11.

32. PLEDGE OF ASSETS

At 31 March 2010, the following assets were pledged to banks for banking facilities of the Group:

	2010
	HK$'000
Bank deposits	3,531
Investment properties	10,300
Plant and machinery	17,616
	31,447

The pledge of assets has been released upon the cancellation of the relevant banking facilities during the year ended 31 March 2011.

33. OPERATING LEASES

The Group as lessee

	2011 HK$'000	2010 HK$'000
Minimum lease payments paid under operating leases recognised as an expense	**103,669**	73,346

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:

	2011 HK$'000	2010 HK$'000
Within one year	**62,707**	35,754
In the second to fifth year inclusive	**15,549**	11,564
	78,256	47,318

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.

The Group as lessor

Property rental income earned during the year was as follows:

	2011 HK$'000	2010 HK$'000
Rental income	**2,777**	2,473
Less: outgoings	**(22)**	(22)
	2,755	2,451

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

	2011 HK$'000	2010 HK$'000
Within one year	**2,669**	2,762
In the second to fifth year inclusive	**1,651**	4,210
	4,320	6,972

The properties generate rental yield of 10% (2010: 11%) on an ongoing basis. All of the properties held have committed tenants for the next two years.

34. CAPITAL COMMITMENTS

	2011 HK$'000	2010 HK$'000
Capital expenditure contracted for but not provided for in the consolidated financial statements in respect of		
– acquisition of property, plant and equipment	**45,441**	98,897
– construction of production plant	**374,304**	–
	419,745	98,897
Capital expenditure authorised for but not provided for in the consolidated financial statements in respect of		
– construction of production plant	**254,202**	800,000
– acquisition of property, plant and equipment	**1,547,619**	–
– lease premium for land	**134,125**	–
	1,935,946	800,000

35. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the entities in the Group 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 net debt, which includes bank borrowings disclosed in note 27, cash and cash equivalents disclosed in note 25 and equity attributable to owners of the Company, comprising issued share capital as disclosed in note 28 and reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital 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.

36. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2011 HK$'000	2010 HK$'000
Financial assets		
Derivative financial instruments	**1,997**	14,711
Loans and receivables (including cash and cash equivalents)	**1,968,339**	594,997
Financial liabilities		
Derivative financial instruments	**692**	984
Amortised cost	**270,678**	329,704

Financial risk management objectives and policies

The Group's major financial instruments include a loan to a jointly controlled entity, trade and other receivables, an amount due from a non-controlling interest shareholder of a subsidiary, trade and other payables, 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 (including those between Hong Kong dollars against United States dollars) are disclosed in respective notes. As Hong Kong dollars are pegged to United States dollars, the Group does not have material risk on such currency. 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.

At the end of the reporting period, the carrying amount of the Group's monetary assets, liabilities and advances to foreign operations within the Group denominated in currencies other than the respective functional currencies of the relevant group entities are as follows:

Assets

	2011 HK$'000	2010 HK$'000
US Dollars	**141,695**	129,431
HK Dollars	**151**	322
Euro	**122**	13

36. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liabilities

	2011 **HK$'000**	2010 HK$'000
HKD	**–**	60,000

In addition, the Group is exposed to foreign currency risk as a result of inter company advances in foreign currency, as follows:

	2011 **HK$'000**	2010 HK$'000
HKD	**520,000**	–

The following table details the Group's sensitivity to a 5% appreciation and depreciation in the functional currencies of the relevant group entities against the above foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items. The sensitivity analysis adjusts their translation at the year end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans as well as advance to foreign operations within the Group where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. A positive number below indicates an increase in post-tax profit where the functional currency of the group entity strengthens 5% against the above foreign currencies. For a 5% weakening of functional currency of the group entity against the above foreign currencies, there would be an equal and opposite impact on the profit for the year. The significant impact resulted from sensitivity analysis on foreign currency of RMB was due to advances to subsidiaries denominated in RMB, other than the functional currency of the relevant group entities.

	2011 **HK$'000**	2010 HK$'000
Increase (decrease) in profit for the year		
– HK Dollars	**21,704**	2,492
– US Dollars	**(5,916)**	(5,404)
– Euro	**(5)**	(1)

Details of foreign currency forward contracts entered into by the Group as at the end of reporting period are set out in note 24. 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.

36. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

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 bank loans, cash and cash equivalents are at floating rates or at prevailing deposit rates. 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.

The sensitivity analysis below has been determined based on the exposure to interest rates on the Group's variable rate borrowings, pledged bank deposit and bank balances at the end of the reporting period and prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point increase or decrease is used by management for the assessment of the reasonably possible change in interest rates.

If interest rates on bank deposits had been 50 basis point higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2011 would increase/decrease by HK$6,311,000 (2010: HK$1,263,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank deposits.

If interest rates on bank loans had been 50 basis point higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2011 would decrease/increase by HK$73,000 (2010: HK$614,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank loans.

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 follows: 7% (2010: 9%) and 25% (2010: 25%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively, which are engaged in trading of sofa segment. Apart from delegating a team for determining the credit limits, credit approval and other monitoring procedures on customers, the Group also explores new markets and new customers in order to minimise the concentration of credit risk. Other than the above, no other concentration of credit risk exists on Group's trade receivables.

36. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

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 the Group's remaining contractual maturity for its non-derivative financial liabilities. 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. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The tables includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from the 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 (inflows) and 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 amount is retranslated to Hong Kong dollars for the presentation in the liquidity 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.

Liquidity tables

	Weighted average effective interest rate %	On demand or 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 2011							
Non-derivative financial liabilities							
Trade and other payables	–	253,178	–	–	–	253,178	253,178
Bank borrowings – variable rate	2.3	17,500	–	–	–	17,500	17,500
		270,678	–	–	–	270,678	270,678
Derivatives – net settlement							
Foreign currency forward contracts (liabilities)		700	–	–	–	700	692

36. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk management (Continued)

Liquidity tables

	Weighted average effective interest rate %	On demand or 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

36. FINANCIAL INSTRUMENTS (Continued)

Fair value measurement of financial assets and financial liabilities

An analysis of financial instruments that are measured subsequent to initial recognition at fair value is set out below, 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).

	2011 HK$'000	2010 HK$'000
Level 2		
Derivative financial assets	**1,997**	14,711
Derivative financial liabilities	**(692)**	(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; and
- 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 values of financial assets and financial liabilities carried at amortised cost in the consolidated financial statements approximate their carrying amounts.

37. SHARE OPTION SCHEMES AND SHARE AWARD SCHEME

Share option schemes

Pursuant to a resolution passed on 26 April 2005, the Company adopted a share option scheme (the "Old Share Option Scheme"). The Old Share Option Scheme was cancelled subsequent to the delisting of the Company from the Singapore Exchange Securities Trading Limited during the year ended 31 March 2010. No options were granted under the Old Share Option Scheme prior to the cancellation.

On 5 March 2010, a new share option scheme 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.

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 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. 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.

37. SHARE OPTION SCHEMES AND SHARE AWARD SCHEME (Continued)

Share option schemes (Continued)

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 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.

On 18 October 2010, 4,100,000 share options with exercise price of HK$10.18 per share were granted to Mr. Stephen Allen Barr, an executive director of the Company, under the New Share Option Scheme. The estimated fair value of the share options granted is HK$19,208,000

The share options granted are exercisable in two batches, being:

- 18 April 2012 to 17 October 2020 (2,100,000 share options granted are exercisable)
- 18 October 2015 to 17 October 2020 (all share options granted are exercisable)

37. SHARE OPTION SCHEMES AND SHARE AWARD SCHEME (Continued)

Share option schemes (Continued)

The following table discloses details of movements of the Company's share options during the year:

Grantee	Date of grant	Vesting period	Exercisable period	Exercise price per share HK$	Number of share options: Outstanding at 1.4.2010	Granted during the year	Lapsed during the year	Exercised during the year	Outstanding at 31.3.2011
A director	18.10.2010	18.10.2010 – 17.4.2012	18.4.2012 – 17.10.2020	10.18	–	2,100,000	–	–	2,100,000
		18.10.2010 – 17.10.2015	18.10.2015 – 17.10.2020	10.18	–	2,000,000	–	–	2,000,000
					–	4,100,000	–	–	4,100,000
Exercisable at end of the reporting date									–

37. SHARE OPTION SCHEMES AND SHARE AWARD SCHEME (Continued)

Share option schemes (Continued)

The closing price of the Company's shares immediately before the date of grant of the options was HK$10.18 and the estimated fair values of the options at the date of grant ranged from HK$4.58 to HK$4.79 per option. These fair values were calculated using the Binomial Option Pricing model after taking into account the different vesting periods. The assumptions used for the calculation are as follows:

Closing share price at date of grant	HK$10.18
Exercise price	HK$10.18
Suboptimal exercise factor	2.2
Expected volatility	52.468%
Expected dividend yield	2.89%
Risk free rate	2.54%

The variables and assumptions used above are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The Group recognised an expense of HK$3,742,000 for the year ended 31 March 2011 in relation to the share options granted by the Company.

Share Award Scheme

The Company adopted a share award scheme (the "Share Award Scheme") on 27 January 2011 (the "Adoption Date") with a duration of 10 years commencing from the Adoption Date. The objective of the Share Award Scheme is to recognise the contributions by certain directors, employees of the Group (the "Selected Participants") and to give incentive to them in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group. The Company has set up the Employees' Share Award Scheme Trust (the "Trust") to administer and hold the Company's shares before they are vested and transferred to the Selected Participants. Upon granting of shares to Selected Participants, the Trust purchases the Company's shares being awarded from the open market with funds provided by the Company by way of contributions. 100% of awarded shares of the Company and the related income derived therefore are vested on the third anniversary date of the grant date. Vesting of the awarded shares of the Company and related income will be conditional on the Selected Participants remaining an employee of the Group until and on each of the relevant vesting dates and his/her execution of the relevant documents to effect the transfer from the Trustee within the period stipulated. An award shall automatically lapse forthwith when a Selected Participant ceases to be an employee of the Group, or the subsidiary employing the Selected Participant ceases to be a subsidiary, or an order for the winding-up of the Company is made or a resolution is passed for the voluntary winding-up of the Company.

37. SHARE OPTION SCHEMES AND SHARE AWARD SCHEME (Continued)

Share Award Scheme (Continued)

Where the awarded shares of the Company do not vest in accordance with the Share Award Scheme, the Trust shall hold such shares of the Company and the related income for the benefit of one or more employees of the Group as it determines in its discretion, after having taken into account the recommendations of the board of directors of the Company. Details of the movements in the number of shares granted by the Company to employees of the Company during the year are as follows:

Category	**Date of grant**	**Fair value per share** (Note) HK$	**As at 1.4.2010**	**Granted during the year**	**As at 31.3.2011**
Employees	11 February 2011	12.34	–	350,800	**350,800**

Note: The fair value of the awarded shares was calculated based on the closing price of HK$12.34 per share on the date of grant.

The equity-settled share-based payments charged to the profit or loss was HK$244,000 for the year ended 31 March 2011 (2010: nil).

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries as at 31 March 2011 and 2010 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 2011	2010	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 2011	2010	Principal activities
Indirectly owned (Continued)					
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$82,000,000	**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$142,000,000	**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	RMB4,000,000	**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	RMB13,000,000	**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	RMB1,500,000	**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	RMB4,000,000	**100%**	100%	Trading of sofa and other furniture
Wuhan Man Wah Home Furnishing Co., Ltd.*2 武漢敏華家具有限公司	The PRC	RMB21,500,000	**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 2011	2010	Principal activities
Indirectly owned (Continued)					
Shanghai Man Wah Furniture Co., Ltd.* 2, 3 ("Shanghai Man Wah") 上海敏華家具有限公司	The PRC	RMB1,000,000	**N/A**	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	RMB1,500,000	**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	RMB3,500,000	**100%**	100%	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%**	100%	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%**	100%	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%**	100%	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	RMB1,500,000	**100%**	100%	Trading of sofa and other furniture
Ningbo Carnival Home Furnishing Co. Ltd* 2, 4 寧波嘉年華家具有限公司	The PRC	RMB1,500,000	**100%**	N/A	Trading of sofa and other furniture
Changqin King Famous Bedding Furniture Co., Ltd* 2, 4 重慶金雅典家具有限公司	The PRC	RMB2,500,000	**100%**	N/A	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 2011	2010	Principal activities
Indirectly owned (Continued)					
Xiamen King Famous Bedding An Lan Da Furniture Co., Ltd.*2,4 廈門金雅典家俱有限公司	The PRC	RMB1,500,000	**100%**	N/A	Trading of sofa and other furniture
Man Wah Furniture(s) Singapore Pte. Ltd.[4]	Singapore	SGD800,000	**80%**	N/A	Trading of sofa and other furniture
Famous Bedding 雅典床具有限公司	Hong Kong	HK$100	**100%**	100%	Investment Holding
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%**	100%	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%**	100%	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	RMB3,500,000	**100%**	100%	Trading of mattress
Shenzhen An Lan Da Furniture Co., Ltd.*2 深圳安蘭大家具有限公司	The PRC	RMB2,000,000	**100%**	100%	Trading of mattress
Guangzhou An Lan Da Furniture Co., Ltd.*2 廣州安蘭大家具有限公司	The PRC	RMB2,000,000	**100%**	100%	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.
2 These companies were established in the PRC in the form of domestic enterprise.
3 Shanghai Man Wah was liquidated on 15 July 2010.
4 Being newly incorporated during the year ended 31 March 2011.

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	Medium	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				
	2007 HK$'000	2008 HK$'000	2009 HK$'000	2010 HK$'000	**2011** **HK$'000**
	(restated)	(restated)	(restated)		
RESULTS					
Revenue	884,870	1,543,089	1,963,837	2,932,217	**3,808,210**
Profit before income tax	101,973	202,700	249,452	668,912	**680,714**
Income tax expense	(5,044)	(5,553)	(21,408)	(51,567)	**(59,412)**
Profit for the year	96,929	197,147	228,044	617,345	**621,302**
Attributable to					
– Owners of the Company	94,945	194,089	223,509	605,799	**622,296**
– Non-controlling interests	1,984	3,058	4,535	11,546	**(994)**
	96,929	197,147	228,044	617,345	**621,302**
Earnings per share					
– Basic (HK cents)	HK$13.52	HK$27.47	HK$31.63	HK$85.09	**HK$64.46**
– Diluted (HK cents)	N/A	N/A	N/A	N/A	**HK$64.45**

	As at 31st March				
	2007 HK$'000	2008 HK$'000	2009 HK$'000	2010 HK$'000	**2011** **HK$'000**
	(restated)	(restated)	(restated)		
ASSETS AND LIABILITIES					
Total assets	652,199	1,050,669	1,226,747	1,668,971	**3,525,044**
Total liabilities	(210,895)	(431,936)	(412,495)	(518,339)	**(430,309)**
	433,304	618,733	814,252	1,150,632	**3,094,735**
Equity attributable to owners of the Company	438,440	613,470	804,245	1,150,632	**3,094,607**
Non-controlling interests	2,864	5,263	10,007	–	**128**
	441,304	618,733	814,252	1,150,632	**3,094,735**

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.